MARKET ORIENTATION, MARKETING PRACTICES, FIRM CHARACTERISTICS, EXTERNAL ENVIRONMENT AND PERFORMANCE OF TOUR FIRMS IN KENYA

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DECLARATION

I declare that the work contained in this doctoral thesis is my original work and has not been presented for a degree in any other university or institution.

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To my parents Jesse Njeru and Brace Mwendia

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ABSTRACT

The study objectives were to assess the relationship between market orientation and performance; examine the influence of firm characteristics on performance; assess the influence of external environmental factors on performance and establish the moderating effect of external environmental factors on the relationship between market orientation and performance. The study also sought to establish the moderating effect of firm characteristics on the relationship between market orientation and marketing practices;assess the mediating effect of marketing practices on the relationship between market orientation and performance and finally, establish the joint effect of market orientation, marketing practices, firm characteristics, external environmental factors on performance. The pertinent hypotheses were derived from the objectives. The study population comprised 104 tour firms. A descriptive cross-sectional survey was used. Primary data were collected using semi-structured questionnaires. Data were analyzed using descriptive statistics, inferential statistics and regression analysis. The results of the study revealed that market orientation influences performance. The relevant results also showed that the external environmental factors directly influence performance and also moderate the relationship between market orientation and performance. In addition, the results revealed that the marketing practices partially mediate the relationship between market orientation and performance. The results showed that firm characteristics do not influence firm performance nor moderate the relationship between market orientation and marketing practices. Finally, the joint effect of market orientation, marketing practices, firm characteristics and external environmental factors was greater than the individual effects of the independent, intervening and moderating variables on performance. The study has made contribution to theory, policy and practice in relation to marketing in general and market orientation specifically. The study offered further clarification into the relationship between market orientation, marketing practices, firm characteristics, external environmental factors and performance. The research was not without limitations. The selection of the study variables was not exhaustive. The use of subjective performance measures, a relatively small population, use of a descriptive cross-sectional research design and single key-informant approach, testing of market orientation as a single concept put constraints on the generazability of the results. Future research should seek to address these limitations by inclusion of the additional factors, use of a longitudinal research design, objective performance measures, multiple informant approach and testing of market orientation as a configuration concept. Replication of the study and examining the relationship between market orientation and other strategic business orientations, marketing and competitive strategies could serve as a useful reference for future research.

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ABBREVIATIONS AND ACRONYMS

CRM	Customer Relationship Management
DC	Dynamic Capabilities
GDP	Gross Domestic Product
INDUSTRUCT	Industry Contruct
IO	Industrial Organisation
KATO	Kenya Association of Tour Operators
MAKTOR	Market Orientation
OA	Organisational Assessment
RBV	Resource Based View
SBU	Strategic Business Unit
SME	Small and Medium Enterprises
UK	United Kingdom
USA	United States of America
USD	United States Dollars

CHAPTER ONE
INTRODUCTION

Chapter one introduces the study. The chapter covers the conceptual and contextual background to the study, research problem and objectives of the study. The chapter also covers the value and organization of the study.

1.1 Background to the Study

Market orientation has been recognized by scholars and practitioners as the cornerstone of modern marketing thought, a key source of competitive advantage and determinant of superior firm 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 and 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 and Jaworski, 1990).

The business environment is continuously changing among consumers, within the firms and the environment and these changes have an effect on firm performance.. These changes need to be evaluated to minimize the risks involved in any decision-making (Seaton and Bennet, 1998). Market orientation is important because the firm focuses on collecting information about target customers needs and competitors' capabilities continually and using this information to create superior customer value continually (Slater and 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 market orientation is grounded on the marketing concept and forms the foundation of the marketing management paradigm (Kirca, Jayachandran and Bearden, 2005). According to Kotler (2003), firms that operate according to the marketing concept create profits through customer satisfaction. The marketing concept as a business philosophy is where superior business performance is considered to be the outcome of being more effective in anticipating and satisfying customer needs better than competitors (Kohli and Jaworski, 1990). Deshpande and Webster (1989) delineate the marketing concept as a distinct organizational culture, a fundamental shared set of beliefs and values that put the customer in the core of the firm's thinking about strategy and operations.

Specifically, this is the closest the field of marketing management has reached to attaining its own competitive theory in view of the fact that the marketing concept and market orientation concept and theory aim at explaining why some firms achieve superior performance outcomes better than their competitors (Van Raaij and Stoelhorst, 2008) At the firm level, a market-oriented firm is presumed to have superior market sensing, customer-linking capabilities that lead to superior firm performance than less market-oriented firms (Agarwal, Krishna and Chekitan, 2003).

Businesses operate in an environment. The extant literature suggests that the role of the competitive environment is an emerging area of interest in the strategic marketing (O'Cass, Weerawardena and Craig, 2004). The industrial organizational (IO) view and the Resource Based View (RBV) and its extension the Dynamic Capabilities view (DC) have been viewed as complementing each other in explaining a firm's performance (Amit and Schoemaker, 1993). Hooley, Piercy and Nicoulaud (2008) argue that the RBV and IO approaches can be combined to their mutual benefit. Porter (1985) exemplified the IO view and suggested that some firms are inherently more attractive than others and that the forces driving industry competition are the key determinants of superior firm profitability.

Tourism has been considered as one of the world's largest economic sectors and the world's largest generator of wealth and employment contributing approximately 9% of the global Gross Domestic Product (GDP) and 8% of the 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 Ksh.73, 700 billion to Ksh.97, 900 billion in 2011. Thereafter, there was a marked decline by 1.9 per cent to stand at Ksh.96 billion in 2012. International visitor arrivals increased from 1.608.1 million in 2010 to 1.822.9 million in 2011 and a decline in 2012 to stand at 1,710.8 million. Domestic tourism recorded slowed growth in the last three years. 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 (Kenya National Bureau of Statistics, 2013). The performance of tourism has been constrained by factors such as slow-down in the global economy, negative travel advisories 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. The Economic pillar aims at achieving and sustaining an average GDP growth rate of 10 per cent per annum beginning 2012. Other pillars include the social and political governance (Kenya Vision 2030).

On the other hand, 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 tourism industry is an umbrella industry with different types and sizes of businesses such as accommodation and transportation providers, catering and entertainment providers, tour firms and travel agencies. Tour firms have been identified as the 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 have continued 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 invariably 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. There is scarcity of empirical and conceptual market orientation and performance studies in a Kenyan context. Specifically, there are limited studies on market orientation and firm performance studies on tour firms in Kenya.

1.1.1 Market Orientation

Extant literature contains several diverse definitions and operationalization of market orientation. According to Shapiro (1988), market orientation is a decision-making process encompassing all the aspects of an organization from information gathering to execution at the functional and divisional level. Narver and Slater (1990) view market orientation from a cultural dimension. They define market orientation as the firm's culture that creates the necessary behavior for the creation of superior value for buyers and continuous superior firm performance most effectively and efficiently. They developed a conceptualization of market orientation as a one-dimension construct consisting of the conceptual interrelation of three components: customer orientation, competitor orientation and inter-functional coordination and two decision criteria, profitability and long-term focus.

Customer orientation is the firm's understanding of the current and probable future needs of its current and potential target customers in a given market. Competitor orientation is the firm's ability to understand and identify short-term strengths and weaknesses and long term capabilities and strategies of its current and future competitors. Inter-functional coordination is the firm's commitment to share information and resources efficiently across the different functions of the firm and timely response to create superior customer value. They further suggest that in such firms, employees pay attention to service delivery and spend considerable time with their customers. In addition, they argue that the three components are the responsibility of all departments and staff members in the entire firm must focus on the customer in order for the firm to be successful in creating superior customer value. The long-term focus and profit-driven criteria refers to the need for a firm to develop its market information collection competencies keeping a long-term perspective in terms of allocating the scarce resources while expecting profitable results.

The marketing concept forms the conceptual base for developing a definition of market orientation. Kohli and Jaworski (1990) assert that a market-oriented firm is one which successfully applies the marketing concept and views market orientation from a behavioral perspective. They conceptualized market orientation as the organizational wide generation of market intelligence pertaining to current and future needs of customers, dissemination of intelligence within an organization and responsiveness to it. Market intelligence generation consists of activities that relate to the collection and assessment of customer needs and the forces that influence those intelligence needs. This entails an analysis of how customers may be affected by government regulations, competitor strategies, technological advancements and other environmental forces. Intelligence dissemination relates to the vertical and horizontal dissemination of market intelligence to departments and individuals within the firm through formal and informal channels while responsiveness relates to the concerted actions taken as a result of generation and dissemination of market intelligence. They argue that information generation, dissemination and responsiveness activities are likely to be either formal and/or informal and that the entire firm should be involved.

Ruekert (1992) adds an explicit focus on strategic planning by business units and define market orientation as a process where strategic business units obtain and use information regarding its customers, develop and implement such a strategy by being responsive to the customer needs and wants. On their part, Deshpande, Farley, and Webster (1993) depict market orientation as being synonymous with customer orientation and distinguishable from competitor orientation. They assert that customer orientation is the set of beliefs that puts the customer’s interests first while not excluding those of other stakeholders such as owners, managers and employees in order to develop a long-term profitable organization. According to Day (1994), market orientation represents superior skills in understanding and satisfying customers. On their part, Deshpande and Farley (1998) described market orientation as a set of cross functional processes and activities directed at creating and satisfying customers through continuous needs assessment. They further argue that the key to successful business firm arises from determining the needs and wants of customers and satisfying these needs more effectively than the competition.

Stoelhorst and Van Raaij (2004) posit that over the years, the marketing concept has served as marketing's implicit theory of the firm by relating performance differentials between firms to their degree of market orientation. According to Moloney, Fahy and McAller (2005), the marketing concept is a business philosophy that centres on the importance of having a deep appreciation for the customers so that the firm can match or exceed the needs of the intended market better than competition and as a result provide the firm with a continued competitive advantage in the market place. Homburg and Pflesser (2004) propose a multi-layer model of market orientation which consists of four distinguishable but interrelated components such as values, norms, artifacts and behavior.

Despite the diverse perceptive of what constitutes the market orientation construct, there is a significant level of agreement among scholars and researchers affirming the seminar contributions of Kohli and Jaworski (1990) and Narver and Slater (1990) as having the far most focal impact on the development of the market orientation discourse. While there are several available scales for measuring market orientation, Narver and Slater's (1990) MKTOR, and Kohli and Jaworski's (1990) MARKOR are the most frequently cited scales in the marketing literature(Rojas-Mendez, Kara and Spillan, 2006). In this study, Narver and Slater's (1990) MKTOR scale was used to measure market orientation. The decision was based on previous scholars who suggest that Narver and Slater's (1990) definition of the market orientation concept is conceptually and operationally appealing as it summarizes the main market orientation aspects by Kohli and Jaworski, assesses the firm's cultural values and strategic perspective while capturing the concern of both customers and competitors (Deshpande et al.,1993; Wrenn, 1997). Mavondo and Farrell (2000) found that Narver and Slater's (1990) operationalization is superior in generalizability and has been understood across diverse industries and countries. Besides Cadogan and Diamantopoulos (1995) argued that there exists considerable conceptual overlap between the Narver and Slater (1990) and Kohli and Jaworski (1990) approaches except for the responsiveness and customer and competitor orientations.

1.1.2 Marketing Practices

Marketing is a business practice that focuses on the importance of having a profound appreciation for the customer so that the marketer can match or surpass the needs of the intended customer better than the competition and as a result provide the firm with a sustainable competitive advantage (Moloney et al., 2005). Marketing mix is a fundamental concept in marketing, a major determinant of any firm's short and long-term success and a differential advantage in any marketing environment.

Extant literature shows that different scholars have defined the marketing practice as marketing capabilities, marketing competencies, marketing efficiency, marketing strategies and marketing orientation amongst others (Avlonitis and Gournatis, 1999). According to Kotler (2003), marketing strategies are procedures by which firms react to situations of market and internal forces that enable firms to achieve their goals and objectives in their target markets through product, price, place and promotion decisions. Ellis (2005) contends that marketing practices comprises the firm's management of the marketing mix variables, the value of its market research, the appropriateness of its positioning strategies and the nature of its marketing goals.

Most firms have adopted the traditional concept of marketing mix elements which consists of the product (the process by which firms develop and manage product and service offering), price (the firm's ability to extract the optimal returns from its customers), place (the firm's ability to establish and maintain distribution channels that deliver products and services to the customer effectively and efficiently) and promotion (the firm's ability to manage customer value perception through marketing communications. Nevertheless, some scholars include additional variables to make the marketing mix variables more meaningful (Moghaddam and Foroughi, 2012). Aremu and Bamiduro (2012) posit that to satisfy customer needs and wants, firms should develop sound and profitable marketing practices which comprise product, price, and distribution and promotion policies for the target group. Supporting this view, Ghouri, Khan, Malik and Razzaq (2011) opine that efficient practice of implementing marketing practices can contribute to the growth of businesses in terms of sales volumes, goodwill, market share and a firm's competitiveness. Firms with a well-integrated marketing programme can transform resources into valuable inputs which enable firms to achieve a competitive advantage (Day, 1994; Vorhies and Morgan, 2005).

One of the challenges that managers face today is the inability to demonstrate the effectiveness of their marketing activities (O'Sullivan, Abela and Hutchinson, 2009). Marketing practices focus more on the actual effective and efficient execution of the marketing function by the marketing department or division within the firm. A firm's marketing practices can influence customer thoughts, feelings, knowledge and ultimately the purchase decisions which in turn influence firm performance. In this study, the term marketing practices is used to refer to the implementation of the marketing activities by the firm so as to achieve a competitive advantage and enhance performance of tour firms in Kenya.

1.1.3 Firm Performance

The extant literature lacks an agreement on the unique definition of the term performance and the indicators of measuring firm performance are not universally identified and defined (Venkatraman and Ramanujam, 1986). Previous scholars and researchers have often used a special definition tailored to fit the individual research purpose (Langfield-Smith and Chenhall, 2007). According to Ukko (2009), performance may relate to actual results or outputs of certain activities, how the activity is carried out or the potential for the activities. Performance can be divided into three domains: financial performance, business performance and organizational effectiveness.

Financial performance focuses on the use of simple outcome-based financial indicators, whereas business performances comprise the indicators of non-financial indicators in addition to indicators on financial performance (Venkatraman and Ramanujam, 1986). Performance can also be defined in terms of effectiveness and efficiency or examined through the perspectives presented in different frameworks, such as the Balanced Scorecard (financial, customer, internal process, and learningand growth) or Performance Prism comprising stakeholder satisfaction, strategies, processes, capabilities and stakeholder contribution (Kaplan and Norton, 1996; Bourne, Neely, Mills, and Platts, 2003).

Performance measurements have been viewed differently by scholars and researchers. Dornier and Selmi (2012) identified three types of factors determining firm performance: environmental factors, organizational and human factors. Environmental factors include the characteristics of the industry in which a firm operates and include factors such as the industry annual growth level, the concentration degree of the industry, the capital intensity, the advertisement intensity, the average profit of the industry and the technological change. The organizational factors include organizational structure, company structure, company size, company culture amongst others that explain approximately 30% of firm performance. Human factors include the firm's chairman and the management and that they explain between 9% and 40% of firm performance.

Firm performance includes measures such as the financial criteria in the short-run or in the short and long-term, financial and qualitative criteria (strategic, marketing and social) and the comparative evaluation (Dornier and Selmi, 2012). The performance outcomes vary depending on how a firm's performance is defined for instance return on investment, enhancing sales, market share and the settings studied for instance, service firms, industrial firms and manufacturing firms (Kara, Spillan and DeShields, 2004). Bourne et al., (2003) define performance measurement as the process of quantifying the efficiency and effectiveness of action. They argue that effectiveness is the extent to which customer requirements are met, while efficiency is a measure of how cost-effectively the firm's resources are utilized when providing a given level of customer satisfaction.

Kaplan and Norton's (1996) balance scorecard point out that firm performance is viewed as a multi-dimensional construct and should include financial, operational and customer-related performance measures. Venkatraman and Ramanujam (1986) classify performance measures according to different firm levels such as financial indicators (purely economic indicators), non-economic indicators (such as market share), product development or production efficiency and firm effectiveness. On their part, Lusthaus, Adren, Anderson and Carden (1999) propose the organizational assessment (OA) framework to measure firm performance. They suggest that performance can be measured on effectiveness, efficiency, relevance and financial viability dimensions. They define effectiveness as the degree to which a firm moves towards the attainment of its mission and realization of its goals; efficiency as the firm's ability to maximize the use of resources to reach its purpose; relevance as the ability to change to meet stakeholder requirements over time and financial viability as the ability to generate and manage resources adequately to ensure ongoing existence. According to Ruekert and Walker (1987), firm performance is based on three dimensions; effectiveness (success of procedures such as changes of sales growth rate and market), efficiency (ratio of input to output such as investment return and pre-tax profit) and adaptability (responsiveness to opportunities afforded by changes in the business environment for example, number of new products that succeed during a particular time). Rust, Ambler, Carpenter, Kumar and Srivastava (2004) contend that firm performance outcomes result from market successes or when market positions are achieved and fundamental changes occur over time.

Economic and non-economic performance measures have been considered over time in an effort to assist marketers fully understand the performance consequences of their strategies (Matsuno and Mentzer, 2000). Economic firm performance dimensions in the market orientation literature include measures such as return on investment, return on assets, profit, sales volume, market share, revenues, product or service quality and overall financial position. Non-economic factors encompass measures such as customer loyalty, customer satisfaction, employees' organizational commitment and *esprit de corps,* company image and social acceptance (Narver and Slater, 1990; Jaworski and Kohli, 1993).

According to Chakravarthy (1986), performance is a multidimensional construct composed of various related elements. Previous scholars have argued that although financial measures have been widely used to measure firm performance, they do not sufficiently approximate the actual firm performance and should be supplemented by other subjective measures for a comprehensive representation of performance (Day and Wensley, 1998). The objective performance measures are based on absolute indicators generated through the accounting process and include growth in sales, growth in profitability and return on investment while subjective performance measures include performance of the firm relative to their own expectations or their competitors (Chakravarthy, 1986; Pelham and Wilson, 1996). Top management's subjective evaluation of performance has been found to be highly correlated with objective measure (Baker and Sinkula, 2005; Dess and Robinson, 1984).

Kirca et al., (2005) posit that the consequences of market orientation are structured around four categories; customer consequences, innovation consequences, employee consequences and organizational performance. Organizational performance measures consist of cost-based measures such as profit measures and revenue-based measures such as sales and market share. Customer consequences comprise the perceived quality of products or services that a firm provides the customer (Jaworski and Kohli, 1993). Market orientation also enhances customer satisfaction and loyalty as market-oriented firms are well-positioned to anticipate customer needs and offer goods and services to satisfy those needs (Slater and Narver, 1994b). Innovation consequences include factors such as the firm's ability to create and implement new ideas, products and processes and new product performance. For employee consequences, market orientation enhances employee's willingness to sacrifice for the organization and employee team spirit; the motivation of employees to satisfy customer needs and employee job satisfaction (Kirca et al., 2005).

Previous studies have used subjective measures of performance on the market orientation-performance relationship (Kumar et al., 1998; Pelham, 1993). In the current study, the tour firm performance measurement was primarily subjective comprising customer satisfaction, employee satisfaction, customer retention effectiveness, efficiency, relevance and financial viability. The study used the subjective measure of relative performance as previous studies have shown the convergent validity of subjective and objective performance measures and subjective performance assessments have been found to less be problematic than more objective financial measures as the latter may be biased by the purpose for which they are produced (Zhoul, Brown, Dev and Agarwal, 2007).

1.1.4 Firm Characteristics

Zou and Stan (1998) describe firm characteristics as a firm's demographic and managerial variables, which in turn comprise part of the organization's internal environment. In a firm specific context, a firm's capabilities and constraints greatly influence the choice of marketing strategy and ability to execute a chosen strategy (Aaker, 1988).

According to O'Sullivan, et al., (2009), firm characteristics such as the age of the firm, measured by the number of years the firm has been in operation, the size of the firm measured by the numbers of employees and the firms' ownership structure have been used. These characteristics can influence management decisions and the marketing strategies adopted by a particular firm. Ogbuei and Longfellow (1994) posit that management characteristics and attributes such as the manager's level of education and work experience may affect the level of firm performance. In this study, firm characteristics consist of the tour firms' demographic characteristics and managerial characteristics which are assumed to influence the choice of the market orientation, marketing practices that will eventually influence the firm performance.

1.1.5 External Environment

Businesses operate in an environment and the contexts in which they operate constitute their business environments. There is no consensus on how organizational environments should be evaluated and measured. Kohli and Jaworski (1990) proposed a competitive environment to include factors such as competitive intensity, market turbulence and technological turbulence. Market turbulence is the focus on the changes in composition of a firm's customers and the changing customer tastes and preferences. Technological turbulence is the rate of technological change used to products. Competitive intensity is the willingness and ability of competitors to modify their marketing mix decisions to gain competitive advantage (Song and Parry,2009). According to Kumar, Subramanian and Yauger (1998) the business environment consists of physical and social factors external to the firm that act as inputs to the firms' decision-making process. The firms' external environment can provide opportunities for growth, development value, wealth creation and threats (Obiwuru, Oluwalaiye and Okwu, 2011). The external environment is important since managers may respond to and develop strategies based on their perceptions of the environmental constituencies and trends (O'Cass, Weerawerdena and Julian, 2004). Lusthaus et al., (1999) argue that a firms' external environment can be viewed from administrative, legal, political, socio-cultural, economic, and technological and stakeholder's dimensions.

According to Porter (1980), the level of competition in an industry, the behaviuor of existing firms and the structure of the industry environment can influence firm performance. The five competitive forces comprising: bargaining power of buyers, bargaining power of suppliers, rivalry among existing firms, threats of new entrants and the threat of substitute products model forms a basis for the analysis of industry structure and competition in strategic marketing. Similarly, Pecotich, Hattie and Low (1999) developed the industry construct (INDUSTRUCT) model based on Porter's five competitive forces formulation to measure the perceptions of industry structure.

1.1.6 Tourism in Kenya

In Kenya, the tourism industry is one of the fastest growing sectors, the second largest contributor to the Country's GDP. The sector currently accounts for approximately 21 per cent of total foreign earnings and 12 per cent of GDP. The tourism sector has recorded remarkable growth in the last three years. The sector recorded total earning of Ksh.73.7 billion and Ksh.97.7 billion in 2010 and 2011 respectively. In 2012, the receipts accruing to the tourism sector decreased by 1.9 percent to stand at Ksh. 96 billion (Kenya National Bureau of Statistics, 2013). This can be attributed to exogenous variables such as slow-down in the global economy in the Euro Zone and negative travel advisories resulting from terrorist attacks among others. In 2011, the sector contributed to approximately 11.9 per cent of total employment with a forecast to support 11.0 per cent of total employment by 2022, an increase 1.4 per cent per annum over the period (WTTC, 2012). The tourism sector also creates linkages with other sectors of the economy thus facilitating economic growth. Kenya aims to be one of the top ten long-haul tourist destinations globally. To achieve this objective, the country has to increase the global and African market share by offering new, differentiated products and services and enhance its strategic marketing outlook (Kenya Vision 2030).

Tour firms occupy a strategic position in the delivery of the tourism product. They purchase the tourism product and service in bulk from providers such as hotels, airlines and assemble them into holiday packages which are then sold directly to the customer (Budeanu, 2009). Tour firms also play a critical marketing role of promoting the holiday products and services to the tourist customers who rely on them to make informed purchase decisions. Operating in a highly competitive environment, tour firms must distinguish themselves through their marketing practices, internal operations and the advantages offered by the tourism destinations to add value to their products and boost their returns (Crouch and Ritchie, 1999). However, despite the key role that tour firms play in delivery of tourism products in Kenya, they might deem it unnecessary to be market-oriented and see no need to adopt the market orientation concept and assume that market orientation is a concept applicable to the large firms.

The Kenya Tour Operators Association (KATO) is a tourism trade association that represents the interests of professional tour firms (KATO, 2012). To remain competitive and meet their performance objectives, tour firms need to be equipped with first-hand knowledge in the external environment and implement strategic marketing strategies for superior performance. In this study, the terms tour firm and tour operator were used interchangeably.

1.2 Research Problem

Firms seeking to remain competitive and achieve superior firm performance have to anticipate what their customers want and at the same time determine if they are satisfied with the firm's products and services. This study is anchored on the Resource-Based View of the firm and its extension the Dynamic capabilities view. The RBV is concerned with the diverse internal attributes of a firm and considers firms as bundles of resources (Barney, 1991) while Dynamic capabilities entails the firm's abilities to integrate, build and reconfigure internal and external competences to address rapidly changing environments (Teece et al., 1997). Market orientation has been viewed as the extent to which firms behave or are inclined to behave according to the marketing concept. The marketing concept suggests that the long-term purpose of a firm is to satisfy customer needs and wants while maximizing firm profits (Kohli and Jaworski, 1990).

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 implement the marketing concept which states that for firms to achieve business goals and objectives, they 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 to different measurements and firm performance implications. In addition, research findings have been contradictory and mixed. In this regard, the specific relationships between market orientation, marketing practices and firm performance have not been delineated explicitly.

Tourism has been viewed as one of the world's largest economic sectors yet it is characterized by highly competitive environment and sensitive to price changes. According to Morgan, Pritchard and Piggott (2002), seventy per cent of the world's tourists visit ten major world tourist destinations leading to increased competition for the less known destinations. In Kenya, the tourism industry has been identified as a key sector of the economic pillar of the Kenya Vision 2030, whose aim is to transform Kenya into a modern, globally competitive middle income economy. Tour firms play a key role in the tourism industry as they act as intermediaries between suppliers of accommodation, transport, leisure services and customers.

The extant marketing literature is replete with theoretical and empirical studies describing the importance of market orientation to firm performance with differing opinions on the nature and focus of the market orientation business performance relationship. The result on previous studies on how market orientation influences performance is still inclusive. For instance, some empirical investigations indicate significant positive relationships between market orientation and subjective performance measures (Slater and Narver, 1994; Avlonitis and Gounaris, 1999) and objective firm performance (Ruekert, 1992; Diamantopoulos and Hart, 1993), while other studies reveal a positive association for subjective measures but not objective measures (Jaworski and Kohli, 1993; Rose and Shoham, 2002). Some studies have revealed a weak association (Au and Tse, 1995) or non-significant relationships (Greenley, 1995) while other studies report that the market orientation and performance are not significant (Han, Namwoon and Srivastava, 1998; Tse, 1998), other studies suggest that market orientation has a negative effect on firm performance (Hassim, Abdul-Talib and Baker, 2011).

Most of market orientation and performance studies have been carried out in large manufacturing firms in the developed economies. There are limited empirical studies on market orientation in Kenya and other Sub-Saharan Africa questioning its generalizability in different contexts (Winston and Dadzie, 2002; Nkowah, 2008; Langat et al., 2012). The current study sought to replicate and extend the market orientation and performance relationship under differing market conditions in Kenya. Further, given the differences in findings among previous research, there is a need to establish the hypothesized relationship between market orientation and firm performance in a less developed or developing environment such as Kenya.

The constraints of conceptualization and operationalization relating to market orientation, marketing practices, external environment, firm characteristics and performance in an integrated framework form the basis of the study. Kenyan tour firms face many challenges such as limited resources, their owners and/or managers may lack marketing skills and expertise and are unlikely to conduct any formal marketing research which may affect their business decisions. The external environment in which they operate is also significantly different from the environment in previous studies which were largely on large manufacturing firms in developed economies. This study aimed to contribute to the understanding of the relationship between market orientation and performance of tour firms in Kenya by assessing the mediating effect of marketing practices and the moderating role of external environmental factors on such a relationship. The study was be guided by the following research questions. What is the relationship between market orientation and performance of tour firms in Kenya? What is the influence of marketing practices, firm characteristics and external environment on the relationship between market orientation and performance of tour firms in Kenya?

1.3 Objectives of the Study

The overall objective of this study was to determine the relationship between market orientation, marketing practices, firm characteristics, external environment and performance of tour firms in Kenya.

The specific objectives were to:

i. Assess the relationship between market orientation and performance of tour firms in Kenya.
ii. Examine the influence of firm characteristics on the performance of tour firms in Kenya.
iii. Assess the influence of external environmental factors on the performance of tour firms in Kenya.
iv. Establish the moderating effect of firm characteristics on the relationship between market orientation and marketing practices on tour firms in Kenya.
v. Establish the moderating effect of external environmental factors on the relationship between market orientation and performance of tour firms in Kenya
vi. Assess the mediating effect of marketing practices on the relationship between market orientation and performance of tour firms in Kenya.
vii. Establish the joint effect market orientation, marketing practices, firm characteristics and external environmental factors on the performance of tour firms in Kenya.

1.4 Value of the Study

The tourism sector in general and the tour firms in particular are an integral part of the Kenyan economy. The study findings will link market orientation, marketing practices, external environment and firm performance in an integrated framework. This study draws from the Resource-based view, Dynamic capability and the Industrial Organization theories. The study will help firms understand the components and importance of market orientation, marketing practices, and the external environment in order to achieve superior firm performance. The study findings will equip scholars and practitioners with an understanding of the relationship that exists between the study variables in an integrated framework.

The study will equip firm owners and managers and other policy-makers with strategic marketing knowledge and its applicability in strategic decision-making. By examining the market orientation and performance relationship in a context specific setting using tour firms, the study will extend the generalizabilty of research findings and provide evidence on the importance of market orientation and performance of tour firms in Kenya. This significance of market orientation to superior firm performance has been underscored in the strategic management and marketing fields, thus ascertaining its applicability to tour firms will provide important performance indicators as firms try to make their firms more efficient, effective and profitable. This study will add to the limited evidence available on the market orientation and performance relationship in the Kenyan context.

Finally, this study will assist other profit, non-profit organizations and government ministries, departments and agents to develop and implement strategic marketing policies that can enhance firm and organizational performance. By including the selected mediating effect of marketing practices and moderating effect of the selected external environmental factors and firm characteristics will extend the extant market orientation and performance discourse. An understanding of the constructs in an integrated framework and their influence on firm performance is of benefit to practitioners for effective strategic marketing decision-making. Finally, findings of this study will be of importance to government and other tourism stakeholders in policy formulation and implementation since the tourism industry has been identified as one of the key sectors in the economic pillar of the Kenya Vision 2030 whose aim is to transform the country into a modern, globally competitive middle income country by the year 2030.

1.5 Organization of the Thesis

The thesis comprises five chapters. Chapter one outlines the background of the study, a brief description of the key variables of the study, the statement of the research problem, objectives and the value of the study. Chapter two presents the theoretical foundations of the study, theoretical and empirical review of relevant literature on market orientation, marketing practices, firm characteristics, external environmental factors and firm performance. A summary of the knowledge gaps identified in the literature, the conceptual framework and corresponding hypotheses are provided.

Chapter three presents the research methodology employed in the study, research questions, research philosophy, research design and population and sample of the study. The data collection methods, measurement of research variables and the data analysis techniques are included. Chapter four presents data analysis, findings and interpretation of results. In Chapter five, summarizes the entire study including discussions, conclusions and recommendations.

1.6 Summary

The chapter has reviewed the background of the study, described the key study variables and an overview of the tourism sector in Kenya. The chapter has also described the research problem, objectives of the study, value of the study and outlined the organization of the thesis. The next chapter presents the theoretical foundation of the study, a critical review of theoretical and empirical literature, the conceptual framework and hypotheses of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter two presents review of relevant theoretical and empirical literature. The chapter presents the theoretical foundations of the study, the relationship between market orientation, marketing practices, external environment, firm characteristics and how they influence firm performance. The chapter concludes by providing a summary of selected studies highlighting the knowledge gaps, a conceptual framework and conceptual hypotheses used to address the knowledge gaps.

2.2 Theoretical Foundations of the Study

The managerial perception of the environment in which firms operate can influence the choice of the firm's strategic adaptation and marketing strategies that lead to higher firm performance (O'Cass et al., 2004). Various theories support the market orientation and performance relationship among them the resource based view (RBV), the dynamic capabilities (DC) view and the industrial organization (IO). While the IO approach focuses on the external market/industry forces, the RBV and DC approach focuses on the internal firm characteristics that affect firm performance. The current study linked the RBV, DC and the IO theoretical views in a unified framework so as provide a more inclusive explanation of market orientation, marketing practices, firm characteristics, external environmental factors and their influence on firm performance.

2.2.1 The Resource-Based View

The Resource-Based View of the firm suggests that performance is driven by the resource profile of the firm while the source of superior performance is embedded in the possession and deployment of distinctive resources that are difficult to imitate (Wernerfelt, 1984). RBV proposes that firms achieve sustainable competitive advantage if they possess certain key resources and if they effectively deploy these resources in their chosen markets (Barney, 1991). O'cass et al., (2004) argues that a firm's specific characteristics are capable of producing difficult to imitate core resources which determine the performance variation among competitors The resource-based view further stipulates the fundamental sources and drivers of firms' competitive advantage and superior performance is mainly associated with the attributes of their resources and capabilities which are rare, valuable, difficult to imitate and not substitutable. The resource-based view (RBV) of the firm proposes that firm performance depends on firm specific resources and capabilities (Baker and Sinkula, 2005). Grant (1991) puts forth levels of durability, transparency, transferability and replicability as the key RBV determinants. Amit and Schoemaker (1993) argue that complementarity, scarcity, low tradability, inimitability, limited substitutability, appropriability, durability and the overlap with strategic industry factors constitute the key firm resources. Day, (1994) argued that that intangible assets such as market orientation, knowledge management and organizational learning allow firms to develop abilities that enhance competitive advantage leading to enhanced market performance.

Collis and Montgomery (1995) suggest that the value of a resource can be tested by the levels of inimitability, durability, appropriability, substitutability and competitive superiority. Morgan, Kaleka and Katsikeas (2004) argue that the RBV of the firm consists of internal resources of the firm such as physical, financial, experiential and human capital resources such as management experience, training, judgment, intelligence, relationships and individual manager insight. These resources can generate a competitive advantage which eventually leads to superior firm performance. Similarly, O’Cass and Weerawardena (2010), asserts that a firms’ competitive advantage may be determined by the strategic resources it possesses.

2.2.2 Dynamic Capabilities View

The DC view evolved from the RBV and is concerned with the firm’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments (Teece, Pisano and Shuen, 1997). However, a concise and comprehensive definition of dynamic capabilities, view has not yet been reached (Teece et al., 1997; Eisenhardt and Martin, 2000). According to Day (1994), capabilities are complex bundles of skills and collective learning, exercised through organizational processes that ensure superior coordination of functional activities and are deeply embedded within the organizations’ fabric. Hence, firms that are better equipped to respond to market requirements and to anticipate changing conditions will enjoy long-run competitive advantage and superior performance.

Hou, (2008) asserts that dynamic capabilities are the collection of resources, such as technologies, skills, and knowledge-based resources. This view is augmented by Helfat and Peteraf (2009) who view dynamic capabilities as the capacity of a firm to purposefully create, extend or modify its resource base. The focus is on the capacity of an organization facing a dynamic environment to create new resources, renew or change its resource mix making it possible to deliver a constant stream of innovative products and services to its target customers. The resource base includes tangible, intangible and human assets which the firm owns and controls or has preferential access to.

Dynamic capabilities view acknowledges top management team's belief that firm evolution plays an important role in developing dynamic capabilities (Teece et al., 1997; Helfat and Peteraf, 2009). According to Ambrosini, Bowman and Collier (2009), dynamic capabilities comprise four processes: reconfiguration, transformation and recombination of assets and resources. Leveraging is concerned with the replication of a process or system that is operating in one area of a firm into another area, or extending a resource by deploying it into a new domain, learning allows effective and efficient performance of tasks and finally, integration which is the ability of the firm to integrate and coordinate its assets and resources that results in the emergence of a new resource base.

Eisenhardt and Martin (2000) describe capabilities as complex coordinated patterns of skills and knowledge that are embedded in organizational routines and are distinguished from other organizational processes by being performed well relative to competitors. They further argue that since market places are dynamic, it is the capabilities by which firms' resources are acquired and deployed in a way that matches the firm's market environment that explains inter-firm performance variance over time. Barreto (2010) defines dynamic capabilities as the firm's potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market-oriented decisions and to change its resource base. Based on these views, market orientation and marketing practices can be considered as one of firms' internal factors that enable firms to perform more efficiently and effectively their day-to-day activities relative to competition.

2.2.3 The Industrial Organization Theory

The IO view emphasizes the external market/industry forces that drive competition in the business environment (Zou and Cavusgil, 1995). Conversely, firm performance is not determined by the external environment alone as the internal characteristics of the firm play a critical role in determining firm performance. The Industrial Organizational theory as espoused by Porter (2008) suggests that a firm's success can be explained by the structural forces of the industry in which it operates. Teece, et al. (1997) argues that the industry structure strongly influences the competitive rules as well as the strategies available to the firms. This view was supported by Pecotich et al. (1999) who suggested that the analysis of industry competition relates to the behaviour of existing firms and the structure of the industry's environment. Porter's (1980) five competitive forces model consists of threat of entry, threat of substitute goods, power of buyers, power of suppliers and rivalry among existing firms that are present in a firm's environment (Weerawardena et al., 2006). An analysis of the industry competition comprises the behaviour of the existing firms and the structure of the industry's environment.

As a result, the competitive forces determine the intrinsic profit potential of an industry or sub-segment of an industry. The competitive forces can assist a firm find a position in an industry whereby the firm can defend itself against competitive forces or influence the competitive forces in its favour (Porter, 1980). In support, Teece et al. (1997) contend that the five forces competitive framework provides a systematic way of thinking how competitive forces work at the industrial level and how the forces determine the profitability of different industries and industrial segments. The IO theory supports the market orientation and performance link (Knight and Dalgic, 2000). Despite the extensive theoretical literature, there is lack of a unified theoretical foundation that firms can use as a basis for effective implementation of market orientation. This study was anchored on the integration of RBV, DC and the IO theories as the overarching theoretical foundations to explain the link between market orientation and performance relationship in the context of tour firms in Kenya.

2.3 Market Orientation and Firm Performance

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 to respond to market requirements and provides a solid foundation for a sustainable competitive advantage for a firm (Hunt and 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.

According to Narver and Slater (1990), market orientation is a one-dimension construct consisting of three closely interrelated behavioural components; customer orientation, competitor orientation and inter-functional coordination and two decision criteria; long-term focus and profitability. Customer orientation is concerned with sufficient understanding of target customers to be able to create superior value for them continually. It requires that a seller understands a buyers entire value chain (Day and Wensley, 1988). Similarly, Kohli and Jawoski (1990) posit that a customer focus is a critical element in determining market orientation. Competitor orientation emphasizes the understanding of the strengths and weaknesses of existing and potential competitors and at the same time monitoring competitor behaviors in order to meet the latent and potential needs of the target customer (Narver and Slater, 1990). Shin (2012) suggests that with a better understanding of 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 to create value for the target customer (Narver and 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 and Baharun, 2009). This view is augmented by Porter (1985) who argues 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.

The extant literature suggests that market orientation has a long-term focus on profits (Narver and Slater, 1990). Narver and Slater (1990) contend that for long-term survival in the presence of competition, a firm cannot avoid a long term perspective and 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. Narver and Slater (1990) view profitability as a key objective in market orientation while Kohli and Jaworski, (1990) argue that profitability is a consequence of market orientation. The focus on profitability and the execution of the marketing mix programs can create continuous superior customer values which lead to superior firm performance. Nevertheless, Jaworski and Kohli, (1993) and Narver and Slater (1990) concur that firm performance is the outcome of a firms operations including the achievement of its internal and external objectives. Narver and Slater (1990) developed a measurement scale MKTOR scale that measures the three behavioural market orientation components (customer orientation, competitor orientation and inter-functional coordination.

Market-oriented firms are assumed to stand out in their ability to collect, interpret, disseminate and respond to customers and competitors information. Kohli and Jaworski (1990) view market orientation from an information processing approach and describe market orientation as a set of behaviors that relate to implementing of the marketing concept consisting of three behavioral processes; intelligence generation, dissemination and appropriate response to opportunities. Market intelligence consists of activities that relate to the collection and assessment of customer needs and the forces that influence those intelligence needs. Intelligence dissemination relates to the vertical and horizontal dissemination of market intelligence across the firm. Responsiveness relates to the actions taken as a result of the generation and dissemination of the market intelligence. They further identify market orientation antecedents such as top management commitment, inter-departmental dynamics, organizational systems and structure and claim that since the antecedents are controllable by senior managers, managerial interventions can help lead to market orientation. To measure market orientation (Jaworski and Kohli, 1993) suggest MARKOR, as a measurement instrument used to analyse the current degree of market orientation and post-intervention measurements of the degree to which market orientation has been improved.

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.

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 and Wensley, 1988). On their part, Heskett, Jones, Loveman, Sasser and Schlensinger (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.

Doyle (1995) contends that the most suitable measures of performance are customer satisfaction and customer loyalty and asserts that customers who are satisfied with the value being provided repurchase the product which results in better economic organization performance such as market share and profitability. Pulendran Speed and Widing (2002) argue that additional study of performance effects is needed to identify the impact of market-oriented activity on a broader spectrum of performance measures especially non-economic performance measures. On their part, Lusthaus et al. (1999) propose the organization assessment (OA) framework with key dimensions: effectiveness (mission fulfillment), efficiency (the optimal use of resources to obtain the results desired), and ongoing relevance (the extent to which the organization adapts to changing conditions in the environment and financial viability. For a firm to remain viable over time, it must be both financially viable and relevant to its stakeholders and their changing needs.

The extant empirical market literature indicates several studies on the degree of market orientation and its influence on various factors including market consequences, customer consequences and firm performance in various industries and countries. Narver and Slater’s (1990) study measured the market orientation using the MAKTOR instrument constructed around customer orientation, competitor orientation and inter-functional coordination and subjective performance measures such as return on investment to investigate the market orientation and performance relationship among 140 strategic business units (SBUs) in the commodity and non-commodity US businesses. The results of the study indicated that market orientation was important determinant of profitability.

In support, Jaworski and Kohli (1993) used a sample of 222 business units and a second sample of 230 managers drawn from US corporations across industries to test the market orientation using the MARKOR measurement scale constructed around intelligence generation, dissemination and responsiveness. Performance was measured in terms of overall performance of the business units and performance relative to competitions in the previous years. The results of the study revealed a positive association for subjective performance measures but not for market share. Pelham and Wilson (1996) complement the above findings in their study of 68 US small firms. The results revealed a positive and significant relationship between market orientation and market sales growth, share, product quality and profitability. Similarly, Appiah-Adu and Singh (1998) study among manufacturing and service firms in the United Kingdom identified a positive and significant relationship between customer orientation and performance measures.

Deshpande and Farley's (1998) study of 82 managers in European and US companies revealed a positive market orientation and subjective performance evaluation of sales growth, customer retention, return on investment, and return on sales. Kara et al. (2004) studied the market orientation and firm performance association of 148 non-profit service providers using the Kohli and Jaworski (1990) scale and found a statistically significant and positive relationship between market orientation and performance of non-profit service providers. This view was supported by Narver and Slater (2000) who used subjective performance measures to examine the market orientation and performance relationship using a sample of 53 product and service businesses operating in a variety of industries and found a robust relationship across industries.

Kara et al. (2005) reported a positive and significant market orientation and performance relationship in the study on small and medium size service providers in the US using the MARKOR scale. Similarly, Sin, Tse, Heung and Yin (2005) investigated the market orientation and performance relationship of 81 hotels in Hong

Kong. The results revealed a positive and significant relationship between market orientation and firm performance. The analysis indicated a strong linkage between market orientation and firm performance. In support, Rojas-Mendez et al.(2006) examined the relationship between market orientation and performance among Chilean small businesses across six cities. The study used Kohli and Jaworski's (1990) MARKOR measurement scales to measure the market orientation construct and selected subjective performance indicators such as product success, customer retention and relative price-product quality. Their findings supported the asserted positive relationship between market orientation and company performance.

The study was augmented by Martin-Consuegra and Estebon's (2007) who investigated the relationship between market orientation and performance of 234 international airlines using the MARKOR instrument. The results of the study indicated a positive and significant relationship between market orientation and performance. Similarly, Mamat and Ismail (2011) assed the independent influence of market orientation on performance of Bumiputera furniture entrepreneurs in Kelantan, Malaysia. The findings showed a positive and significant relationship between customer orientation, competitor orientation and inter-functional coordination on performance indicators measured in terms of profitability, sales growth rate and customer retention.

In a study by Lagat, Chepkwony, and Kotut (2012) on 220 Kenyan manufacturing companies confirmed a positive and significant market orientation measured using the MAKTOR measurement scale and performance relationship. Similarly, Ogbonna and Ogwo (2013) studied the market orientation (customer orientation, competitor orientation and inter-functional coordination) and performance (terms of sales volume, profitability and market share) relationship of 52 insurance firms in Nigeria. The findings showed that the insurance firms that engage in market orientation recorded progress while those that had not implemented market orientation experience low performance.

In spite of the general view that market orientation influences firm performance, some studies reveal weak association, no association and negative relationship. Han et al. (1993) studied the relationship between market orientation using the MKTOR instrument developed by Narver and Slater (1990) and performance measured in terms of growth and profitability of 134 banks. The study results did not establish a significant relationship between market orientation and firm performance. In a study by Au and Tse (1995) of 41 hotels in Hong Kong and 148 New Zealand found a weak relationship between market orientation and hotel performance in either country. They suggested that the size, price, market turbulence, technological turbulence, degree of competition, and the general economy all interact in a complex manner and can have an enormous impact on the relationship between market orientation and company performance.

Greenley (1995) studied 240 UK companies and found no direct influence of a market orientation on firm performance. In the same vein, Tse's (1998) study among 13 Hong Kong property developers showed no association between market orientation and performance while using data supplied by external organization. On their part, Jaworski and Kohli (1993) found no relationship between market orientation and objective performance measures but found a positive relationship with judgmental performance measures. The empirical study by Bhuian (1997) indicates that banks in Saudi Arabia are marginally market-oriented and that market orientation is unrelated to return on assets, return on equity and sales-per-employee. In addition, firm executives should weigh the external environment in which the firm operates before adopting a market-oriented philosophy because market orientation may not be a preferred orientation under all circumstances.

The extant literature shows inconsistencies on the definition and measurement of constructs which leads to inconsistencies of study findings between market orientation and performance measurements. There is a need to assess the hypothesized constructs in a different firm environment and measure the subjective indicators of performance to evaluate market orientation and firm performance relationship.

2.4 Market Orientation, Marketing Practices and Firm Performance

Market orientation has broadly been viewed from the behavioural and organizational culture perspective aimed at maintaining a high level of firm performance by efficiently and effectively executing actions required in order to gain customer value (Narver and Slater, 1990; Kohli and Jaworski, 1990). For this reason, market orientation is not solely the responsibility of the marketing department but the responsibility of all departments in firms engaging in activities to satisfy customer needs. While previous scholars have assumed that the market orientation and performance relationship is direct, others have expressed the need for a mediated model (Day and Wensley, 1988). Previous theoretical studies suggest that superior customer value, lower relative costs and innovation mediate the market orientation and performance relationship (Day and Wesley, 1988; Narver and Slater, 1994; Han,Kim and Srivastava, 1998).

Firms that are customer-orientated must lay greater emphasis on sufficient understanding the needs of their target customers so as to deliver superior values for them. They show a continuous and proactive character towards identifying and meeting customers' expressed and latent needs which can lead to customer satisfaction and positive financial outcomes (Han, et al., 1998). To deploy market orientation and achieve superior firm performance, a well-designed marketing functional process comprising product, price, place, promotion and marketing research practices is required for superior firm performance. Firms with distinctive marketing practices can outdo their closest competitors by reaching and satisfying their target customers more effectively and efficiently. Vorhies and Harket (2000) argue that the unique way in which individual firms integrate knowledge can create distinctive ways of resolving similar customer needs though they could be focusing on similar market and customer needs.

The extant literature indicates a blurred link between market orientation and marketing practices (Akimova, 2000). As a result, some scholars have used the market orientation and marketing mix interchangeably (Oyedijo, Idris and Aliu, 2012). However, Ellis (2005) argues that market orientation is external as it is concerned with markets and the implementation of the marketing concept while marketing practices are concerned with the performance of the marketing functions and activities within the firm. Specifically, marketing practice is concerned with the efficient management of the marketing mix elements. Marketing practices have been described as the a connecting link that can transform a new solution, develop new approaches of communication, provide the right range of the pricing strategies and places products at the right time and for the target customers (Shin, 2012). In this regard, previous scholars argue that market orientation influences firm performance indirectly through intervening variables and this relationship should be explored further (Pelham, 1997; Slater and Narver, 1994b).

Previous scholars have proposed diverse distinct constructs that mediate the effect of market orientation on performance. In their study on 200 Russian firms, Golden, Doney, Johnson and Smith (1995) measured the marketing practice on the levels of product quality, marketing research, customer service, degree of importance attached to advertising, personal selling and sales promotion and found a positive link between the provision of high quality products and customer service and firm performance. However, promotion and price related issues had no link with firm performance. Atuahene-Gima (1996) argues that market orientation provides a common goal orientation, which leads to enhanced inter-functional teamwork and subsequently enhances performance. Similarly, Hooley and Beracs (1997) in their study using 564 Hungarian companies revealed that better performing firms were significantly different from others in terms of selected marketing practice measures such as high levels of technical products, product quality, product ranges and greater distribution coverage of the market.

Akimova (2000) in their study of 221 Ukranian firms combined the market orientation measures as a guiding philosophy of the firm and marketing practices measures such as product promotion and positioning. The study findings showed that managers who placed extra emphasis on marketing activities such as product, promotion and positioning strategies scored significantly higher on competitive advantage measures than those who emphasized on production or selling activities. Moreover, firms adopting the marketing practices enjoyed higher profits, greater sales volume and better return on investments. The study suggested that firms require well-designed marketing functional strategies and processes to implement the market orientation so as to achieve superior performance.

Bodlaj and Rojsek (2010) studied 325 manufacturing and selected services industries companies in Slovenia and concluded that firms should raise their level of market orientation by the timely recognition of changes in the customer needs and wants and buying behaviour of their existing and potential customers in order to enhance knowledge about their customers. This can only be done through effective adoption of the marketing mix to selected target markets, taking corrective steps in the case of customer complaints as soon as possible and quick response to competitor activities. In support, Shin's (2012) study on 285 Korean organizations showed that the market orientation and business performance link is an indirect one. Their findings indicated that without the marketing mix capabilities, market orientation measured by customer orientation, competitor orientation or inter-functional coordination dimension did not directly contribute to better firm performance. Specifically, competitor orientation had a direct negative impact on customer satisfaction. They concluded that as critical mediators, the product and marketing communication capabilities adequately link to the three sub-constructs of market orientation (customer, competitor orientation and inter-functional coordination) with business performance.

Oyedijo at al., (2012) study investigated the impact of marketing practices on firm performance of 160 small business enterprises in Lagos Nigeria and found a strong positive relationship between the marketing practices and performance measured in terms of customer satisfaction and retention. In the same vein, Ayanda and Adefemi's (2012) study investigated the relationship between marketing practices and performance of 117 businesses in Nigeria and found that entrepreneurial businesses that had good marketing practices performed more efficiently than those without.

The reviewed literature on market orientation, marketing practices and firm performance shows diverse definitions of what constitutes market orientation and marketing practices. While some scholars draw a clear distinction between the two constructs (Ellis, 2005), others fail to distinguish between market orientation and marketing practices (Akimova, 2000) and have used the term interchangeably. As a result, firms may not draw a clear distinction on which construct to choose when making marketing decisions.

2.5 External Environmental Factors and Firm Performance

The extant literature shows that external environmental factors play a vital role in the determination of the failure or success of the firms. Specifically, in the strategic marketing discourse, the role of competitive environment has been viewed as an emerging area of interest (O'Cass et al., 2004). The moderators of market orientation-performance relationship have emerged as a topic of interest in the marketing literature since the external environment in which organizations operate is highly complex and volatile (Faherty, 1985; Kirca et al., 2005). The external environment may influence a firm's performance directly as well as moderate the market orientation and firm performance relationship. Previous scholars underscore the need to scan the external environment in designing effective marketing strategies (O'Cass and Weerawardena, 2010). Prior researchers have suggested that the firm's market environment might influence the relationship between market orientation and performance.

Day and Wensley (1988) suggest that in a market orientation, the environment might affect either customer or competitor focus. They argue that emphasis should be on the customer in markets with a low concentration of competitors while for a competitor emphasis would be called for in high concentration markets. Kohli and Jaworski (1990) assert that some market environment characteristics might affect the strength and or importance of the relationship between market orientation and performance. They further argue that the relationship would be stronger in low-growth than in high-growth environments. While previous studies suggest that environmental conditions may modify the strength of the market orientation and firm performance (Narver and Slater, 1990; Kohli and Jaworski, 1990), mixed results have been reported in an attempt to model different external environmental factors.

Greenley (1995) suggests that a firm's internal and external environment constrains its behavior and firm performance is a result of how it responds to or deals with its environments. The dynamic external environment in which firms operate provide opportunities for growth, development, value, wealth creation and presents challenges and threats which firms have to address for survival. These factors may vary depending on the environmental and firm context. According to Kohli and Jaworski (1990), the need for a firm to be market-oriented may be affected by the conditions in the external environment. They argue that firms operating in a dynamic environment and in changing industries characterized by high degrees of competition and fighting for customers have to be more market oriented than their competitors to enjoy superior performance.

In the same vein Capon et al. (1990) argue that environmental factors measured at the industry level may have a significant impact on firm performance. Firms operating in stable environments may not experience the positive effects of being market-oriented (Kohli and Jaworski, 1990). Irungu's (2007) study on publicly quoted companies in Kenya revealed a significant relationship between the operating environment and performance. On the other hand, Machuki and Aosa, (2011) did not establish a statistically significant direct relationship between the external environment and performance of the 23 publicly quoted companies in Kenya.

The extant literature has espoused the support for the direct and moderating role of the external environment on the link between market orientation and performance. Although the strength of the market orientation and performance relationship appears to be rather strong, the robustness of the relationship across different environments is not clear and shows evidence of inconsistent and mixed results (Slater and Narver, 1994; Lonial and Raju, 2001). Some studies suggest that the effects of market orientation on performance might be moderated by several environmental conditions such as market and technological turbulence and competitive intensity (Kirca, et al., 2005). The measurement of performance gives an indication as to the effectiveness of a firm, which is a function of a firms' response to changes in the external environment.

Market turbulence refers to the rate of change in the composition of customers and their preferences (Jaworski and Kohli, 1993). They argue that firms operating in turbulent markets are likely to be market-oriented as they have to continually modify their products and services in order to satisfy the ever changing customer tastes and preferences. Firms are also likely to be more market-oriented due to changes in consumer tastes and preference (Jaworski and Kohli, 1993; Slater and Narver, 1994). On the other hand, firms are likely to be less market-oriented if consumer needs and preferences are stable. As a result, firms may not find it necessary to adjust their marketing mix strategy. While Jaworski and Kohli (1993) found market turbulence to have a positive effect on market orientation performance relationship, Slater and Narver (1994) showed a negative relationship.

According to Porter (1985), fast technological advances shorten the lifecycle of existing products, erode the competitive advantage of existing firms and drive some firms to the front. Technology is viewed as something new that drives change at an increasing rate and technological turbulence as the degree of changes in technology (Chaharbaghi and Willis, 2000). Firms operating in environments characterized by rapid technological change may be in a position to obtain competitive advantage through technological innovations thus meeting customer needs. Kohli and Jaworski (1990) assert that firms fail if technological turbulence is high and if they are not capable of keeping up with the technological changes. The general economy in the market may also influence the performance of a firm's market orientation. They further argue that firms can get away with low levels of market orientation when the general economy is strong as demand for products and services is high and all the firms within the industry are in a position to sell all their products and services.

Competitive intensity is the degree of competition and competitor resources that a firm faces within its industry (Jaworski and Kohli, 1993; Lin, 2011). In addition, Zhou, Yim and Tse (2005) suggest that competitors erode a firm's competitive advantage by imitating or improving product offering firms when the competitive intensity is high. In support, Slater and Narver, (1994a), argue that customers can choose products and services from different firms. Moreover, in such markets, firms will attack each other on different strategic dimensions.

The extant literature suggests other moderating environmental conditions that could strengthen or weaken the market orientation and performance relationship. Porter (1980) argues that a firm's success can be explained by the strengths and weaknesses of the industry forces within where it operates in. This view is augmented by Pecotich et al. (1999) who assert that the five competitive forces model forms the basis for industry structure measurement. The five forces model comprise the threat of entry
(the likelihood of the entry of new competitors into the industry), the threat of substitute goods (the extent to which other products and services that are similar in physical, structural and functional characteristics and that perform the same generic function are available to consumers).

The bargaining power of buyers relates to the extent to which buyers are able to exert influence and affect the firms' profitability and general corporate wellbeing while the bargaining power of suppliers relate to the extent to which suppliers are able to exert influence and affect the firm's profitability and general wellbeing. Finally, the intensity of rivalry is the extent to which firms in the industry frequently and vigorously engage in outwardly manifested competitive actions and reactions in their search for competitive advantage in the market place. In the same vein, other environmental factors include ease of entry and supplier power market growth and buyer power distance to, diversity of and dependence on markets and customer network size and diversity (Slater and Narver, 1994; Ellis, 2010). Porter (2008) argue that the government can hinder or add entry barriers and operation of the firms for instance, through licensing restrictions of foreign investment, restrictions of foreign investment, subsidies and availability of basic research. The industrial organization literature suggests environmental factors such as intensity of competition, competitive power, advertising intensity, customer loyalty and industry stability (Momrak, 2012) moderate the market orientation and performance relationship.

Slater and Narver (1994) studied the impact of the competitive environment on the market orientation and performance relationship of 81 strategic business units and found limited support for the moderating effect of the market turbulence, competitor hostility, market growth, buyer power, technological turbulence and competitor concentration. In support, Greenley's (1995) study on 240 UK companies across industries found that the market orientation and firm performance association may be positive or negative depending on competitive environment. Appiah-Adu (1998) studied the moderating effect on the market orientation and subjective performance indicators measured in terms of sales growth and return on investments relative to expectation of 74 Ghanaian firms. The results indicated that the market orientation and performance association is moderated by the business environment.

Pulendran et al. (2000) conducted a study on the moderating effect of market turbulence, competitive intensity and technological turbulence and identified a positive relationship between market orientation and profitability arguing that superior profitability can be achieved by undertaking market-oriented activity. In addition, Matzuno and Mentzer (2000) empirically examined the moderating role of business strategy type on the market orientation and performance relationship. The results supported the moderating effect of business strategy type on the relationship between market orientation and business performance. Similarly, Lonial and Raju, (2001) studied the effect of environmental uncertainty on the relationship between market orientation and firm performance of 175 hospitals. The results of the study showed that the relationship between market orientation and hospital performance was much stronger for hospitals in high uncertainty environments. They concluded that the market orientation had a strong relationship to hospital performance regardless of the degree on environmental uncertainty.

On the other hand, a study by Grewal and Tansuhaj (2001) on 312 manufacturing firms in Turkey showed that competitive intensity negatively moderates the market orientation and performance link after a crisis while Nkowah's (2008) study on the food and beverages organizations in Nigeria did not establish any strong association between market orientation and business performance as a result of the moderating effect of government policies, new product development, diversification, innovation and depreciation of the Nigerian currency. Aziz and Yassin (2010) investigated the role of the external environment in the market orientation-performance association among 102 SMEs in the agro-food sector in Malaysia and found that market-technological turbulence and competitive intensity did not moderate the relationship between market orientation and firm performance. Zebal and Goodwin's (2011) empirical study showed that market turbulence and competitive intensity have a moderating effect on the association between market orientation, monetary performance and customer satisfaction of 364 private banks in Bangladesh.

In support, Lin's (2011) study of 249 travel agencies in Taiwan revealed that only technological turbulence moderates the market orientation and performance relationship while market turbulence and competitive intensity did not moderate the relationship. Langat et al.,'s (2012) study on 220 manufacturing firms in Kenya showed that the business environment significantly affects the relationship between market orientation and performance.

The reviewed theoretical and empirical literature on the moderating effect of the environment factors on the market orientation and performance relationship is equivocal. While some scholars suggest that the environment moderates the market orientation and performance relationship, other scholars propose weak association while others propose a negative relationship. The inconsistencies on the moderator role require further in-depth investigation, particularly in the context of a country like Kenya.

2.6 Firm Characteristics and Performance

Firm's characteristics including its size, age, and ownership, management characteristics such as level of education, manager's age, and experience can influence firm performance. In their meta-analysis, Capon et al. (1990) found that the relationship between the size and firm performance was not significant. Firm size has been recognized as one of the single most dominant variables in firm studies and has been shown to be related to overall industry profitability (Hendricks and Singhal, 2000). The extant literature indicates that the exact relationship between size and performance is equivocal as it influences firm performance in diverse ways. The key characteristics of large firms include diverse capabilities, abilities to exploit economies of scale and scope, market power and poses more formalized procedures. In addition, larger firms encounter less difficulty in accessing credit facilities for investment and have broader pools of qualified human capital (Yang and Cheng, 2009).

With regard to the age of the firm and performance relationship, older firms enjoy superior performance since they are more experienced, have the benefit of learning, and are not prone to the liabilities of being new. These key characteristics and the effective implementation of procedures allow large firms to generate superior performance relative to smaller firms (Majumdar, 1997). Conversely, older firms are prone to inertia, are bureaucratic, lack the flexibility to make rapid adjustments to changing conditions and are likely to lose out in the performance stakes to younger and more agile firms (Majumdar, 1997). This view is supported by Cadogan, Diamantopoulos and Siguaw, (2002) who argue that as firms become older and more experienced, they tend to be more bureaucratic and inflexible.

According to Zahra, Ireland and Hitt (2000), age measured by the number of years a firm has existed may influence the firm's business activities and profitability.

Winston and Dadzie (2002) examined the prevalence market orientation in Nigeria and Kenya by focusing on the role of top managers and the adoption and implementation of market orientation. The results showed that managerial characteristics affected the adoption and implementation of market orientation in firm units. On the other hand, Ogbonna and Ogwo's (2013) study on 52 insurance firms in Nigeria revealed that the age of the insurance firms in Nigeria has a weak moderating effect on the market orientation and corporate performance.

Empirical evidence reveals mixed findings on firm size and performance relationship. Prescott and Vischer (1980) show the positive association between firm size and profitability is a result of the implementation of greater differentiation and specialization strategies which leads to higher efficiency. Supporting this view, Hendricks and Singhal (2000) claim that firm size is an important predictor for financial performance. They argue that the age and size of the firm are associated with inertia. They define inertia as slow adaptation to change or resistance to fundamental changes in conducting business. Thuo's (2010) study on the relationship between Customer Relationship Management (CRM) and competitiveness of commercial Banks in Kenya revealed that organisational factors measured in terms of age and size did not directly influence competitiveness of the neither banks nor moderate the CRM and marketing productivity. This view was augmented by Poensgen and Marx (1985) study on 1,478 German manufacturing firms in 31 industries revealed a weak size-profitability relationship while Whittington's (1980) study found a negative association between firm size and profitability for UK-based listed manufacturing companies covering the time period from 1960 to 1974.

Au and Tse's (1995) study in the hotel industry in Hong Kong and New Zealand suggested that the firm size, price, market turbulence, technological turbulence, degree of competition, and the economy interrelate in a multifaceted way and impact on the market orientation and firm performance relationship. This claim was further attested by Mahmoud (2011) on 191 SMEs in Ghana who found that the development of market orientation in the SME sector rests more on the attitude of owners and or managers and that market orientation leads to superior performance under constant competitive conditions. In support, Kinoti's (2012) study established a moderating effect of organizational characteristics measured in terms of age and size of the firm and type of industry and ownership on the corporate image and performance of ISO 9000 and 14000 certified organizations in Kenya.

2.7 Market Orientation, Marketing Practices, Firm Characteristics, External Environment and Firm Performance

In today's turbulent business environment, intense competitive forces, changes in customer current and latent needs and evolving firm characteristics exert pressure on firms to develop ways of enhancing their competitive advantage to achieve superior firm performance. Firms must make a concerted effort to understand their customers and competitor actions, integrate the functional activities which in turn enable them integrate their marketing tools to reach the target market more effectively and efficiently so as to achieve higher performance. The extant theoretical and empirical studies indicate a positive market orientation and firm performance relationship with a growing view suggesting that such a relationship depends on the environmental forces and other intermediate factors under which firms operate (Kohli and Jaworski, 1990; Narver and Slater, 1990; Avlonitis and 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 and 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 and Grbac, 2003).

A firm's objective would be financial such as an increase in sales, profits or non-financial such as customer satisfaction, employee satisfaction customer retention, market expansion, and customer retention, financial viability, relevance, efficiency and effectiveness. Market-oriented firms enhance customer satisfaction and loyalty since they are well-positioned to anticipate customer needs and offer goods and services to satisfy those needs (Slater and Narver, 1994b). Subsequent to formulation and implementation of the market orientation and market practices, some objectives could be achieved while others would be marginally achieved. The extent to which firm's objectives are achieved is a gauge of firm performance taking into consideration the changes in the external environment, strategic marketing interventions and firm characteristics. Distinct marketing practices can enable a firm to outperform competitors by reaching target markets more effectively and efficiently. While competing firms may focus on similar market, the unique way in which individuals within each firm uses the information gathered creates many distinctive ways of solving similar customer needs (Vorhies and Harker, 2000). O'Cass and Ngo (2005) contend that industry forces and/or firm characteristics are a source of performance variance amongst firms.

While previous scholars have studied the relationships between market orientation, marketing practices, external environment and firm performance, the relationships have been studied independently. The extant literature shows a predominant positive and significant relationship between market orientation and firm performance (Jaworski and Kohli, 1993; Slater and Narver, 1994a). On the other hand, several researchers have reported results that were not statistically significant or negative effects for this association (Kirca et al., 2005). In addition, individual studies have examined subsets of the antecedents and consequences of market orientation from objective, subjective or combined performance measures. While some scholars have used objective performance measures (Narver and Slater 1990; Deshpandé et al., 1993; Tse, 1998), others have used subjective performance measures (Pelham and Wilson, 1996; Pitt, Caruana and Berthon, 1996; Balakrishnan, 1996). Some scholars have used both subjective and objective performance measures (Jaworski and Kohli, 1993). Previous empirical studies have reported a strong correlation between objective and subjective performance measures (Venkatraman and Ramanujam, 1986; Appiah-Adu, 1998; Dawes, 1999).

Prior studies have put forth different variables as potential moderators in the market orientation-performance relationship such as market turbulence, technological turbulence, competitive intensity, market growth, and buyer power, five competitive forces (Appiah-Adu, 1998; Jaworski and Kohli, 1993; Slater and Narver, 1994; Harris, 2001; Momrak, 2012). Wrenn (1997) posits that these moderators have little effect on the positive impact of market orientation on firm performance. Kirca et al.,'s (2005) meta- analytical review of 21 empirical studies that included moderating variables concluded that the empirical evidence supporting the view that market turbulence, technological turbulence or competitive intensity moderate the market orientation -performance relationship is not sufficient.

Previous studies have focused on diverse variables that mediate the relationship between market orientation and performance such as innovativeness, marketing practices, customer relationship management, supply chain management and new product development proficiency among others (Kirca et al., 2005; Raaij and Stoelhorst, 2008). For instance, while Atuahene-Gima's (1996) study found positive effects of a market orientation on various measures of innovation characteristics and innovation performance, Han et al., (1998) found that a market orientation affects firm performance only through innovativeness indirectly.

Studies on marketing practices, market orientation and firm performance revealed diverse results. Ellis (2005) studied the effect of marketing practices and market orientation on firm performance. The study revealed that marketing practices had a greater impact on customer satisfaction and overall firm performance than market orientation. Supporting this view, Morgan, Vorhies and Mason (2009) study revealed that individual marketing mix decisions such as channel decisions, market research and management can lead to superior firm performance.

The findings of the studies reviewed regarding the relationship between market orientation, firm characteristics, marketing practices, external environmental factors and firm performance are equivocal. This study incorporated the market orientation, marketing practices, the external environmental factors, firm characteristics and firm performance in an integrated structure and empirically examined their relationships on the performance of tour firms in Kenya. A summary of knowledge gaps is presented in Table 2.1.

Table 2.1: Summary of Knowledge Gaps

Study	Focus of Study	Knowledge Gaps	Focus of Current Study
Ogbonna and Ogwo (2013)	The study examined the market orientation and performance relationship of 52 insurance firms in Nigeria	The study was limited to market orientation and performance measures such as profitability, sales volume and market share	The current study incorporated the moderating and mediating and expanded the performance measures
Shin (2012)	The study investigated the relationship between market orientation and marketing mix capability on firm performance in Korea.	The study was limited to the market orientation, competitive environment and performance and four sub-constructs marketing mix capabilities.	The current study included marketing research, expanded the external environmental factors, firm characteristics and expanded firm performance measures.
Lagat, et al., (2012)	The study investigated the relationship between market orientation, business environment and performance of manufacturing firms in Kenya.	The study was limited to market orientation, business environment and financial performance measures.	The current study incorporated marketing practices and subjective performance measures.
Mamat and Ismail (2012)	The study assessed the independent and combined influence of customer orientation, competitor orientation and inter-functional coordination on performance of Bumiputera furniture entrepreneurs in Malaysia	The study focused on the relationship between market orientation and profitability, sales growth rate and customer retention performance indicators	The current study included the moderating role of external environmental factors and the mediating effect of marketing practices on the market orientation and performance relationship.
Mahmoud (2011)	The study investigated the investigated the market orientation-performance link among 191 Ghanaian SMEs	The study was limited to the market orientation, competitive environment and performance link	The current study included the marketing practices, external environmental factors, firm characteristics and subjective performance
Lin (2011)	The study investigated the moderating effect of the competitive environment on the market orientation and performance relationship among 249 Taiwan travel agencies	The study focused on the market orientation and financial performance measures and moderating effect of the market, competitor and technological turbulence	The current study incorporated the subjective performance measures, additional external environmental factors and the mediating effect of marketing practices on the market orientation and performance relationship

Study	**Focus of Study**	**Knowledge Gaps**	**Focus of Current Study**
Morgan, et al.,(2009)	The study investigated the relationship between market orientation and marketing strategies as drivers of firm performance.	The study was limited to market orientation, marketing strategies and firm performance did not address the competitive environment, firm characteristics as drivers of firm performance.	The current study included the moderating effect of the external environmental factors, firm characteristics and the mediating effect of marketing practices on the market orientation and performance relationship.
Nkowah (2008)	The study examined the extent to which market orientation impacts business performance of food and beverages organizations in Nigeria.	The study was limited to the market orientation and market share, sales growth and profitability as performance indicators.	The current study expanded the performance measures and incorporated the moderating, mediation variables and joint effect of the independent, moderating and mediating variables.
Sin et al.,(2005)	The study investigated the link between market orientation and business performance in the hotel industry.	The study was limited to the relationship between market orientation and financial and marketing performance measures.	The current study included the moderating, mediation and combined effect of he moderating and mediation factors on the market orientation and performance measure.
Rojas-Méndez, et al., (2006)	The study examined the relationship between market orientation and firm performance of Chilean small businesses across six cities.	The study was limited to the market orientation (MARKOR) and product success, customer retention and relative price-product quality as performance indicators.	The current study incorporated the moderation, mediation and joint effect of the independent, mediating and moderating factors on the market orientation and performance relationship.
Winston and Dadzie (2002)	The study examined the prevalence of market orientation of Nigerian and Kenyan firms by focusing on the role of top managers on the adoption and implementation of market orientation.	The study did not include the influence of the external environmental factors and marketing practices.	The study incorporated the moderating effect, mediation effect and their joint effect on performance.

2.8 Conceptual Framework

The conceptual framework shown in Figure 2.1 was based on reviewed theoretical models such as the industrial organization, the resource-based view and dynamic capabilities. The industrial organization as espoused by Porter's (1985) five competitive forces suggests the forces that shape industry competition. On the other hand, the resource-based view suggests how competitive advantage within firms is achieved and how that advantage might be sustained over time (Eisenhardt and Martin, 2000) while dynamic capabilities puts forth the firm capabilities that have the potential to give a competitive advantage (Helfat and Peteraf, 2009).

Previous studies led support to the positive relationship between market orientation and performance. Similarly, this study hypothesizes that tour firms in Kenya may enhance their performance by implementing the market orientation. However, this relationship may be influenced by external environmental factors and firm characteristics. The relationship may also be moderated by external environmental factor and mediated by marketing mix practices and finally the joint effect of the moderating and intervening variables may influence the relationship between market orientation and firm performance. The framework integrates the market orientation, marketing practices, firm characteristics, external environmental factors, and firm performance into a single model as shown in Figure 2.1.

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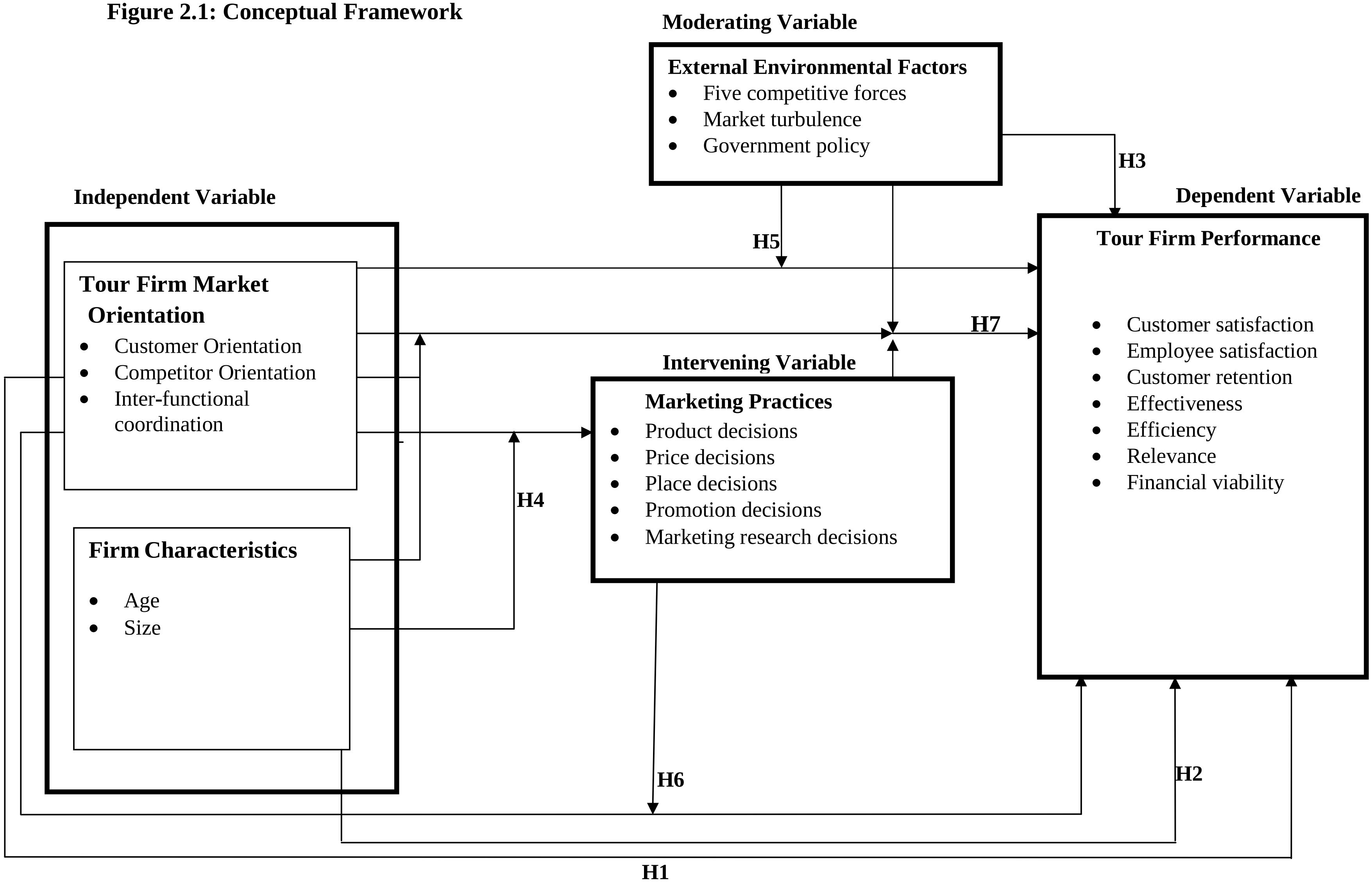
Figure 2.1: Conceptual Framework



Source: Researcher, 2013

From the conceptual framework illustrated in Figure 2.1, firm performance is independently influenced by market orientation, age and size of the firm and external environmental factors (H_1, H_2, and H_3). Firm characteristics moderate the relationship between market orientation and marketing practices (H_4). The external environment moderates the market orientation and performance relationship (H_5) while the marketing practices mediate such a relationship (H_6). Finally, market orientation, marketing practices, firm characteristics and external environment jointly influence firm performance (H_7).

2.8.1 Conceptual Hypotheses

The following hypotheses were formulated from the literature review on the basis of the relationship depicted in the conceptual model in Figure 2.1:

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

H_2: There is a statistically significant relationship between firm characteristics and performance of tour firms in Kenya.

H_3: There is statistically significant relationship between external environmental factors and performance of tour firms in Kenya.

H_4: The relationship between market orientation and marketing practices is significantly moderated by firm characteristics.

H_5: The relationship between market orientation and firm performance is significantly moderated by the external environmental factors.

H_6: The relationship between market orientation and firm performance is significantly mediated by marketing practices.

H_7: The joint effect of market orientation, marketing practices, firm characteristics, and external environmental factors is significantly greater than the sum of the effects of individual variables on performance.

2.9 Summary

This chapter has presented the theoretical foundation of the study by reviewing the industrial organizational theory; resource-based view and the dynamic capabilities view which constituted the theoretical underpinnings of the study. The chapter also presented the theoretical and empirical literature of the previous studies and a summary of the knowledge gaps. A conceptual framework and the corresponding hypotheses were also presented. The next chapter presents the research methodology.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Chapter three describes the research philosophy, research design, the population of the study, the survey method and measurement, reliability and validity of the research, operationalization of the study variables and the data analysis techniques. The chapter ends with a summary of the key indicators used to measure the study variables and the analytical model.

3.2 Research Philosophy

Research philosophy relates to the development of knowledge and the nature of that knowledge contains important assumptions about the way in which people view the world including positivism, phenomenology (interpretivism), pragmatism, realism, idealism, rationalism, functionalism and objectivism amongst others. Phenomenology (interpretivism) is qualitative in nature whereby human beings make sense of the world around them. It is based on the premise that knowledge is subjective, focuses on immediate experience, personal knowledge and individual interpretations (Saunders, Lewis and Thornhill, 2007).

The pragmatism approach offers a multiple method design where by the researcher can apply both quantitative and qualitative methods. Realism holds that reality exists independently of the researcher's mind and may exist in spite of science or observation and there is validity in recognizing realities that are simply claimed to exist or act, whether proven or not (Sobh and Perry, 2006; Blaikie, 1993). The rationalism approach believes that knowledge flows from reason than experience while functionalism suggests that social institutions and practices can be understood in terms of functions they carry out in sustaining the larger social system (Uddin and Hamiduzzaman, 2009).

Positivism attempts to gain predictive and explanatory knowledge of the external world through construction of theories that consist of highly general statements expressing the regular relationships (Uddin and Hamiduzzaman, 2009) Positivism is based upon values of reason, truth and validity and a focus on facts gathered through direct observation experience and measured empirically using quantitative methods and statistical analysis. Positivist researchers deduce and formulate research through variables, hypotheses and operational definitions based on the existing theory. This study was guided by the positivistic research philosophy which included developing a conceptual framework developed from existing marketing and strategic management literature, objective testing of empirical hypotheses that were formulated on predictions of phenomena. Hypothesis testing was undertaken with the intent of either rejecting or failing to reject the alternative hypotheses. This approach also allows for the operationalization of the various hypotheses and generalization of the results.

3.3 Research Design

The study used a descriptive cross-sectional survey design as it sought to describe and establish relationships among the key study variables, namely; market orientation, marketing practices, firm characteristics, external environmental factors and firm performance. The descriptive research design was considered appropriate for this study as it allowed collection of data from the sample and the description of phenomenon under study. The collected data were subjected to statistical analysis that allowed for hypothesis testing through use of analytical and predictive models while using simple statistical descriptions, multivariate and regression measures while descriptive research design allowed for objective conclusions to be drawn (Cooper and Schindler, 2003).

The descriptive cross-sectional design is considered to be robust for effects of relationship studies and suitable for studies that aim to analyze a phenomenon, situation, problem attitude or issue by considering a cross-section of the population at one point in time (Mugenda, 2003; O’Sullivan, et al., 2009). The descriptive cross-sectional research design has been used in previous studies by Kinoti, (2012); Irungu (2007); Munyoki, (2007); Sin et al., (2005) and Narver and Slater, (2000).

3.4 Population of the Study

The population of the study included both locally and foreign owned registered tour firms operating in Kenya as at July 2012. The researcher considered this population more appropriate because tour firms were likely to have adopted market orientation. The target population included all 104 categories A to D Kenya Association of Tour Operators registered tour firms as at July 2012 (Appendix III). To be registered with Kenya Association of Tour Operators, firms must meet the eligibility condition of a minimum gross annual turnover of USD 140,000 and one year membership. The register is frequently updated for public use and is considered a reliable source of information for tourism customers. A census study was conducted since the population was relatively small. The composition of the population of firms studied is summarized in Table 3.1.

Table 3.1 Description of Tour Firms Surveyed

Category	**Number of members**	**Gross annual turnover(GAT)in USD**
A	31	Gross annual turnover exceeding USD 1.7 Million
B	8	Gross annual turnover exceeding US$1.1Million but below US$1.7Million
C	20	Gross annual turnover exceeding US$570,000 but below US$1.1Million
D	45	gross annual turnover exceeding US$140,000 but below US$570,000
Total	**104**	

Source: Kenya Association of Tour Operators, (July, 2012)

As indicated in Table 3.1, of the 104 tour firms on the Kenya Association of Tour Operators, register, 31 tour firms were listed under category A, 8 under category B, 20 under category C and 45 firms under category D. The choice of the tour firms as a setting for this research was considered appropriate for two reasons. First, the tourism sector in Kenya contributes approximately 10% of the Country’s Gross Domestic Product (GDP) and warrants attention from the tourism marketers and service providers. Tourism is also a key sub-sector in the Economic Pillar of Kenya’s vision 2030.For this reason, the tour firms are key participants in the service delivery of the tourism product. Second, today’s customers are more demanding and their tastes and preferences are constantly changing. They are likely to consider other destinations when making their purchase decisions if their needs and wants are not adequately addressed. For tour firms to be successful, they have to be responsive to their target customer needs and adapt to the changing market conditions by introducing new products and services that meet their target customer needs better than their competitors.

3.5 Data Collection Instruments and Measurement

The study used both primary and secondary data. Primary data were collected using a semi-structured questionnaire developed in previous market orientation studies (Narver and Slater, 1990), Five competitive forces studies (Pecotich et al., 1999), marketing practices (Morgan et al., 2009; Vorhies and Harker, 2000), The variables were modified with the aim of addressing the specific research objectives and context using the key-informant method. The managing directors, owners and/or the marketing or sales manager were the key informant in each tour firm as they are deemed to have the specific knowledge on strategic marketing responsibilities and experience. Only one respondent was interviewed in each firm. While some previous researchers have supported the use of multiple informants, others scholars found that single informants provide data that are reliable and valid as multiple informants (O’cass et al., 2004; Narver and Slater, 1998). This is consistent with previous studies that have used the views of key informants to study the market orientation and performance relationships (Lin, 2011; Zebal and Godwin, 2011).

The research instrument was self- administered through electronic mail and the drop and pick up later method. A letter of introduction explaining the purpose of the data and assuring the respondents of data confidentiality accompanied the questionnaire. Follow-up telephone calls and emails were made to the respondents to increase the response rate. In addition, secondary data were collected from published sources such as newspapers, magazines, websites and other publicly available sources.

3.5.1 Reliability of the Research Instruments

The measures of each study variable was a result of extensive review of existing theoretical and empirical literature on market orientation, marketing practices, the external environment, firm characteristics and firm performance. Reliability testing measured the internal consistency of each variable and investigated if each individual question used to create the variable was measuring the same aspect. Reliability deals with how consistently similar measures produce similar results in two dimensions (Zigmund, 1997).

The study adopted measures from previous studies that had been previously tested for reliability and found to be reliable. Minor adjustments on the measurement instrument were made to ensure they were thematic to the objectives and the context of the study. To assess the relationship among the study variables, a reliability test were computed using the Cronbach's alpha Coefficient which range from 0 and 1. The closer the Cronbach's Coefficient Alpha is to 1, the greater the internal consistency of the items in the scale. If no correlation exists, Cronbach's Coefficient Alpha is zero and the sub-indices are independent. A high Cronbach's alpha coefficient is an indication that the underlying items reflect the desired variable well (Nunnally and Berstein, 1994). Previous studies have used Cronbach's alpha Coefficient to measure reliability (Kinoti, 2012; Thuo, 2010).

3.5.2 Validity of the Study

Validity refers to how accurately the data obtained capture what they were designed and purported to measure (Mugenda, 2003). To ensure content validity, the data collection instrument was subjected to a pilot test to check for any weaknesses in design and development of the questionnaire after which the final questionnaire was constructed (Hair, Money, Samouel and Page, 2007). Four managers drawn from each category and senior marketing lecturers were used to test for face validity. The pretested tour firms did not form part of the target population as this would result to assessment biases. On the basis of the comments from the industry experts and academia, the items were refined and the final questionnaire developed.

Factor analysis using principal component analyses was performed to determine construct validity of market orientation, marketing practices, external environmental factors and performance variables. Previous studies have also used factor analysis to determine the validity of questionnaire (Thuo, 2010; Mokhtar et al., 2009; Sin et al., 2005; Slater and Narver, 2000).

3.6 Operationalization of the Study Variables

The variables were operationalized and measured using multi-items/indicators anchored on a five-point Likert type scale ranging from 1=Not at all to 5=To a very large extent. Likert-type scales are psychometric response scales primarily used in questionnaires to obtain participants preferences or degree of agreement with a statement or set of statements. Likert-type scales are a non-comparative scaling technique and are uni-dimensional (measure a single underlying trait). The Likert-type scale is a widely used method of scaling in the fields of scholarly and business research that produces attitude measures that could reasonably be interpreted as a metric scale measurement (Chimi and Russel, 2009). They are also widely used to capture attitudes, beliefs, qualitative data that are difficult to measure or data addressing sensitive topics for which a respondent would likely not respond to or would respond falsely is asked directly.

The study was guided by previous studies that measured market orientation dimensions and firm performance outcomes relative to that enjoyed by their closest competitors (Zebal and Goodwin, 2011; Lin, 2011; Morgan, et al., 2009). To measure the independent variable, the scale was adopted from Narver and Slater's (1990) market orientation conceptualization (customer orientation, competitor orientation and inter-functional coordination). An aggregate measure (composite score) of market orientation was obtained by combining the mean scores of market orientation dimensions of each tour firm. Previous studies have used Narver and Slater's (1990) measurement scale and computed the firm's market orientation score as the average of the sums of scores of the responses from the management team on the three market orientation components (Lagat et al., 2012; Lin, 2011; Narver and Slater, 1990).

In this study, the dependent variable was tour firm's performance. A review of extant literature provided an expansive view of the subjective firm performance measures that guided the operationalization of the variable. There seems to be no agreement among scholars and researchers on the appropriate measure of firm performance and for this reason, different dimensions of firm performance are considered. While some studies have suggested that performance measures include growth and financial performance (Wiklund, 1999), other scholars have recommended the use of objective measures of performance over subjective evaluation of performance. Day and Wensley, (1998) argue that objective measures should be supplemented by other subjective measures for a comprehensive representation of performance. Moreover, previous studies have suggested that top management's evaluation of subjective measures is highly correlated with objective measures (Dess and Ribinson, 1984). Substantive implications of the body of the market orientation discourse appear to heavily rely on the validity of subjective performance measures (Kirca et al., 2005; Dawes, 1999).

This study adopted subjective firm performance measures since collection of objective data from respondents is normally difficult since small firms are reluctant to disclose actual performance objective data especially if they consider it commercially sensitive or confidential and can provide biased evaluation of their firm's financial performance (Sapienza, Smith and Gannon, 1988). The study was guided by previous market orientation studies that have successfully used market orientation and subjective firm performance measures (Kirca et al., 2005; Deshpande and Farhey, 1998; Balakrishnan, 1996; Pelham and Wilson 1996).

To measure firm performance, this study adopted organizational assessment framework to measure the tour firm's effectiveness, efficiency, relevance and financial viability (Kinoti, 2012; Munyoki, 2007; Lusthaus et al., 1999). The customer satisfaction customer retention measurement scales were adopted from Zebal and Goodwin, (2011) and Zebal, (2003). The employee satisfaction measurement scale was adopted from Jaworski and Kohli (1993).

The moderating variables were the external environmental comprising Porter's (1980) five competitive force factors and government policies. The INDUSTRUCT scale was used to measure the five competitive forces (Pecotich et al., 1999; Porter, 1980). The scale to measure the market turbulence was adopted from Kohli and Jaworski's (1990) competitive environment. The age of the tour firm was measured by the number of years the firm has been in operation in Kenya while the size was measured by the number of permanent employees.

The mediating (intervening) variable were the marketing practices conceptualized as the intangible marketing execution tools used by firms to deploy the market orientation for enhanced firm performance results. The marketing practices are expected to act as the linkage through which tour firms can develop innovative products and services that meet the changing customer tastes and preferences of current and potential target customers. Tour firms should consider providing the right range of pricing strategies, placing the product at the right place and time for the customers and develop novel promotion approaches.

Marketing research (probe), a key mechanism through which firms plan, gather and analyze information regarding their current and potential customer, competitors, stakeholders and the environment for use in making marketing decisions was included. The marketing practices were examined by means of twenty four attitudinal statements scales adopted from previous studies (Morgan et al., 2009; Vorhies and Harker, 2000). The operationalisation and measurement of study variables are illustrated are Table 3.3.

Table 3.2: Operationalization of Study Variables

Variable	Nature	Indicator	Measure	Scale	Question
Tour firm market orientation	Independent	Market orientation: • Customer orientation • Competitive orientation • Inter-functional coordination	Five point Likert-type scale 1-Not at all 2-To a small extent 3-To a moderate extent 4-To a great extent 5-To a very great extent	Interval	Part II
Firm characteristics	Independent	• Firm size • Age size	Direct measure	Direct measure	Part I
Marketing practices	Intervening	Marketing practices: • Product practices • Price practices • Place practices • Promotion practices • Marketing research practices	Five point Likert-type scale 1-Not at all 2-To a small extent 3-To a moderate extent 4-To a great extent 5-To a very great extent	Interval	Part III
External environmental factors	Moderating	External environmental factors: • Five competitive forces • Market turbulence • Government policy	Five point Likert-type scale 1-Not at all 2-To a small extent 3-To a moderate extent 4-To a great extent 5-To a very great extent	Interval	Part IV
Tour Firm performance	Dependent	Performance measures: • Customer satisfaction • Customer retention • Employee satisfaction • Effectiveness • Efficiency • Relevance • Financial viability	Five point Likert-type scale 1-Not at all 2-To a small extent 3-To a moderate extent 4-To a great extent 5-To a very great extent	Interval	Part V

3.7 Data Analysis Models

Data were analyzed using both descriptive statistics (mean and measures of dispersion) and inferential statistics (correlation, analysis of variance and regression analysis). Descriptive analysis was conducted to present the main characteristics of the sample. To test the hypotheses, correlation and regression analyses were computed to determine the expected relationships between market orientation, marketing practices, firm characteristics, external environmental factors and firm performance. The regression analyses provided estimate equations to predict the magnitude of the dependent variable and provide values for the predictor variables. Pearson Moment Correlation (r) was derived to show the nature and strength of the relationship among variables. Coefficient of determination (R^2) was used to measure the amount of variation between the study variables.

The general model for predicting firm performance, was represented by the following model: $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \ldots + \beta_n X_n + \varepsilon_1$. Where Y is the dependent variable and is a linear function of X_1, X_2, X_3, $\ldots X_n$ plus ε_I, α is the regression constant or intercept, b_{1-n} are the regression coefficient or change induced in Y by each X, X_{1-n} are independent variables, ε_1 is the error term that accounts for the variability in Y that cannot be explained by the linear effect of the predictor variables. The estimate model for the tour firm performance was expressed as: $FP = \alpha + \beta_1 MO + \beta_2 P + \beta_3 A + \beta_3 S + \beta_4 F + \varepsilon_I$. FP is the estimated composite index of firm performance measure, α is a regression constant or intercept, β_{1-4} are the regression coefficients. MO represents the composite score of tour firm market orientation and is the independent variable, P, the composite score of the marketing practices and the mediating/intervening variable. The moderating variables are represented by F which the composite score of external environmental factors, A represents the age of the firm, S the size of the firm and ε_1 is the random error term that accounts for the variability in tour firm performance that cannot be explained by the linear effect of the predictor variables.

To test the moderating effect of the external environmental factors (F) on the relationship between tour firm market orientation (MO) and firm performance, (FP), a hierarchical multiple regression analysis was used. In the first step, the independent variables (MO and F) were entered into the model as predictors of the outcome variable (firm performance). The independent variables do not have to be statistically significant predictors of the dependent variable (FP) in order to test for an interaction term (Baron and Kenny, 1986). In the second step, an interaction term (the product of the two independent variables MO and F) was computed. An interaction term presents a joint relationship between market orientation and external environmental factors and this relationship accounts for additional variance in the dependent variable beyond that explained by either market orientation or external environmental factors alone. The moderator effect is present if the interaction term explains a statistically significant amount of variance in the dependent variable. The single regression equation was presented as $Y=\alpha+ \beta_1X+ \beta_2Z+ \beta_3XZ+\varepsilon_i$ where α is a regression constant or intercept, β_1 is the coefficient relating to the independent variable, X(MO) to the outcome, Y(FP), when Z(F)=0 , β_2 *is* the coefficient relating to the moderator, Z, to the outcome when X=0, XZ is the product of market orientation and external environmental factors and ε_I is the error term. The regression coefficient for the interaction term β_3, provides an estimate of the moderation effect. If β_3, is statistically different from zero, there is a significant moderation on the X (MO) and Y (FP) relation.

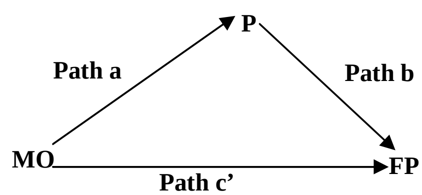
To examine the mediating effect, Baron and Kenny's (1986) four step procedure was used. Several regression analyses were conducted and the significance of coefficients examined in each step. In the first step, a simple regression analysis with the independent variable (MO) predicting the dependent variable (FP) was carried out. In the second equation, a simple regression analysis with the independent variable (MO) predicting the intervening variable (P) was carried out. In the third equation, a simple regression analysis was carried out with the intervening variable (P) predicting the dependent variable (FP) and finally, a multiple regression analysis with the independent variable (MO) and intervening variable (P) predicting the dependent variable (FP) was carried out.

The purpose of step one to three was to establish if zero-order relationships among the variables existed and if they were statistically significant proceed to step four. If MO was no longer significant when P is controlled, the findings would support full mediation. If MO was still significant, that is, both MO and P are both significantly predict FP; the findings would support partial mediation. Figure 3.2 represents the graphical representation of the mediating effect:

Figure 3.1: Mediating Effect of Marketing Practices on the Relationship between Market Orientation and Firm Performance

Part A: Overall Direct Effect

Part B: Path Diagram for Mediation Effect of Marketing Practices



Source: Adopted from Baron and Kenny (1986).

As illustrated in Figure 3.1, testing for mediation involves establishing four conditions by determining path c, market orientation (independent variable) is significantly related to firm performance (dependent variable); path a shows that market orientation is significantly related to marketing practices (mediating variable), if marketing practices is not associated with market orientation and they do not mediate the market orientation and firm performance relationship; path b, the marketing practices are significantly related to firm performance and finally when controlling for the effects of the marketing practices on firm performance, the effect of market orientation on firm performance is no longer significant (path c') (Baron and Kenny, 1986). According to Wu and Zumbo (2007), only path "a" (the independent variable is correlated with the mediator) and path "b" (the mediator affects the dependent variable) are necessary conditions for establishing a mediation effect. A summary of the analytical models is depicted in Table 3.4.

Table 3.3: Analytical Models

Objective(s)	Hypothesis	Analysis method	Interpretation of output of the analytic method
Objective 1 Assess the relationship between market orientation and performance of tour firms in Kenya.	Hypothesis 1 There is a statistically significant relationship between market orientation and performance of tour firms in Kenya.	Regression model Tour firm performance=f (Tour firm market orientation) $FP_1= \alpha+ \beta_1X_1+ \beta_{12}X_2+ \beta_{13} X_3+\varepsilon_1$ Where: FP_1 is the composite index of tour firm performance α= constant (y intercept) $\beta_{11,} \beta_{12}$ and β_{13} =regression coefficients X_1=Customer orientation X_2=Competitor orientation X_3=Inter -functional coordination $\varepsilon_{1=}$ Error term (composite of other types of individual differences not explicitly identified in the model)	• R^2 to assess how much of the dependent variable’s variation is due to its relationship with the independent variable. • To conduct an F test (Analysis of Variance) to assess overall robustness and significance of the simple regression model • Conduct t test to determine individual significance of the relationship
Objective 2 Examine the influence of firm characteristics on the performance of tour firms	Hypothesis 2 There is a statistically significant relationship between firm characteristics and performance	Regression model Tour firm performance= *f(* age and size of the firm) $FP_2= \alpha + \beta_{21}X_4+ \beta_{22}X_5 + \varepsilon_2$ $FP_{2=}$ composite index of tour firm performance α = constant(y intercept) $\beta_{21\ldots} \beta_{22}$ =regression coefficients X_4=Age of the tour firm X_5=Size of the tour firm ε_2=-error term	• R^2 to assess how much of the dependent variable’s variation is due to its relationship with the independent variable. • To conduct an F test (Analysis of Variance) to assess overall robustness and significance of the simple regression model • Conduct t test to determine individual significance of the relationship
Objective 3 Assess the influence of external environment on performance of tour firms in Kenya	Hypothesis 3 There is a statistically significant relationship between external environment and performance of tour firms in Kenya.	Regression analysis Tour firm performance =*f* (External environment) $FP_3= \alpha + \beta_{31} X_{12}+ \beta_{32} X_{13}+\ldots\ldots \beta_{38} X_8+\varepsilon_3$ Where: $FP_{4=}$ Composite index of firm performance	• R^2 to assess how much of the dependent variable’s variation is due to its relationship with the independent variable. • To conduct an F test (Analysis of Variance) to assess overall robustness

		α = constant (intercept) $\beta_{31},\ldots\beta_{38}$=regression coefficients X_6 = Composite index of five competitive forces $X_{7=}$Market turbulence X_{8-}Government policy $\varepsilon_{3=}$ error term	and significance of the simple regression model • Conduct t test to determine individual significance of the relationship
Objective 4 Establish the relationship between firm characteristics, market orientation and marketing practices of tour firms in Kenya.	Hypothesis 4 The relationship between market orientation and marketing practices is significantly moderated by firm characteristics.	Pearson correlation analysis Marketing practices =f (Firm characteristics and market orientation) P=*f*(FC +MO) Where: P is the composite score of marketing practices FC = age and size of the firm MO is the composite score of market orientation	• Partial correlation analysis
Objective 5 Establish the moderating effect of external environment on the relationship between market orientation and performance of tour firms in Kenya.	Hypothesis 5 The relationship between market orientation and firm performance is significantly moderated by external environmental factors.	Regression analysis $FP_4= \alpha + \beta_{41}MO+ \beta_{42}F+ \beta_{43}K_{+}\ \varepsilon_4$ Where: α =the constant (intercept) $\beta_{41..}\beta_{43}$ =regression coefficients FP_5 =composite index of tour firm performance MO = composite score of market orientation F = composite index of external Environmental factors K= interaction term of market orientation and external environmental factors ε_4= error term	• R^2 to assess how much of the dependent variable's variation is due to its relationship with the independent variable. • A significant change in adjusted R^2 upon introduction of the interaction term K (external environmental factors) confirms a moderating effect of the term • To conduct F test (Analysis of Variance) to assess the robustness and overall significance of the regression model. • Conduct t- statistics to assess significance of individual variables
Objective 6 Establish the mediating effect of marketing practices on the relationship between market orientation and performance of firms in Kenya.	Hypothesis 6 The relationship between market orientation and firm performance is significantly mediated by marketing practices	Regression analysis Step 1: $FP_5= \alpha + \beta_{51}MO+ \varepsilon_5$ Step 2:$P= \alpha + \beta_{61}MO+ \varepsilon_6$ Step 3: $FP_6= \alpha + \beta_{71}P+ \varepsilon_7$ Step 4: $FP_7= \alpha + \beta_{81}MO+ \beta_{82}P+ \varepsilon_8$	• R^2 to assess how much of the dependent variable's variation is due to its relationship with the independent variable. • To conduct F test (Analysis of

		Where: α =constant (intercept) $\beta_{51}\ldots\beta_{82}$ are regression coefficients FP=composite index of tour firm performance MO =composite index of market orientation P = composite index of marketing practices $\varepsilon_6\ldots\varepsilon_8$ = error term	Variance) to assess the robustness and overall significance of the regression model. • Conduct t- statistics to assess significance of individual variables • Some form of mediation is supported if the effect of P remains significant after controlling for MO. • If MO is no longer significant when P is controlled, the findings support full mediation. • If MO is still significant (both MO and P both significantly predict FP) the findings supports partial mediation
Objective 7 Assess the joint effect of market orientation, marketing practices, firm characteristics and external environment on performance of tour firms in Kenya.	Hypothesis 7 The joint effect of market orientation, marketing practices, firm characteristics, and external environmental factors is greater than the sum of the effects of individual variables on performance.	Regression analysis $FP_8 = \alpha + \beta_{91}MO + \beta_{92}P + \beta_{93}A + \beta_{94}S + \beta_{95}F + \varepsilon_9$ Where: α =(intercept) $\beta_{91}\ldots\beta_{95}$ =regression coefficients FP =composite index of tour firm performance MO =composite index of market orientation P = composite index of market practices A =Age of the firm S=Size of the firm F= composite index of the external environmental factors ε_9= error term	• R^2 and R^2 change to assess how much of the dependent variable's variation is due to its relationship with the independent variable. • To conduct F test (Analysis of Variance) to assess the robustness and overall significance of the regression model. • Conduct t- statistics to assess significance of individual variables

3.8 Summary

This chapter has described the research methodology adopted in the current study. Specifically, the chapter has explained the research philosophy, research design, population of the study, data collection instruments, reliability and validity of the data instruments. The chapter outlined the operationalization of the study variables and the statistical data techniques which consist of descriptive statistics, correlation and regression analyses. The analytical models used for data analysis and hypotheses testing were also provided. The next chapter presents data analysis, findings and interpretation of the results.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION OF THE RESULTS

4.1 Introduction

The overall objective of the study was to examine the relationship between market orientation, marketing practices, firm characteristics, external environment and performance of tour firms in Kenya. The data used for this research were collected from the survey of tour firms registered with Kenya Association of Tour Operators as at July 2012. A total of 62 questionnaires were returned. However two questionnaires were incomplete and were therefore not used in the analysis. The sample response rate was 60 %. According to Fowler (1984), a response rate of 60% is representative. This was therefore considered representative sample for further analysis. This is a higher response rate than those of similar studies conducted by Blankson and Cheng (2005), 21 percent, Munyoki (2007) 51 percent and Mohammed (2011) 31 percent.

4.2 Respondent Characteristics

The respondent's characteristics included the highest level of education attained and the length of service in the current position. The study set out to examine the respondent's length of service in their current position and the attained highest level of education. The target respondents for this study were the Managing Director/Owner or Marketing/Sales Manager or any other manager in an equivalent position. The distribution of respondent's length of service in current firm is contained in Table 4.1.

Table 4.1: Individual Respondent Length of Service

Years	Frequency	Percentage (%)
Up to 5 years	21	35.0
6-10 years	24	40.0
11-15 years	9	15.0
16-20 years	1	1.7
Above 20 years	5	8.3
Total	**60**	**100%**

Source: Primary Data.

The results in Table 4.1 reveal that approximately 65 % of the respondents had been with the current firm for at least 6 years. The respondent's length of service can be associated with experience and knowledge acquired over time which can lead to superior firm performance.

The study had also sought to establish the highest level of education attained by the respondents. The highest level of education attained and prior experience in business have been recognized as critical success factors for small firms. According to Box, White and Barr (1993), a positive relationship exists between high education levels and firm performance. The relevant data are presented in Table 4.2.

Table 4.2: Highest Level of Education

Highest Level of Education	**Frequency**	**Percentage (%)**
Diploma	25	42.0
Bachelors degree	29	48.0
Masters degree	6	10.0
Total	**60**	**100%**

Source: Primary Data.

The results in Table 4.2 reveal that the respondents had a relatively high level of qualification with 40% and 48% holding diploma and a bachelors degree certificates respectively. This implies that the respondents have the relevant knowledge in their areas of operation within the tour firms. The level of education has been cited as a critical success factor in helping firms survive and manage in difficult conditions and to improve business profitability (Yusuf, 1995).

4.3 Respondent Firm Characteristics

The key firm factors of interest for the study were the age of the firm measured in terms of the number of years the firm has been in operation in Kenya; size of the firm measured by the number of permanent employees employed by the tour firm; and the firm ownership structure measured in terms of whether the tour firm is locally owned, foreign owned or jointly locally and foreign owned. The age of the firm can increase its efficiency in that the firm can discover what it is good at and learn to do things better. The age of the firm was measured by number of years the firm has been in operation in Kenya which was presumed to represent the firms' industry experience. Table 4.3 presents the results on the age of the tour firms surveyed.

Table 4.3: Number of Years the Firm has been in Operation

Number of years	Frequency	Percentage (%)
Up to 5 years	2	3.3
6-10 years	7	11.7
11-15 years	18	30.0
16-20 years	15	25.0
Over 20 years	18	30.0
Total	**60**	**100%**

Source: Primary Data.

The results in Table 4.3 show that approximately 70% of the tour firms have been in operation in Kenya for less than 20 years and thirty per cent have being in operation for over 20 years. The results imply that most of the tour firms surveyed are relatively young.

The size of the firm was measured in terms of the number of permanent employees currently employed by the tour firm. This method of measure has been found to be linked to better business performance with larger firms having a higher level of success (McMahon, 2001). The size of the firm in the current study is a reflection of the ability of the firm to cope with changes in the environment and also reflects how it organizes and copes with its internal processes and procedure. Table 4.4 presents the relevant results.

Table 4.4: Number of Employees Permanently Employed

Number of Employees	Frequency	Percentage (%)
Up to 10 employees	5	8.3
11-20 employees	30	50.0
21-30 employees	21	35.0
31-40 employees	1	1.7
41-50 employees	3	5.0
Total	**60**	**100%**

Source: Primary Data.

The results in Table 4.4 indicate that all the tour firms surveyed have fifty employees and below. This implies that majority tour firms (93.3%) fall under the SME category as per the GoK (GoK, 2005).

Ownership structure was defined by classifying the tour firms in three categories: fully Kenyan owned, fully foreign owned and jointly Kenyan and foreign owned. The findings on the ownership structure of the firm are contained in Table 4.5.

Table 4.5: Firms' Ownership Structure

Ownership	Frequency	Percentage (%)
Fully Kenyan owned	36	60.0
Fully foreign owned	16	26.7
Joint Kenyan and foreign owned	8	13.3
Total	**60**	**100%**

Source: Primary Data.

The results in Table 4.5 indicate that 60% of the tour firms surveyed are fully Kenyan owned, 27% are foreign owned and 13% jointly owned. This belies the perception that most tour firms in Kenya are foreign owned. This could also be a reflection of the probable confidence Kenyan entrepreneurs have in the tourism industry in Kenya.

4. 4 Reliability and Validity

The study sought to establish the reliability of each study variables. Cronbach's Alpha coefficient was computed. The pertinent results are summarized in Table 4.6

Table 4.6 : Summary of Cronbach's Alpha Reliability Coefficients

Variable	Measures	No. of Items	N	Cronbach's Alpha Coefficient
Market orientation	Customer orientation Competitor orientation Inter-functional coordination	14	59	.690
Marketing Practices	Product practices Price practices Place practices Promotion practices Market research practices	24	59	.667
External Environmental Factors	Five competitive forces Market turbulence Government policy	39	59	.664
Firm Performance	Customer satisfaction Customer retention Employee satisfaction Effectiveness Efficiency Relevance Financial Viability	51	58	.700

Source: Primary Data.

The results in Table 4.6 suggest that external environmental factors had the lowest Cronbach's Alpha coefficients of 0.664 while firm performance had the highest (0.700). Different scholars have used different Cronbach's Alpha coefficients cut-off points (Nunnally 1978; Hair et al., 1998). The reliability results exceeded the 0.6 level of acceptability and were therefore considered reliable for further analysis (Hair et al., 1998).

The results show that nearly all of the factor scores were above 0.5 the cut-off and were therefore considered valid for further analysis (Mokhtar, Yusoff and Arshad, 2009). The higher the absolute value of the loading, the more the factor contributes to the variable. The relevant results are summarized in Appendix IV.

4.5 Assessment of Market Orientation

The study set out to establish the degree of market orientation amongst tour firms in Kenya. The research adopted Narver and Slater (1990) MAKTOR scale comprising customer and competitor orientation and inter-functional coordination to measure the tour firm's level of market orientation. The MAKTOR scale has been tested under different settings and contexts for generalizability, reliability, internal and external validity and found to be a robust measure (Deshpande and Farley, 1998).

The respondents had been asked to indicate the extent to which their firms focused on customer orientation, competitor orientation and inter-functional coordination statements to represent market orientation. Different sets of questions anchored on a five point Likert-type scale ranging from 1=Not at all to 5= To a very large were used to measure the three market orientation sub-constructs. The extant theory (Narver and Slater, 1990) suggests that the three behavioral components of market orientation are of equal importance and were therefore measured as a one dimension construct. The tour firm's aggregate score of market orientation was computed as the simple average of the mean scores of the customer orientation, competitor orientation and inter-functional coordination responses.

In addition, standard error of mean (SE) was computed. Standard error of mean is a measure of reliability of the study results. It is equal to the standard deviation of the population divided by the square root of the sample size calculated as: SE= (SD) (of the population)/square root (n). Standard deviation shows how far the distribution is from the mean. A small standard error implies that most of the sample means will be near the center population means thus the sample mean has a good chance of being close to the population mean and a good estimator of the population mean. On the other hand, a large standard error illustrates that the given sample mean will be a poor estimator of the population mean (Harvill, 1991).

4.5.1 Customer Orientation

Customer orientation emphasizes the sufficient understanding of target customers and creating superior customer value continually. A customer orientation also provides a firm with a better understanding of its customers, which then leads to enhanced customer satisfaction and firm performance.

The respondents had been asked to indicate the extent to which their firms focused on specific customer orientation statements. To measure customer orientation, a set of five items was used. The pertinent results are presented in Table 4.7.

Table 4.7: Respondents Scores on Customer Orientation

Customer Orientation Statements	**N**	**Mean Score**	**SE**
Our strategies are driven by our beliefs on how we can create greater value for our customers	60	4.50	.084
Meeting our customers' needs is the most important objective of our business	60	4.43	.080
Our strategy for competitive advantage is based on clear understanding of our customers' needs	59	4.34	.089
We give close attention to after sales service	60	4.20	.100
We constantly monitor our level of commitment and orientation to customers' needs	60	4.13	.093
Average Score		**4.32**	**.089**

Source: Primary Data.

The results in Table 4.7 reveal that mean score for the five statements used to measure customer orientation was 4.32. The overall mean score of 4.32 (to a large extent) shows that the tour firms have a general agreement and sufficient understanding of their target customers needs and wants. This is expected to enable them to create products and services of superior value thereby creating greater customer value and satisfaction. The later is in turn expected to lead to superior firm performance. In addition, the results show that the tour firms surveyed understand the needs and wants of their target customers as most of their strategies are geared towards creating superior customer value (mean score=4.50 SE=.084). Monitoring the level of commitment and orientation to customers' need recorded the lowest mean score (mean score=4.13, SE=.093). The results imply that the tour firms surveyed are customer oriented.

4.5.2 Competitor Orientation

To be market-oriented, firms must consider their performance relative to their competitors by evaluating short and long-term strengths, weaknesses, capabilities and strategies of both their key current and potential competitors (Alhakimi and Baharun, 2009). To determine the level of competitor orientation, the respondents were asked to indicate the extent to which their firm focused on their competitor activities and strategies. Their responses are summarized in Table 4.8.

Table 4.8: Respondents Scores on Competitor Orientation

Competitor Orientation Statements	N	Mean Score	SE
Our staff members regularly share information within the firm concerning competitors' strategies	60	4.47	.087
We quickly respond to competitors’ actions that threaten us	59	4.46	.078
The top management team regularly discusses competitors’ strengths and strategies	60	4.45	.110
We target customers and customer groups where we have or can develop a competitive advantage	60	4.17	.093
Managers from every functional area regularly interact with our current and prospective customers	60	4.08	.093
Average Scores		**4.33**	**.092**

Source: Primary Data.

The results in Table 4.8 yield an overall mean score of 4.33. Information gathering and sharing within the firms’ functional areas regarding the competitors’ strategies had highest mean score (mean score=4.47, SE=.087). This shows that competitor analysis regarding the current and potential competitors is important to the tour firms for effective marketing strategies and superior performance. The lowest score was noted on the low levels of interaction between managers and their current and prospective customers (mean score=4.08, SE=.093).

This suggests that tour firms need to interact with their current and potential customers. As a result, the information gathered will assist management come up with innovative products and services that will meet the needs of their target customer target customers and at the same time anticipate their needs better than their competitors.

4.5.3 Inter-Functional Coordination

The study further sought to establish the level of coordination of staff members and the utilization of firm resources throughout the firm in creating superior value for the target customers. The scale items measured the flow of information throughout the firm. The pertinent results are presented in Table 4.9.

Table 4.9: Respondents Scores on Inter-Functional Coordination

Inter-functional Coordination Statements	**N**	**Mean Score**	**SE**
Our managers understand how everyone in our business can contribute to creating customer value	60	4.45	.090
Our functions are integrated in ways that the meet needs of target markets	59	4.39	.084
All our functional departments work hard to thoroughly and jointly solve customer problems	60	4.28	.101
We freely communicate information about our successful customer experiences across all business functions	59	4.12	.097
Average Scores		**4.31**	**.093**

Source: Primary Data.

The results in Table 4.9 suggest that the respondents, on average indicated high agreement with aspects of inter-functional coordination with an overall mean score of 4.31. The level of staff members' common understanding towards creating customer value scored the highest (mean score=4.45, SE=.090) while the communication flow of customer experiences scored the lowest (mean score=4.12, SE=.097). The results show that the management accepts that different functions must be integrated in a way that everyone in their respective functional areas can contribute to creating value for the customer which in turn leads to improved firm performance. This implies that the tour firms appreciate the relationships between business functions and the value of customers. As a result, the firms are expected to organize and integrate different functions in order to serve the needs and wants of their target customers.

Given the uni-dimensionality of the three components of market orientation, the tour firm's market orientation score was computed as the simple average of the scores of customer orientation, competitor orientation and inter-functional coordination responses. Table 4.10 presents a summary of level of market orientation revealed by the current study.

Table 4.10 : Summary of Market Orientation

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
Average Score		**4.32**	**.091**

Source: Primary Data.

The results in Table 4.10 show that that the overall mean score of market orientation was 4.32, SE=091). Competitor orientation had the highest overall mean score of 4.33 followed by customer orientation with an overall mean score of 4.32. The lowest overall means score was recorded by inter-functional coordination (mean score=4.31). This implies that 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. The results are consistent with previous studies which had concluded that market orientation is an effective tool for decision marketing (Langat et al. 2012; Shin, 2012; Lin, 2011; Narver and Slater, 1990).

4.6 Marketing Practices

To measure the marketing mix practices of the tour firms, items were adopted from previous studies (Vorhies and Morgan, 2003; Morgan, et al. 2009) with minor adjusts to reflect the Kenyan context. The respondents had been asked to indicate the extent to which their firms respond to product, price, place, promotion and marketing research practices. A five-point Likert-type scale ranging from 1=not at all to 5=to a very large extent was used to collect the data. The pertinent responses were analyzed using mean scores and the corresponding standard error of mean.

4.6.1 Product Practices

Firms must design products that meet the needs and wants of their customers. The respondent firms had been asked to indicate the extent to which they respond to selected new product development decisions. The pertinent results are summarized in Table 4.11.

Table 4.11: Product Practices

Description	**N**	**Mean Score**	**SE**
We develop new products to exploit research and development investment	60	4.32	.069
We have ability to develop new products	60	4.27	.075
We ensure that product development efforts are responsive to customer needs	60	4.18	.094
We successfully launch new products	60	3.78	.107
Average scores		**4.14**	**.086**

Source: Primary Data.

The results in Table 4.11 reveal that the average scores used to measure product practices was 4.14, SE=.086 . The development of new products to utilize research and development investment had the highest score of 4.32 SE=.069 and success of launching of new products with the lowest mean score of 3.78 SE=.107. This implies that the tour firms must design new products that can meet the needs and wants of their target customers.

4.6.2 Price Practices

Price practices consist of the processes needed to competitively price a firm's product and monitor prices in the market. The respondents had been asked to indicate the extent to which they respond to various pricing decisions. The pertinent results are summarized in Table 4.12.

Table 4.12: Price Practices

Description	**N**	**Mean Score**	**SE**
We use pricing skills and systems to respond quickly to market changes	60	4.20	.074
We monitor competitors' pricing and price changes	60	4.02	.118
We know our competitors pricing tactics	59	3.95	.114
We do an effective job of pricing our products	60	3.88	.098
Average scores		**4.01**	**.101**

Source: Primary Data.

From Table 4.12, the results show that the average scores for price decisions was 4.01 SE=.101 with pricing skills as a way of responding to market changes having the highest mean score (mean score=4.20, SE=.074) and the effectiveness of product pricing with the lowest mean score (mean score=3.88, SE=.098). The results suggest that the tour firms have to be efficient in their price setting strategies, monitor and respond to competitor pricing strategies.

4.6.3 Distribution (Place) Practices

Distribution decisions entail making products available to customers at the right place and time. The consumption of the tourism product is at the point of production as customers move towards the product. The results obtained are depicted in Table 4.13.

Table 4.13: Distribution Practices

Description	N	Mean Score	SE
We provide high levels of service support to distributors	60	4.58	.076
We add value to our distributors businesses	60	4.48	.073
We have a strong working relationship with distributors	59	4.34	.096
We attract and retain the best distributors	60	4.33	.108
Average scores		**4.43**	**.088**

Source: Primary Data.

From Table 4.13, the results show that the average scores for distribution decisions were mean score=4.43, SE=.088 with service support to distributors recording the highest mean score of 4.58, SE=.076 and attraction and retention of the best distributors with the lowest scores (mean score=4.33, SE=.108). The results suggest that to a large extent the tour firms agree on the need to form and manage of channels of distribution effectively.

4.6.4 Promotion Practices

Promotion entails communicating with the target customers about the product offerings. The target customer needs to be made aware of the existence and availability of the product through promotion approaches such as advertising, personal selling, sales promotion, public relations, internet marketing and direct marketing. The respondents had been asked to state the extent to which their firm had implemented selected promotion mix variables. The relevant results are presented in Table 4.14.

Table 4.14: Promotion Practices

Description	N	Mean Score	SE
Our public relations programmes are well-developed and executed	58	4.17	.099
Our internet marketing programmes are well-developed and executed	60	4.15	.100
We have good advertising and creative skills	59	4.14	.074
We provide sales management planning and control systems	60	4.08	.096
Our sales promotions are well-developed and executed	60	4.05	.102
We give the sales people training they need to be effective	60	4.00	.106
We provide effective sales support to the sales force	60	4.00	.095
Our advertising programmes are well developed and executed	60	3.98	.110
Average Scores		**4.07**	**.098**

Source: Primary Data.

The results in Table 4.14 show that the average score for promotion practices was 4.07. As far as the individual practices are concerned, public relations had the highest score (mean score=4.17, SE=.099) while advertising recorded the lowest score (mean score=3.98, SE=.110). The results suggest that the tour firms appreciate the use of integrated marketing communication approaches when communicating with their target customers.

4.6.5 Marketing Research Practices

To keep with the changing customer tastes and preferences, competitive activities and other changes in the external business environment, market-orientated firm need to gather, analyze and disseminate information to all the functional areas of the business and to implement appropriate marketing strategies. Armed with this vital information, firms can make informed marketing decisions about their current and potential customers and competitors and respond to changes in the internal and external environment. To examine the marketing research practices, the respondents had been asked to mention the extent to which their firms respond to the selected marketing research attributes. The relevant results are summarized in Table 4.15.

Table 4.15: Marketing Research Practices

Description	**N**	**Mean Score**	**SE**
Our marketing research expertise helps us in developing marketing programmes	60	4.52	.077
We use marketing research information effectively	60	4.25	.094
Our marketing research skills help us to develop effective marketing programmes	60	4.23	.079
Our marketing research activities help us to find customers	60	4.17	.104
Average Scores		**4.29**	**.088**

Source: Primary Data.

The results in Table 4.15 indicate that the overall means score for the marketing research practices was 4.29, SE=.088. The individual marketing research practices reveal that marketing research is an important undertaking that tour firms consider when formulating marketing programmes with the highest mean score (mean score=4.52, SE=.077). The use of marketing research activities to find new customers had the lowest mean score (mean score=4.17, SE=.104). The importance of marketing research amongst the tour firms is consistent with previous studies that have underscored the importance of information generation regarding the needs of customers, competitors and competitive environment, the dissemination of such information among firms' functional areas, development and implementation of strategies in response to such information (Kohli and Jaworski, 1990).

4.6.6 Summary of Marketing Practices of Tour Firms in Kenya

Marketing practices are the controllable factors that a firm's management can alter to meet the firm's goals and objectives. They are means through which firms translate marketing planning into practice and can alter a firm's competitive position (Goi, 2009). Table 4.16 summarizes the descriptive statistics for marketing practices revealed in the current study.

Table 4.16: Summary of Descriptive Statistics for Marketing Practices

Marketing Practices	**N**	**Overall Mean Score**	**SE**
Product	60	4.14	.086
Price	59	4.01	.101
Place	59	4.43	.088
Promotion	59	4.07	.098
Marketing research	60	4.29	.088
Average Mean Scores		**4.19**	**.092**

Source: Primary Data.

The results in Table 4.16 show that the average mean scores of the marketing practices was 4.19, SE=.092. The results reveal that place had the highest mean score (mean score=4.43, SE=.088) followed by marketing research (mean score=4.29, SE=.089). Price and promotion practices recorded the lowest mean scores of 4.01, SE=.101 and 4.07, SE=.098 respectively. The results suggest that, to a large extent, the tour firms acknowledge the importance of the marketing practices.

4.7 Attributes of the External Environment

Firms operate in a highly complex and unstable external environment. The external environment is the same for all firms in the industry yet the way managers perceive and interpret the environment may vary and this in turn affects the overall firm performance. The current study sought to establish the extent to which the selected external environmental factors directly affect the performance of tour firms and how the factors may affect the strength and/ or direction of the market orientation and firm performance relationship. The external environmental factors are expected to interact in a complex manner that can strengthen or weaken the strength of the relationship between market orientation and firm performance.

To assess the selected external environmental factors, the sample respondents had been asked to indicate the extent to which various external environmental attributes affected their firms' performance. Pecotich's et al., (1999) INDUSTRUCT scale was used to measure the five competitive forces while market turbulence was measured using Kohli and Jaworski's (1990) competitive environment measurement scale. In addition, government policies were included as the main external environmental factors which can strengthen or weaken the market orientation and performance relationship.

The respondents had been asked to indicate the extent to which their firms were affected by selected external environmental factors. A five-point Likert-type scale ranging from 1=not at all to 5=to a very large extent was used. The responses were analyzed using mean scores and standard error of mean (SE). The tour firms composite score of external environmental factors was computed as the average of the mean scores of the five competitive forces (bargaining power of buyers, threat of substitute good, bargaining power of sellers, rivalry amongst existing firms and threat of new entrants), market turbulence and government policy.

4.7.1 Five Competitive Industry Forces

Porter's (1980) five competitive forces framework postulates that analysing competition in the industry relates to both the behaviour of existing firms and the structure of the industry's environment. This was measured by 31 items from the industry structure (INDUSTRUCT) scale originally developed by Pecotich et al. (1999) that encompassed Porter's (1980) five competitive forces. Taken together, the five competitive factors explain the perceived dynamics of the competitive intensity of an industry. The key point is the perception and interpretation of the five forces by the individual managers. Table 4.17 presents summary of the relevant results.

Table 4.17: Five Competitive Industry Forces

Industry Forces	**N**	**Mean Score**	**SE**
The bargaining power of buyers	60	4.40	.085
Competitive rivalry	60	4.36	.096
The bargaining power of suppliers	59	4.28	.105
Threat of entry	59	4.19	.090
Threat of substitute goods	59	4.14	.095
Average Scores		**4.27**	**.094**

Source: Primary Data.

The results in Table 4.17 show the average mean score of the selected competitive forces was 4.27, SE =.094. The results imply that all the five competitive forces are highly rated as shaping industry competition. The bargaining power of buyers (the extent to which buyers are able to exert influence and affect the general firm well-being) had the highest mean score (mean score=4.40, SE=.085). This suggests that customer tastes and preferences are constantly changing and customers are continuously in search of innovative products that will meet their needs and wants. Powerful customers can capture more value by driving down prices, demanding better quality or more service and playing industry layers off against each other (Porter, 2008).

Following closely was competitive rivalry with a mean score of 4.36, SE=.096. Competitive rivalry refers to the degree to which competing firms jockey for better positions by implementing different tactics such as price competition, advertising, introduction of new products and improved customer service. Competitive rivalry seems to correspond with the competitive concept in the market orientation discourse which refers to the degree of competition and competitor resources, abilities and actions to differentiate (Jaworski and Kohli, 1993). As a result, the customers can choose among the products and services of competing tour firms who attack each other on different strategic dimensions. The threat of substitute goods (the extent to which other products and services that are similar in physical, structural and functional characteristics and that perform the same generic function are available to customers) had the lowest overall mean score of 4.14.

4.7.2. Market Turbulence

Market turbulence is the degree of instability that exists in the composition of customers and their preferences (Jaworski and Kohli, 1993). In a market characterized by high degrees of turbulence, firms must respond rapidly to changing preferences of both current and potential customers since they tend to have new customers whose product needs are different from those of current customers. Table 4.18 gives a summary of the pertinent results.

Table 4.18: Market Turbulence

Description	N	Mean Score	SE
Our customers tend to look for new products/services all the time	60	4.37	.089
Sometimes our customers are price sensitive but on other occasions price is relatively unimportant	60	4.27	.085
We are witnessing demand for products and services from customers who have never bought them before	60	4.17	.096
In our kind of business customers' product/service preferences change quite a bit over time	59	3.97	.116
Average scores		**4.20**	**.097**

Source: Primary Data.

The results in Table 4.18 reveal that the market is characterized by a high degree of market turbulence mean score of 4.20. To survive in such a business environment, individual firms must respond quickly to changing customer needs and preferences (mean score=4.37, SE=.089) better than competitors by offering products and services which lead to customer satisfaction. Changes in customer preferences had the lowest score (mean score=3.97, SE=.116). These changes in composition of customers (existing and new) and changes in tastes and preferences can only be discovered through marketing research which can assist the tour firms to adjust their product and service offering.

4.7.3 Government Policy

The government is a key stakeholder in any industry because of its role in defining the legislative structure that guides and regulates the conduct of business and a key buyer and seller of practically all goods and services. The government also plays a key role in policy formulation and implementation. The current study set out to establish the extent to which government policies and regulations influence the performance of tour firms as part of the external environment under which the tour firms operate. The relevant results are summarized in Table 4.19.

Table 4.19: Government Policy

Description	N	Mean Score	SE
Our firms operations are affected by insecurity	60	4.65	.082
Government monetary decisions and policies affect the growth of our firm	60	4.43	.080
In our industry, telecommunication infrastructure is key	60	4.38	.098
Average Scores		**4.49**	**.087**

Source: Primary Data.

The results in Table 4.19 reveal that the average mean score for government policy and regulation was 4.49, SE=.087. Security concerns had the highest mean score (mean score=4.65, SE=.085) while the lowest mean score was related to telecommunication infrastructure (mean score=4.38, SE=.087) on a scale of 1 (lowest) to 5 (highest). The results imply that the tour firms are in agreement that the selected government policy items affect their performance.

4.7.4 Summary of External Environmental Factors

Firms operate in a dynamic external environment**.** Since firms have no control of the external environment, they adapt their businesses and marketing strategies to survive. Table 4.20 contains the summary of selected external environmental factors.

Table 4.20: Summary of Individual External Environmental Factors.

Individual external environmental factors	N	Mean Score	SE
Five competitive forces	59	4.27	.094
Market turbulence	59	4.20	.097
Government policy	60	4.49	.087
Average Scores		**4.32**	**.093**

Source: Primary Data.

The pertinent results in Table 4.20 show that government policy had the highest mean score (mean score=4.49, SE=.087) followed by the competitive forces (mean score =4.27, SE=.094). On the other hand, the findings show that market turbulence had the lowest mean score (mean score=4.20, SE=.096). This implies that government policy issues are of the greatest concern to tour firms' performance.

4.8 Firm Performance

Firm performance refers to the organization's success in the market place. Extant literature indicates that firm performance is a multi-dimensional construct consisting of two broad measures: subjective performance such as customer satisfaction, customer loyalty and objective performance measures (Lada, 2009). Global measures such as assessing the managers' perception of overall firm performance, mostly through comparisons of firm performance with company objectives and/ or competitors' performance have been used (Kirca et al., 2005).

To measure firm performance, each respondent firm in this study was asked to evaluate the firm's performance relative to its major competitors with respect to the following seven dimensions: customer satisfaction, customer retention, employee satisfaction, effectiveness, efficiency, relevance and financial viability. Responses were made on a five-point Likert-type scale ranging from 1-not at all to 5=to a very large extent.

4.8.1 Customer Satisfaction

Customer satisfaction includes measures such as customer expectation of the service delivery, actual delivery of the customer experience, and expectations that are either exceeded or unmet. Positive disconfirmation results when customer expectations are met and exceeded, while a negative disconfirmation results when customer experience is poorer than expected (Javalgi, Whipple and Ghosh, 2005). Positive customer outcomes such as customer satisfaction and customer retention have been linked with the market-oriented firms. Market-oriented firms are well-positioned to anticipate customer needs and wants and offer goods and services that may satisfy the current and unmet needs (Slater and Narver, 1994). Customer satisfaction represents the effectiveness of the firm in delivering value to its target customers. Table 4.21 summarizes the level of customer satisfaction as perceived by management.

Table 4.21: Customer Satisfaction

Description	N	Mean Score	SE
We have loyal customers in our firms	60	4.53	.096
Our customers are happy with our offerings and charges	60	4.53	.093
We generate new customers in our firms on a regular basis	60	4.03	.079
We hardly receive complaints about our service offering	60	3.95	.122
We often receive complimentary phone calls/letters/emails from our customers	59	3.85	.105
Average Scores		**4.40**	**.099**

Source: Primary Data.

The results in Table 4.21 show that the average scores for customer satisfaction was 4.40, SE=.099. For customer satisfaction to be high, promises and expectations must be met. This implies that customer satisfaction is an important measure of tour firm's performance. As far as the individual responses are concerned, customer loyalty had the highest score (mean score=4.53, SE=.096). Loyal customers will not only provide most of the firm's profits but will cover the losses incurred in dealing with less loyal customers.

4.8.2 Customer Retention

Market-oriented behaviours can be viewed from improved customer retention. In a highly competitive business environment, firms need to monitor and improve levels of customer satisfaction which will lead to customer retention since it is less expensive to keep a customer than to acquire one. Kotler (2003) asserts that a market orientation is likely to lead to greater customer satisfaction and repeat business from existing customer. The results on the level of customer retention as perceived by management are presented in Table 4.22.

Table 4.22: Customer Retention

Description	N	Mean Score	SE
Our customers feel safe in their transactions when dealing with us	60	4.55	.096
We promptly respond to our customer needs and wants	58	4.40	.104
We enjoy more committed customers in our firms	60	4.37	.095
If a customer uses our services once, they remain with us forever	60	4.27	.132
Average Scores		**4.40**	**.107**

Source: Primary Data.

The results in Table 4.22 indicate that the overall mean score for the five statements used to measure customer retention was 4.40. This is an indication that the management of tour firms recognizes the importance of customer retention since reduction in the customer defection rate may affect performance. This is manifested in the relationship between the tour firms and the customers which recorded the highest mean score (mean score=4.55, SE=.096) followed by prompt addressing of customer needs and wants (mean score=4.40, SE=.095).

4.8.3 Employee Satisfaction

Employee satisfaction is a measure of how happy workers are with their job and working environment (Sageer, Rafat and Agarwal, 2012). Employee satisfaction stimulates a chain of positive actions which leads to improved firm performance (Heskett et al., 1994). Motivated employees will also work effectively and efficiently to satisfy customer needs, increased understanding of the tasks to be performed, higher levels of job satisfaction and firm commitment. Table 4.23 depicts the results on tour firm's perception on employee satisfaction.

Table 4.23: Employee Satisfaction

Description	N	Mean Score	SE
Employees of this firm make personal sacrifices for the firm's well-being	60	4.40	.112
Employees feel their future is intimately linked to that of this firm	60	4.25	.127
Employees often go above and beyond the call of duty to ensure the well- being of our firm	60	4.23	.110
Generally, employees are proud to work for this firm	60	4.05	.122
We have lower employee turnover than that of our competitors	59	3.36	.204
The bond between the firm and its employees are weak	60	2.57	.222
Our employees have little or no commitment to this firm	59	2.51	.230
Average Scores		**3.62**	**.161**

Source: Primary Data.

The results in Table 4.23 reveal that the average mean score for employee satisfaction was 3.62. Employee satisfaction is critical to the success of any business as firms will depend on their workforce to deliver on the firm's performance. In general, there is close link between low employee turnover and high customer satisfaction (Heskett, et al., 1994). Employee commitment to the firm had the highest mean score (mean score=4.40; SE=.112). This suggests that employee loyalty will drive firm performance as satisfied employees are willing to work harder to improve the firm performance. Employee satisfaction will ultimately lead to low turnover rates and save the firm time and other resources required to attract and retain new employees.

4.8.4 Effectiveness of the Firm

Firm effectiveness is the degree to which a firm moves toward the attainment of its mission and to realize its goals. The respondents were asked to indicate the extent to which the firms were effective in terms of nine items used to measure effectiveness. The results are portrayed in Table 4.24.

Table 4.24: Firm Effectiveness

Description	N	Mean Score	SE
Our products and services are highly rated	59	4.51	.088
The mission is known and agreed to by staff	56	4.46	.084
We are able to meet all our customers' needs	57	4.42	.109
The mission statement and other documents provide the reason for the existence of the firm	60	4.37	.111
Our firm closely monitors its effectiveness	60	4.07	.128
The firm uses feedback to improve itself	56	4.00	.132
Quantitative and qualitative indicators are used to capture the essence of our mission	60	3.92	.107
The mission is operationalized through our current training programmes goals objectives and activities	60	3.92	.126
A system is in place to assess effectiveness of our firm	59	3.66	.148
Average Scores		**4.15**	**.114**

Source: Primary Data.

The results in Table 4.24 show that the overall mean score for the nine statements used to measure effectiveness of the tour firms was 4.15. Product rating highest mean score (mean score=4.51, SE=.088) while the assessment of firm effectiveness had the lowest score (mean score=3.66, SE=.146). This may affect service delivery to the target customers.

4.8.5 Efficiency of the Firm

Efficient firms provide good value for money to customers in both quantitative and qualitative terms. An efficient firm must provide exceptional services within an appropriate cost structure (Lasthaus et al., 1999). Table 4.25 summarizes the study findings.

Table 4.25: Firm Efficiency

Description	N	Mean Score	SE
We make use of our staff members to the best of their abilities	59	4.61	.094
We make maximum use of physical facilities	57	4.51	.101
We monitor timeliness of service delivery	60	4.40	.107
We make optimal use of financial resources	60	4.25	.094
Benchmark comparisons are made of the progress achieved in our firm	60	4.05	.087
High quality administrative systems are in place to support the efficiency of the firm	58	3.62	.147
We monitor employee absenteeism and turnover rates	60	3.48	.164
Average scores		**4.13**	**.113**

Source: Primary Data.

The results in Table 4.25 show that the average mean score for the efficiency measure was 4.13, SE=.113. Individual responses of the efficiency indicators are varied with the highest score of efficient utilization of staff resources (mean score= 4.61, SE=.094) and the lowest score on monitoring of employee absenteeism and turnover rates (mean score=3.48, SE=.164). The results suggest that the tour firm, to large extent, agree on the efficient utilization of resources to support the running of the firms.

4.8.6 Relevance of the Firm

Firm relevance is a measure of how well a firm's mission continues to serve the purpose of its various stakeholders. Since the external environment under which firms operate is complex and dynamic, the firms are prone to being out of date, irrelevant or face imminent closure. The results on relevance of the firm are portrayed in Table 4.26.

Table 4.26: Firm Relevance

Description	N	Mean Score	SE
Our firm monitors its reputation	60	4.52	.097
Our firm carries out stakeholders satisfaction on a regular basis	60	4.45	.096
We monitor changes in partner/stakeholder attitudes	60	4.43	.093
We strongly encourage innovation	59	4.31	.085
We regularly monitor and adapt to the business environment	58	4.17	.105
Our firm creates or adapts to new technologies	60	4.13	.118
Our products and services reflect changing customer needs and wants	60	4.10	.118
Our products and services reflect changing environmental conditions	60	4.10	.100
Our firm introduces new products and services regularly	60	3.97	.116
In our firm, stakeholder needs assessment are conducted regularly	60	3.70	.194
Average Scores		**4.19**	**.112**

Source: Primary Data.

The results in Table 4.26 reveal that the average mean score for the tour firm's relevance was 4.19. The managements perception on firm reputation had the highest mean score (mean score=4.52, SE=.097). The lowest mean score was on stakeholder needs assessment with a mean score of 3.70, SE=.194. The results imply that, to a large extent, the tour firms regularly monitor changes in customer requirements and the external environment to remain relevant.

4.8.7 Financial Viability of the Firm

To survive in a highly competitive environment, tour firms must constantly check their financial inflow which must be greater than the outflows, ensure multiple sources of funding and financial surplus. Positive financial viability ensures that a firm continues to perform well both in the short and long term. Table 4.27 summarizes the results of financial viability of the tour firms.

Table 4.27: Financial Viability

Description	**N**	**Mean Score**	**SE**
Our profit margins have been increasing over the years	60	4.47	.090
We pay our suppliers on time	60	4.42	.099
Our firm consistently has more revenue than expenses	60	4.42	.090
Our firm monitors finances on a regular basis	60	4.37	.092
Our firm keeps a reasonable surplus of money to use during difficult times	59	4.31	.126
Our assets are greater than liabilities	57	4.26	.095
Our staff are among the best paid in this industry	60	4.23	.102
Our firm diversifies levels of funding sources	60	4.08	.107
Average scores		**4.32**	**.100**

Source: Primary Data.

The results in Table 4.27 reveal that the average mean score for financial viability was 4.32. The firm's profit flows over the years had the highest score of mean score=4.47, SE=.090. This may be explained by the increased growth of the tourism industry. The diversification of funding sources had the lowest scores of mean score=4.08, SE=.107. Since most of the tour firms fall under the SME category, alternative funding from the financial institutions may be limited.

4.8.8 Summary of Firm Performance

Firms set goals, formulate, implement and monitor plans and strategies to improve performance. Table 4.28 summarizes the performance measures of the tour firms.

Table 4.28: 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 pertinent results in Table 4.28 show overall mean score for the firm performance measures was 4.12, SE=.120. Customer satisfaction and customer retention had the highest mean scores of 4.40 each. This implies that the tour firms focus on the changing needs and wants of their target customers. Employee satisfaction had the lowest mean score of 3.62. This may be attributed to the number of the permanent employees employed by the tour firms and that the tour firms fall under the SME category.

4.8.9 Summary of Descriptive Statistics

The results of the descriptive statistics are summarized in Table 4.29.

Table 4.29: Summary of Descriptive Statistics

Thematic Area	Item Description	N	Mean Score	SE
Market Orientation	Customer orientation	59	4.32	.089
	Competitor orientation	59	4.33	.092
	Inter-functional coordination	58	4.31	.093
Average score			**4.32**	**.091**
Marketing Practices	Product	60	4.14	.086
	Price	59	4.01	.101
	Place	59	4.43	.088
	Promotion	59	4.07	.098
	Probe	60	4.29	.089
Average score			**4.19**	**.092**
External Environmental factors	Competitive forces	59	4.27	.094
	Market turbulence	59	4.20	.097
	Government policy	60	4.49	.087
Average score			**4.32**	**.093**
Firm Performance	Customer satisfaction	59	4.40	.099
	Customer retention	59	4.40	.107
	Employee satisfaction	59	3.62	.161
	Effectiveness	58	4.15	.114
	Efficiency	59	4.13	.113
	Relevance	59	4.19	.112
	Financial viability	59	4.32	.100
Average scores			**4.17**	**.115**
Overall Mean Score =4.25, SE=.098				

Source: Primary Data.

The results in Table 4.29 reveal that the average mean scores for the selected study variables were 4.24. Market orientation and external environmental factors had the highest mean score of 4.32 SE=.91 and 4.32 SE=.093 respectively. This implies that the tour firms anticipate and respond to changing customer needs and wants, implement robust marketing practices while adapting to changes in the business environment to improve their firm performance.

4.9 Correlation Analysis Results

Correlation analysis using Pearson product moment correlation coefficient technique was used to establish the relationship between market orientation, age and size of the firm, marketing practices, external environmental factors and firm performance indicators. Table 4.30 summarizes the results.

Table 4.30: Correlations Analysis

Variable	1	2	3	4	5	6
1. Market orientation	1					
2.Market practices	.201	1				
Sig.(2-tailed)	.170					
3.Size of the firm	.125	.015	1			
Sig.(2-tailed)	.382	.915				
4.Age of the firm	.236	-.160	.237	1		
Sig.(2-tailed)	.095	.239	.068			
5.External environment	.644**	.291*	-.057	.184	1	
Sig.(2-tailed)	.000	.035	.672	.171		
6.Firm performance	.575**	.571**	-.293	-.108	.700**	1
Sig.(2-tailed)	.000	.000	.067	.505	.000	

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

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

Source: Primary Data.

The results in Table 4.30 indicate that the relationship between market orientation and the external environmental factors is moderate, positive and statistically significant (r=.644, p-value=.000). Similarly, the relationship between market orientation and firm performance is moderate and statistically significant (r=.575, p-value=.000.

The relationship between marketing practices and firm performance is stronger than that of marketing practices and external environment as .571 is greater than .291. This implies that marketing practices play a critical role of influencing performance of the tour firms. The strongest relationship was between the external environmental factors and firm performance (r=.700, p-value=.000). This suggests that in a complex and dynamic business environment, the tour firms need to be market oriented so as to cope with the changes in the environment and achieve superior performance.

4.10 Regression Analysis and Hypotheses Testing

This study was based on the premise that there is a relationship between market orientation and firm performance but this relationship is mediated by marketing practices and moderated by the external environment. In addition, the age and size of the firm directly influence firm performance and moderate the relationship between market orientation and marketing practices. To establish the statistical significance of the respective hypotheses, simple and multiple regression analysis was conducted at 95% confidence level.

4.10.1 Market Orientation and Firm Performance

The first objective of the study was to assess the relationship between market orientation and performance of tour firms in Kenya. Market orientation comprised the customer orientation, competitor orientation and inter-functional coordination dimensions. Respondents had been asked to indicate the extent to which their individual firms focused on the market orientation dimensions. Firm performance measures were composed of customer satisfaction, employee satisfaction, customer retention, effectiveness, efficiency, relevance and financial viability indicators relative to their major competitors. To assess the market orientation and performance relationship, the following hypothesis was tested.

> ***H1: There is a statistically significant relationship between market orientation and performance of tour firms in Kenya.***

The relevant results are presented Table 4.31.

Table 4.31: Regression Results of Market Orientation and Performance

(a) The Goodness-of-Fit

R	R Square	Adjusted R Square	Std. Error of the Estimate
.575	.330	.310	.04353

Source: Primary Data.

(b) The Overall Significance

	Sum of Squares	Df	Mean Square	F	Significance (p-value)
Regression	.031	1	.031	16.272	.000
Residual	.063	33	.002		
Total	.093	34			

Source: Primary Data.

(c) The Individual Significance

	Unstandardized Coefficients		Standardized Coefficients	t-value	Significance (p-value)
	B	Std. Error	Beta		
(Constant)	.456	.101		4.499	.000
Market Orientation	.458	.114	.575	4.034	.000
a. Predictors: Market Orientation					
b. Dependent Variable: Firm Performance					

Source: Primary Data.

The results in Table 4.31 show that market orientation had a statistically significant influence on firm performance. It explained 33% of its variation (R^2=.330). The standardized regression coefficient (β) value of the computed (composite index) scores of market orientation was .575 with a t-test of 4.034 and significance level of p-value=.000. The standardized regression coefficient was used as it removes the unit of measurement of the predictor and outcome variables. This allowed the researcher to compare the relative effect of predictors measured on different scales. Previous scholars have used standardized regression coefficients (Sin et al., 2005; Munyoki, 2007; Kinoti, 2012). The findings lend support to previous studies that found a positive relationship between market orientation and firm performance (Lin, 2011; Lagat, et al., 2012; Ogbonna and Ogwo, 2013). The hypothesis that there is a statistically significant relationship between market orientation and tour firm performance is supported by the current study. The regression equation to estimate the firm performance of tour firms in Kenya was stated as:

$FP=.575MO+\varepsilon_1$

Where;

FP= Firm Performance

MO=Market Orientation

ε_1= Error term

4.10.2 Firm Characteristics and Performance

To establish the relationship between firm characteristics and performance, the relevant hypothesis was formulated as follows:

H2: There is a statistically significant relationship between firm characteristics and performance of tour firms in Kenya.

The results obtained are summarized in the Table 4.32.

Table 4.32: Regression Results of Firm Characteristics and Performance

a) The Goodness-of-Fit

Model	**R**	**R^2**	**Adjusted R Square**	**Std. Error of the Estimate**	**Change Statistics**				
					R^2 Change	**F Change**	**df 1**	**df 2**	**Sig. F Change**
1	.108(a)	.012	-.014	.07569	.012	.452	1	38	.505
2	.293(b)	.086	.036	.07378	.074	2.994	1	37	.092

Source: Primary Data.

b) The Overall Significance

Model		Sum of Squares	Df	Mean Square	F	Significance (p-value)
1	Regression	.003	1	.003	.452	.505(a)
	Residual	.218	38	.006		
	Total	.220	39			
2	Regression	.019	2	.009	1.735	.190(b)
	Residual	.201	37	.005		
	Total	.220	39			

Source: Primary Data.

c) The Individual Significance

Model		Unstandardized Coefficients		Standardized Coefficients	t-value	Significance (p-value)
		B	Std. Error	Beta		
1	(Constant)	.878	.036		24.511	.000
	Age	-.001	.002	-.108	-.672	.505
2	(Constant)	.914	.041		22.445	.000
	Age	.000	.002	.014	.080	.936
	Size	-.003	.002	-.298	-1.730	.092
Predictors: Age of the firm, size of the firm						
Dependent Variable: Firm Performance						

Source: Primary Data.

The results in Table 4.32 reveal that the age of the firm explains 1% of the variation in performance while size of firm explains 7%. When the effect of the size of the firm was added (model 2), R^2 improved to .086 ($R^2\Delta$). The change was not statistically significant. The relationship between the age and size of the firm and performance is not statistically significant (F=1.735, p-value=.190). This implies that the age and size of the firm do not influence firm performance at $\alpha=0.05$. This may be attributed to the size of the tour firms as they are small and medium enterprises and the sample size. The overall results do not support the hypothesis that there is a statistically significant relationship between firm characteristics and firm performance.

4.10.3 External Environmental Factors and Firm Performance

The study had set to assess the relationship between the external environment and performance of tour firms in Kenya. The following hypothesis was formulated:

> ***H3: There is a statistically significant relationship between external environmental factors and performance of tour firms in Kenya***

To determine the relationship between the external environmental factors and performance, a linear regression analysis was conducted. The pertinent results are summarized in Table 4.33.

Table 4.33: Regression Results of External Environmental Factors and Performance

a)The Goodness-of-Fit

R	R Square	Adjusted R Square	Std. Error of the Estimate
.700	.490	.476	.05553

Source: Primary Data.

b) The Overall Significance

	Sum of Squares	Df	Mean Square	F	Significance (p-value)
Regression	.107	1	.107	34.650	.000
Residual	.111	36	.003		
Total	.218	37			

Source: Primary Data.

c) The Individual Significance

	Unstandardized Coefficients		Standardized Coefficients	t-value	Significance (p-value)
	B	Std. Error	Beta		
(Constant)	.219	.108		2.020	.051
External Environmental factors	.720	.122	.700	5.886	.000
Predictors: (Constant), External Environmental factors					
Dependent Variable: Firm Performance					

Source: Primary Data.

The results in Table 4.33 indicate that the external environmental factors had a statistically significant influence on firm performance as they accounted for 49% of the variation in performance (R^2=.490). The overall model reveals a statistically significant relationship between external environment and firm performance (F=34.650, p-value=.000). The standardized regression coefficient also show that the external environmental factors are statistically significant (β=.700, p-value=.000). This implies that the external environmental factors influence performance of tour firms.

The results are consistent with previous studies that indicate the external environmental factors measured at the industry level have a significant impact of firm performance (Langat et al., 2012; Lin, 2011). The hypothesis that there is a statistically significant relationship between the external environmental factors and firm performance of the tour firms surveyed in Kenya is supported. The following regression equation can be used to estimate firm performance for a given measure of changes in the external environment:

$FP=.700F+\varepsilon_2$

Where:

FP=Firm Performance

F=External Environmental Factors

ε_3= Error term

4.10.4 Firm Characteristics, Market Orientation and Marketing Practices

The study aimed at assessing the moderating effect of firm characteristics on the relationship between market orientation and marketing practices. To test the relationship, the following hypothesis was formulated:

> ***H4: The relationship between market orientation and marketing practices is statistically and significantly moderated by firm characteristics***

The results obtained are summarized in Table 4.34.

Table 4.34: Partial Correlation between Market Orientation and Marketing Practices Controlled For Age and Size of the Firm

Control variable	**Correlation between**	**Correlation coefficient**	**Significance(p-value) (α=.05, 2 tailed)**
	Market orientation-market practices	.201	.170
	Size-marketing practices	-.017	.910
	Size-market orientation	.121	.413
Size	Market orientation-marketing practices	.205	.167
	Age-marketing practices	-.246	.092
	Age-market orientation	.242	.097
Age	Market orientation-marketing practices	.277	.059

Source: Primary Data.

The results in Table 4.34 portray correlation coefficients that are not statistically significant. For instance, the relationship between market orientation and marketing practices is weak and not statistically significant at α=.05 (r=201, p-value=.107). In addition, when controlling for size and age, the relationship between market orientation and marketing practices is very weak and not statistically significant. The results do not support the hypothesis that age (number of years in operation in Kenya) and size (number of permanent employees) of the firm moderate the relationship between market orientation and marketing practices.

4.10.5 Moderating Effect of the External Environmental Factors on Firm Performance

This study sought to assess the moderating effect of external environmental factors on the relationship between market orientation and performance. To assess the moderating effect, Hypothesis five was formulated as follows:

H5: The relationship between market orientation and firm performance is statistically and significantly moderated by the external environmental factors

The moderating effect was computed using the method proposed by Baron and Kenny (1986). This involved testing the main effects of the independent variable (market orientation) and moderator variable (external environmental factors) on the dependent variable (firm performance) and the interaction between market orientation and the external environment. The significance of the independent variable and the moderator variable is not particularly relevant in determining moderation. Moderation is assumed to take place if the interaction between the market orientation and external environment is significant.

To create an interaction term, the market orientation and external environmental measures were first centred and a single item indicator representing the product of the two measures calculated. The creation of a new variable by multiplying the scores of market orientation and external environmental factors risks creating a multicollinearity problem. To address the multicollinearity problem, which can affect the estimation of the regression coefficients for the main effects, the two factors were converted to standardized (Z) scores that have mean zero and standard deviation one. The two standardized variables (market orientation and external environmental factors) were then multiplied to create the interaction variable. This is consistent with previous studies that have used Z scores when testing for the moderating effect of competitive environment on the market orientation and performance relationship (Slater and Narver, 1994; Kumar et al. 1998). The relevant analytical results are portrayed in Table 4.35.

Table 4.35: Regression Results of the Moderating Effect

a) The Goodness-of-Fit

Model	R	R^2	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R^2 Change	F Change	df 1	df 2	Sig. F Change
1	.627(a)	.393	.354	.0424	.393	10.042	2	31	.000
2	.650(b)	.422	.364	.0421	.029	1.491	1	30	.232

Source: Primary Data.

b) The Overall Significance

Model		Sum of Squares	Df	Mean Square	F	Significance (p-value)
1	Regression	.036	2	.018	10.042	.000
	Residual	.056	31	.002		
	Total	.092	33			
2	Regression	.039	3	.013	7.298	.001
	Residual	.053	30	.002		
	Total	.092	33			

Source: Primary Data.

c) **The Individual Significance**

Model		Unstandardized Coefficients		Standardized Coefficients	t-value	Significance (p-value)
		B	**Std. Error**	**Beta**		
1	(Constant)	.852	.008		109.939	.000
	Market orientation	.025	.010	.426	2.520	.017
	External environmental factors	.020	.012	.279	1.650	.109
2	(Constant)	.857	.009		97.972	.000
	Market orientation	.021	.010	.368	2.108	.044
	External environmental factors	.018	.012	.249	1.466	.153
	Product of Market orientation and external environmental factors	-.009	.007	-.187	-1.221	.232
Model 1. Predictors: (Constant), external environmental factors, market orientation Model 2. Predictors: (Constant), external environmental factors* market orientation Dependent Variable: Firm performance						

Source: Primary Data.

The results in Table 4.35 show that market orientation and external environmental factors explained 39% of the variation in firm performance (R^2=.393). Under change statistics, the results reveal that the R^2 change increased by 3% from .393 to .422 (R^2 change=.029) when the interaction variable (market orientation*external environment) was added. However, the change was not statistically significant at α=.05 (p-value=.232). The results show a statistically significant relationship between market orientation, external environmental factors and the interaction ($F=7.298$, p-value=.001).

The results in model 1 Table 4.35(c) show statistically significant regression coefficients for market orientation ($\beta=.368$, p-value=.044) indicating that there is a linear dependence of firm performance on market orientation. On the other hand, no statistically significant relationship between the external environmental factors and firm performance was detected ($\beta=.249$, p-value=.153). Similarly, no statistically linear relationship of firm performance on the multiplicative term of market orientation and external environmental factors was detected ($\beta=-.187$, $p=.232$). This implies that changes in the external environment may negatively affect the market orientation and performance relationship as the direction of the relationship is now negative. From the current research findings, the multiple regression equation used to estimate the moderating effect of external environmental factors on the market orientation and firm performance relationship is stated as follows:

$FP=0.368MO+0.249F-0.187K+\varepsilon_5$

Where:

FP=Firm Performance

MO=Market Orientation

F=External Environmental Factors

K=Product of Market Orientation and External Environmental Factors

ε_5= Error term

The current study findings echo assertion of previous studies that selected external environmental factors such as market turbulence and Porter's five competitive forces moderate the relationship between market orientation and firm performance (Mahmoud, 2011; Zebal and Goodwin, 2011; Momrak, 2012). The hypothesis that the external environmental factors moderate market orientation and performance relationship is supported.

4.10.6 The Mediating Effect of Marketing Practices on the Relationship between Market Orientation and Firm Performance

The study set out to assess the mediating effect of the marketing practices on the relationship between market orientation and firm performance. The following hypothesis was formulated:

H6: The relationship between market orientation and firm performance is statistically and significantly mediated by marketing practices

Baron and Kenny's (1986) method was used to test for mediation. This includes computation of four regression models. First, firm performance was regressed on market orientation and the standardized regression coefficients (beta) examined to determine the size and direction of the relationship and whether it was statistically significant. If this relationship is not statistically significant, there can be no mediation. The pertinent results are summarized in Table 4.36.

Table 4.36: Regression Results of Firm Performance on Market Orientation

a) The Goodness-of-Fit

R	R Square	Adjusted R Square	Std. Error of the Estimate
.575	.330	.310	.04353

Source: Primary Data.

b) The Overall Significance

	Sum of Squares	Df	Mean Square	F	Significance (p-value)
Regression	.031	1	.031	16.272	.000
Residual	.063	33	.002		
Total	.093	34			

Source: Primary Data.

c) The Individual Significance

	Unstandardized Coefficients		Standardized Coefficients	t-value	Significance p-value.
	B	Std. Error	Beta		
(Constant)	.456	.101		4.499	.000
Market Orientation	.458	.114	.575	4.034	.000
Predictors: (Constant), Market Orientation **Dependent Variable: Firm Performance**					

Source: Primary Data.

The results in Table 4.36 show that market orientation explains 33 % of the variation in firm performance (R^2=.330). The results indicate that the overall model is statistically significant at α=.05. The first step implies that the relationship between market orientation and firm performance is positive and statistically significant.

In the second step, a regression analysis to assess the relationship between market orientation and marketing practices was conducted. In this step, market orientation was treated as the independent variable and marketing practices as the dependent variable. The results are summarized in Table 4.37.

Table 4.37: Regression Results of Marketing Practices on Market Orientation

a) The Goodness-of-Fit

R	R Square	Adjusted R Square	Std. Error of the Estimate
.201	.040	.020	.08813

Source: Primary Data.

b) The Overall Significance

	Sum of Squares	Df	Mean Square	F	Significance (p=value)
Regression	.015	1	.015	1.941	.170
Residual	.357	46	.008		
Total	.372	47			

Source: Primary Data.

c) The Individual Significance

	Unstandardized Coefficients		Standardized Coefficients	t-value	Significance (p-value)
	B	Std. Error	Beta		
(Constant)	.607	.160		3.788	.000
Market Orientation	.254	.182	.201	1.393	.170
Predictors: (Constant), Market orientation Dependent Variable: Marketing practices					

Source: Primary Data.

The results in Table 4.37 portray that market orientation explains 4 per cent of the variation in marketing practices (R^2=.040). The results of the overall model reveals that the relationship between market orientation and marketing practices is positive though not statistically significant at α=.05 (F=1.941, p-value=.170). This means that market orientation may not predict marketing practices outcome of the tour firms. The beta coefficients also indicate that no statistically significant linear relationship between marketing practices and market orientation was detected (β=.201, p=.170).

Finally, a regression analysis was performed and the betas examined for the strength, direction and significance of the relationship. In step one, firm performance was regressed on the marketing practices and in step two, and firm performance was regressed on market orientation to assess if there was a significant change. When controlling for the effects of the marketing practices on firm performance, the effect of the market orientation on the firm performance should no longer be statistically significant at α=.05. The relevant results are summarized in Table 4.38.

Table 4.38: Regression Results of Firm Performance on Marketing Practices and Market Orientation

a) The Goodness-of-Fit

Model	R	R^2	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R^2 Change	F Change	df 1	df 2	Sig. F Change
1	.554(a)	.307	.286	.04492	.307	14.193	1	32	.001
2	.796(b)	.634	.611	.03317	.327	27.698	1	31	.000

Source: Primary Data.

b) The Overall Significance

Model		Sum of Squares	Df	Mean Square	F	Significance p-value
1	Regression	.029	1	.029	14.193	.001
	Residual	.065	32	.002		
	Total	.093	33			
2	Regression	.059	2	.030	26.867	.000
	Residual	.034	31	.001		
	Total	.093	33			

Source: Primary Data.

c) The Individual Significance

	Unstandardized Coefficients		Standardized Coefficients	t-value	Significance p-value
	B	Std. Error	Beta		
(Constant)	.173	.095		1.815	.079
Marketing practices	.337	.067	.551	5.073	.000
Market Orientation	.459	.087	.572	5.263	.000
Predictors: Marketing Practices, Market Orientation **Dependent Variable: Firm performance**					

Source: Primary Data.

The results in Table 4.38 show that marketing practices explain 31% of the variation in firm performance (R^2 =.307). At step 2, market orientation, adds significantly to the firm performance as the variation increased from .307 to .634 (R^2 change=.327 p-value=.000). The results reveal that the variance explained by marketing practices is significant (F=14.193, p-value=.001).

The results revealed that the regression coefficients for market orientation reduced from .575 to .572 when marketing practices were added to the regression suggesting that marketing practices may be exerting a partial mediating effect. Table 4.39 presents a summary of the mediated regression analysis.

Table 4.39: Summary of Mediating Effect of Marketing Practices on the Relationship between Market Orientation and Firm Performance

Analysis	R	R^2	R Square change	B	Significance (p-value)
Analysis one: Firm performance on market orientation	.575	.330		.575	.000
Analysis two: Marketing practices on market orientation	.201	.040		.201	.170
Analysis three: Step 1:Firm performance on marketing practices	.554	.307		.551	.000
Step 2: Firm performance on market orientation	.796	.634	.327	.572	.000

Source: Primary Data.

The results in Table 4.39 reveal that the correlation between market orientation and performance was moderate and statistically significant at α=.05 (r=.575, p-value=.000) while that of marketing practices on market orientation was weak and not statistically significant (r=.201, p-value=.170). The mediated relationship is represented in Figure 4.1.

Figure 4.1: Modified Mediating Effect of Marketing Practices on the Relationship between Market Orientation and Firm Performance

Part A: Overall Direct Effect

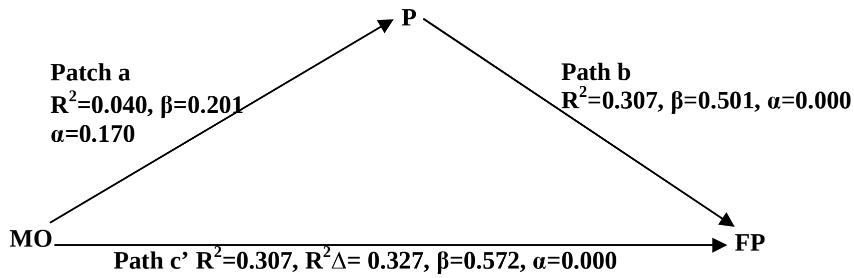
Path c

R^2=330, β=.575,α-0.000

MO ⟶ **FP**

Source: Primary Data.

Part B: Path Diagram for Mediation Effect of Marketing Practices



Source: Primary Data.

The results in Figure 4.1 show support the hypothesis that market orientation influences performance through routes of intermediate factors. The pertinent results show that R^2 increased from .307 to .634 when marketing practices were included (.307+.327=.634). The results imply that marketing practices explain an additional 32.7% of the variation in firm performance. The results indicate that the effect of market orientation on firm performance in the final step of the analysis (path c') is significant at 0.05 significance level. The regression coefficient reduced from β=.575 in path "a" to β=.572 in path c' and was statistically significant at 0.05 level of significance. This indicated partial mediation. That is, part of the effect of the market orientation is mediated by the marketing practices but other parts are either direct or mediated by other variables not included in the model.

4.10.7 Joint Effect of Market Orientation, Marketing Practices, Firm Characteristics and External Environmental factors on Performance

The study sought to determine the joint effect of market orientation, marketing practices, firm characteristics, external environmental factors on firm performance. To assess the joint effect, hypothesis seven was formulated as follows:

> ***H_7: The joint effect of market orientation, marketing practices, firm characteristics, external environmental factors is greater than the effects of individual variables on performance***

The relevant results for the joint effect are as summarized in Table 4.40.

Table 4.40: Regression Results of the Mediating and Moderating Variables on Performance

a) The Goodness-of-Fit

Model	R	R^2	Adjusted R Square	Std. Error of the Estimate	R^2 Change	F Change	df 1	df 2	Sig. F Change (p-value)
1	.583(a)	.340	.318	.04422	.340	15.946	1	31	.000
2	.793(b)	.629	.605	.03367	.290	23.466	1	30	.000
3	.820(c)	.672	.638	.03224	.042	3.727	1	29	.063
4	.820(d)	.673	.626	.03276	.001	.088	1	28	.769
5	.831(e)	.691	.634	.03241	.018	1.605	1	27	.216

Source: Primary Data.

b) The Overall Significance

Model		Sum of Squares	Df	Mean Square	F	Significance (p-value)
1	Regression	.031	1	.031	15.946	.000(a)
	Residual	.061	31	.002		
	Total	.092	32			
2	Regression	.058	2	.029	25.484	.000(b)
	Residual	.034	30	.001		
	Total	.092	32			
3	Regression	.062	3	.021	19.776	.000(c)
	Residual	.030	29	.001		
	Total	.092	32			
4	Regression	.062	4	.015	14.387	.000(d)
	Residual	.030	28	.001		
	Total	.092	32			
5	Regression	.063	5	.013	12.079	.000(e)
	Residual	.028	27	.001		
	Total	.092	32			

Source: Primary Data.

c) **The Individual Significance**

Model		Unstandardized Coefficients		Standardized Coefficients	t-value	Significance (p-value)
		B	Std. Error	Beta		
1	(Constant)	.449	.104		4.335	.000
	Market orientation	.465	.116	.583	3.993	.000
2	(Constant)	.175	.097		1.804	.081
	Market orientation	.460	.089	.577	5.190	.000
	Marketing practices	.334	.069	.538	4.844	.000
3	(Constant)	.090	.103		.876	.388
	Market orientation	.351	.102	.440	3.446	.002
	Marketing practices	.326	.066	.526	4.937	.000
	External environment factors	.212	.110	.247	1.931	.063
4	(Constant)	.098	.108		.908	.372
	Market orientation	.359	.107	.451	3.351	.002
	Marketing practices	.319	.071	.515	4.509	.000
	External environmental factors	.207	.112	.242	1.843	.076
	Age of organization	.000	.001	-.035	-.296	.769
5	(Constant)	.119	.108		1.100	.281
	Market orientation	.322	.110	.404	2.921	.007
	Marketing practices	.319	.070	.515	4.556	.000
	External environmental factors	.238	.114	.277	2.088	.046
	Age of organization	.001	.001	.053	.389	.701
	Size of organization	-.001	.001	-.161	-1.267	.216
Predictors: Market orientation Marketing practices, external environmental factors, age of firm , size of firm Dependent Variable: Firm Performance						

Source: Primary Data.

The results in Table 4.40 reveal that the joint effect of market orientation, marketing practices, external environmental factors, age and size explain 69% of the variation in firm performance (R^2=.691). The results show that 63% of the variation in firm performance may be explained by market orientation (R^2 =.340) and marketing practices (R^2=.290). The results show that the joint effect of the study variables are statistically significant (F=12.079, p-value=.000). This implies that the study variables jointly predict firm performance. The regression coefficients reveal that marketing practices had the largest contribution to firm performance (β=.555, t-value=4.556, p-value=.000). On the other hand, the size of the firm had the lowest contribution to firm performance (β=-.161, t-value=1.267, p-value=.216).

The regression model that used to estimate tour firm performance taking into consideration the joint effect of its market orientation, marketing practices, firm characteristics and external environmental factors is stated as follows:

$FP=.404MO+.515P+.277F+.053A-0.161S+\varepsilon_9$

Where;

FP=Firm Performance

MO=Market Orientation

P=Marketing Practices

F=External Environmental Factors

ε = Error term

The hypothesis that there the joint effect of the market orientation, marketing practices, firm characteristics, external environmental factors is greater than the effects of individual variables on performance is supported. An overall summary of the research objectives, hypotheses and results from the statistical analyses are presented in Table 4.41.

Table 4.41: Summary of Research Objectives, Hypotheses and Conclusions

Objective	Hypotheses	R	R^2	Levels of Significance (p-value)	Conclusion
1. Assess the relationship between market orientation and performance of tour firms in Kenya	**H_1:** There is a statistically significant relationship between market orientation and performance of tour firms in Kenya	.575	.330	.000	H_1 was supported
2. Examine the influence of firm characteristics on the performance of tour firms in Kenya	**H_2:** There is a statistically significant relationship between firm characteristics and performance of tour firms in Kenya.	Age=.108 Size=.293	.012 .074	.190	H_2 was not supported
3. Assess the influence of external environment on performance of tour firms in Kenya	**H_3:** There is a statistically significant relationship between external environment and performance of tour firms in Kenya.	.650	.422	.001	H_3 was supported
4. Establish the relationship between firm characteristics, market orientation and marketing practices of tour firms in Kenya	**H_4:** The relationship between market orientation and marketing practices is significantly moderated by firm characteristics	Age=.277 Size=.205		.059 .167	H_4 was not supported
5. Establish the moderating effect of external environment on the relationship between market orientation and performance of tour firms in Kenya	**H_5:** The relationship between market orientation and firm performance is significantly moderated by the external environmental factors	.650	.422	.001	H_5 was supported

6. Assess the mediating effect of marketing practices on the relationship between market orientation and performance of tour firms in Kenya.	**H_6:** The relationship between market orientation and firm performance is significantly mediated by marketing practices	.796	.634	.000	H_6 was supported
7. Establish the joint effect of market orientation, marketing practices, firm characteristics and external environment on performance of tour firms in Kenya.	**H_7:** The joint effect of market orientation, marketing practices, firm characteristics, external environmental factors is significantly greater than the effects of individual variables on performance	.831	.691	.000	H_7 was supported

Source: Primary Data

The results in Table 4.41 show statistically significant positive relationships between market orientation and firm performance, external environmental factors and firm performance. The results revealed that the external environmental factors moderate the relationship between market orientation and firm performance. Marketing practices revealed a partial mediating effect on the relationship between market orientation and firm performance. As predicted, hypotheses H_1, H_3, H_5, H_6 and H_7 were supported.

The results for relationship between firm characteristics (age and size of the firm) on performance and the moderating effect between market orientation and marketing practices were not statistically significant as predicted. However, the results for hypotheses H_2, H_4, and H_6 were not statistically significant and were not supported.

4.11 Discussion

This section discusses the results in line with the objectives and the conceptual hypotheses of the study. The researcher developed a conceptual framework derived from the existing market orientation literature and empirically tested the relationships. The conceptual model outlined the relationship between the variables and described how the variables are linked to the different hypotheses.

4.11.1 The Relationship between Market Orientation and Firm Performance

The study established a positive and significant relationship between market orientation and performance of the tour firms surveyed in Kenya. This suggested that for tour firms to achieve superior performance outcomes, they need to operate on customer-led approaches, monitor the competitor strategies and strengthen their inter-functional integration. The degree of market orientation of the tour firms was measured by the culturally-based perspective of market orientation as suggested by Narver and Slater (1990) consisting of three components: customer orientation, competitor orientation and inter-functional coordination. The study used subjective performance measures as it was concerned with the relationship between market orientation and firm performance measures such as customer satisfaction and retention, employee satisfaction, firm effectiveness, efficiency, relevance and financial viability. This approach is consistent with previous scholars' recommendation that researchers consider using subjective perceptual measures of firm performance since they have been found to be a reliable means of measuring performance (Pitt, et al., 1996).

The results are consistent with previous studies that suggested that there market-orientation leads to superior firm performance (Narker and Slater, 1990; Kohli and Jaworski, 1990; Lin, 2011; Langat et al., 2012; Ogbonna and Ogwo, 2013). 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).

4.11.2 The Relationship between Firm Characteristics and Performance

In the current study, firm characteristics comprised the age and size of the tour firms. The size of the tour firm was measured in terms of the number of employees permanently employed by the tour firm. The age of the firms was measured by the number of years in operation in Kenya. The relationship between the age and size of the firm was not statistically significant. The negative coefficient of the size of the firm suggested a weak relationship between the size and firm performance. This can be attributed to size of the population under study. The weak relationship may also be attributed to the nature of the tour firms as the results showed that most of the tour firms fall under the SME category.

The relationship between the age of the firm measured by number of years the firm has been in operation and performance was not significant. The results revealed that approximately 70% of the tour firms surveyed have been in operation in Kenya for less than 20 years. The results of the current study are not consistent with previous studies which suggested that the age of the firm measured by the number of years the firm has been in operation may influence its business activities (Zahra, et al., 2000).

4.11.3 The Relationship between External Environmental Factors and Firm Performance

Firms exist within a business environment consisting of other players and actors outside the control of the firm. The external environment presents opportunities and poses threats that may affect performance. To survive, firms must anticipate, plan and respond to these changes for superior performance.

The results of the study showed a positive and statistically significant relationship between external environmental factors and firm performance. The results are consistent with previous studies which revealed that the external environment influences firm performance. Capon et al., (1990) study revealed that environmental factors have a significant influence on firm performance. Similarly, (Irungu, 2007) established that the operating environment has a statistically significant and direct effect on performance.

4.11.4 The Moderating Effect of Firm Characteristics on Market Orientation and Marketing Practices relationship

The study did not establish any significant relationship between the firm characteristics, market orientation and marketing practices. The resource based view of the firm suggests that firm characteristics account for the differences in resources, motivation, decision-making and decision-assessment (Barney, 1991). These characteristics may include the size and age of the firm, market orientation and marketing practices a firm may implement. In the current study, marketing practices included the product, price, place and promotion and marketing research decisions as firm controllable parameters that may influence consumer buying behavior.

The results showed that the degree of moderating effect of firm characteristics on the market orientation and marketing practices varied from one variable to another. For instance, while controlling for firm size, the correlation between market orientation and marketing practices was positive and not statistically significant. This suggests that the size of the tour firms surveyed did not influence the market orientation and the marketing practices that a particular tour firm may adopt and implement.

4.11.5 The Moderating effect of External Environmental Factors on the Relationship between Market Orientation and Firm Performance

The external environmental factors revealed a moderating effect on the relationship between market orientation and firm performance as the moderating strength and direction was reduced when the interaction term of market orientation and external environmental factors was introduced.

Kohli and Jaworski, (1990) proposed a framework that environmental factors moderate the market orientation and firm performance relationship. The results of this study provide support for the general proposition of the moderating role of the external environment (Kirca et al., 2005; Momrak, 2012). Appiah-Adu (1998) study revealed that the market orientation and firm performance relationship is moderated by the firm environment. Pulendran et al., (2000) study revealed that market turbulence, competitive turbulence and competitive intensity moderated the market orientation and performance relationship. In support, Kumar et al., (1998) confirmed competitor hostility measured by market turbulence as moderating the market orientation and performance relationship.

4.11.6 The Mediating Effect of Marketing Practices on the Market Orientation and Firm Performance Relationship

The study established that the selected marketing practices partially mediate the relationship between market orientation and firm performance. The study revealed that the mediating effect of market orientation on firm performance was positive and statistically significant. Previous studies show that market orientation is likely to affect firm performance through routes of intermediate factors (Han et al., 1998; Kirca et al., 2005). For instance, market orientation encourages firms to be more innovative, which consequently improves firm performance (Agarwal et al., 2003).

Firms in the service industry may develop new or improved products, create new distribution channels and discover new approaches to management (Slater and Narver, 1995). These innovations are related to marketing strategies and they are largely concerned with the marketing mix variables. The results of this study are consistent with previous studies that indicated that market orientation links to firm performance indirectly (Ellis, 2005; Maydeu-Olivares and Lado, 2003; Agarwal et al., 2003; Shin, 2012).

4.11.7 Joint Effect of Market Orientation, Firm Characteristics, Marketing Practices and External Environmental Factors on Firm Performance

The study found the joint effect of market orientation, marketing practices, firm characteristics, external environmental factors on firm performance is greater than that of the individual variables. The study found that the predictors had varied effects on firm performance. For instance, the effect of market orientation on firm performance which showed a positive regression coefficient and statistically significant relationship in hypothesis 1 was now unexpectedly not statistically significant though positive.

The individual effect of marketing practices on firm performance is an indication that marketing practices are a relatively strong predictor of performance. The results are consistent with previous studies that suggest in addition to market orientation, marketing practices influence firm performance (Ellis, 2005). The relationship between the external environmental factors and firm performance was positive and statistically significant. This suggests that with changes in the business environment, firms must be market-oriented to cope with the changes in the external environment.

4.12 Chapter Summary

The chapter presented the results of the key study variables. The hypotheses tests were computed in line with the objectives. The results revealed statistically significant results at 0.05 significance level between market orientation and performance, external environmental factors and performance, the moderating effect of external environmental factors on the market orientation and performance relation and partial mediating effect of the marketing practices on the relationship between market orientation and firm performance. The results for the effect of firm characteristics (age and size of the firm) on performance and the mediating effect of the firm characteristics on the market orientation and marketing practices were not statistically significant. The chapter also presented the discussion of the results consistent with the theoretical and the empirical studies

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CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study was to examine the relationship between market orientation, marketing practices, firm characteristics, the external environmental factors and performance of tour firms in Kenya. This chapter provides a summary of the major findings of the study, discussion on theory and practice and conclusions. It also highlights the limitations of the study and outlines proposed areas of future research. The first objective sought to assess the relationship between market orientation and performance of tour firms in Kenya. The second was to examine the influence of firm characteristics on the performance of tour firms in Kenya. The third objective sought to assess the influence of external environment on performance of tour firms in Kenya. The focus of the fourth objective was to establish the relationship between firm characteristics, market orientation and marketing practices of tour firms in Kenya. The fifth objective sought to establish the moderating effect of external environment on the relationship between market orientation and performance of tour firms in Kenya. The sixth objective aimed at assessing the mediating effect of marketing practices on the relationship between market orientation and performance of tour firms in Kenya and finally, the seventh objective sought to establish the joint effect of market orientation, marketing practices, firm characteristics and external environment on performance of tour firms in Kenya.

5.2 Summary of the findings

The study established that the tour firms surveyed fall under the category of small and medium enterprises. The study measured the size of the tour firms in terms of the number of permanent employees. Approximately, 70% of the tour firms have been in operation for less than twenty years and were fully Kenyan owned. The results demonstrated that the tour firms, though young and have growth potential. SMEs have been defined and appreciated as economic drivers not only in Kenya but globally. Specifically, SMEs in Kenya have been identified as a catalyst for the country’s economic growth as they make major contributions to employment generation and poverty eradication (GoK, 2005).

The study established significant correlations among the study variables. Market orientation measured in terms of customer orientation, competitor orientation and inter-functional coordination and firm performance were positively and significantly correlated. This showed that there is a relationship between market orientation and firm performance of tour firms surveyed in Kenya. Further, the marketing practices were positively correlated with firm performance. This suggests that the tour firms aggressively implement marketing practices as they are a key contributor to firm performance.

The selected external environmental factors measured by Porter’s (1980) competitive forces, government policy and Kohli and Jaworski’s (1990) market turbulence indicated the highest correlation coefficient with firm performance. This demonstrated that the tour firms should consider and adapt to the changes in the external environment when making key strategic marketing decisions as this can influence firm performance. The results demonstrated that the marketing practices measured as the execution tools used to implement market orientation influence tour firm performance. The mediating effect of the marketing practices on the market orientation and firm performance relationship was partially supported. The mediating effect was tested as there a significant direct association between market orientation and firm performance. The study shows that there was a significant relationship between market orientation and firm performance. The results suggested that the marketing practices may play a complementary role in influencing the relationship between market orientation and firm performance.

The descriptive statistics revealed that distribution and marketing research practices had the highest mean scores. Due to the unique characteristics of the tourism product, tour firms should implement marketing strategies and tactics that will attract their target customers as the customers tend to move towards the point of distribution. Through marketing research, tour firms can keep abreast of the changing customer needs and develop new products and services that will meet the needs and wants of their current and potential customers and adapt to changes in the external environment. The study suggested that the tour firms need to be innovative in new product development, marketing communication and in pricing strategies.

The assessment of the external environmental factors was at two levels; the direct effect of the external environmental factors on firm performance and the moderating effect of the external environmental factors on the market orientation and firm performance. The results showed a positive and statistically significant relationship between the external environmental factors and firm performance. The results suggested that the tour firms need to monitor and adapt to the external environment as changes offer opportunities and at the same time pose threats which can affect the overall performance. Tour firms must focus on the exogenous market factors such as industry competition, changes in the composition of customers, changes in customer tastes and preferences and government policy factors. The results demonstrated that the external environmental factors affect the strength and direction of the market orientation and performance relationship. By implication, under conditions of changes in the competitive environment, market turbulence and government policies, the need for Kenyan tour firms to be more market-oriented becomes a key consideration as it provides a means for the tour firms to focus on activities that lead to the development of quality goods and services, enhanced customer satisfaction, loyalty and retention, employee satisfaction, firm efficiency, effectiveness, relevance and financial viability. This leads to competitive advantage and superior firm performance.

The results of the marketing practices as a mediating variable revealed a positive and significant relationship between market orientation and performance path “c” and marketing practices and performance path “b”. However, the relationship between market orientation, marketing practices was not significant (path “a”). According to Baron and Kenny (1986), the dependent variable (market orientation) must be statistically and significantly related to the mediating variable for a full mediation to take place although this is rare. In this study, market orientation was not a significant predictor of marketing practices. The absence of a significant relationship may be attributed to the small population size. Regarding the joint effect of the independent, mediating and moderating variables on firm performance, the results confirmed that the combined effect was stronger than the individual effect on performance. Marketing practices had the highest contribution followed by market orientation and external environmental factors. The age and size of the tour firm has the lowest contribution to firm performance.

5.3 Conclusions

The study examined 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 relationship revealed in the study suggested that the tour firms in Kenya are market-oriented. As a result, the tour firms are in a position to respond to changes in consumer tastes and preferences continuously.

Today's consumers are highly knowledgeable and demanding. For the tour firms 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 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.

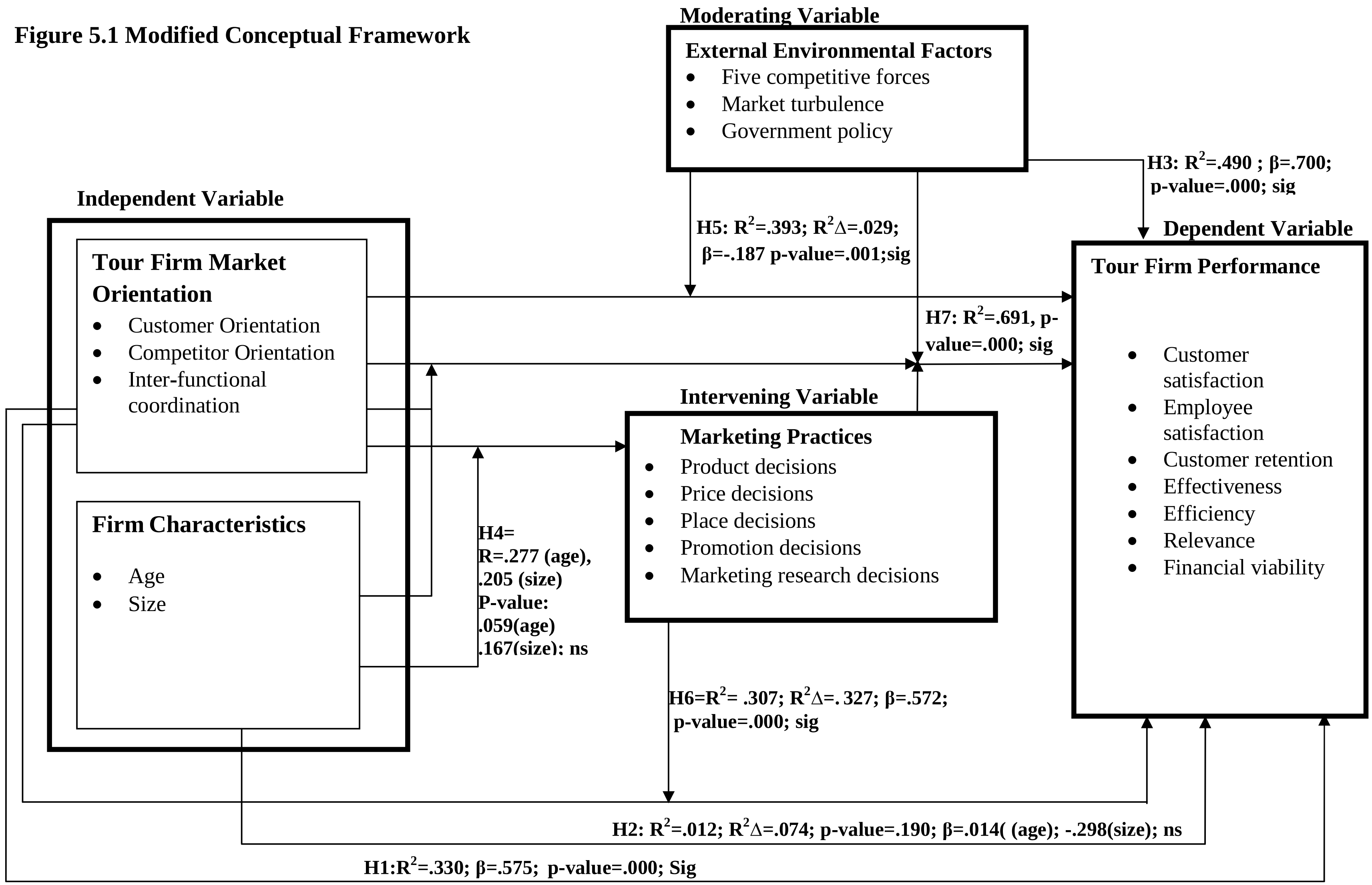
The study examined the moderating effect of the age and size of the firm, external environmental factors. The results show that the age and size of the tour firms did not influence the performance of the tour firms surveyed in Kenya. Specifically, the effect of the age of the firm on performance, though positive was not statistically significant while the effect of the size on the firm performance was negative and not statistically significant. Regarding the moderating effect of firm characteristics (age and size of the firm) on market orientation and marketing practices, the relationship was not statistically significant. This suggests that age and size of the tour firms do not influence the market orientation and marketing practices that firm undertakes.

The results showed that the external environmental factors predict firm performance of tour firms surveyed in Kenya. The results imply that in a dynamic business environment, the tour firms have to continuously scan the external environmental factors. This is affirmed by previous scholars who posit that in a dynamic environment, firms have to be market-oriented (Lin, 2011). Regarding the moderating role of the external environmental factors, the interaction effect of market orientation and external environmental factors showed that the strength of the relationship between market orientation and performance relationship was reduced. This implies a moderating effect on the relationship between market orientation and firm performance of the tour firms surveyed in Kenya.

Regarding the joint effect of market orientation, marketing practices, firm characteristics and the external environmental factors on firm performance, the results were positive and statistically significant. This suggests that the influence of market orientation, firm characteristics, marketing practices and external environmental factors on firm performance is stronger than the individual effect of each variable.

The conceptual model in Figure 2.1 hypothesized that there is a statistically significant relationship between market orientation and firm performance and that this relationship is moderated by external environmental factors and mediated by marketing practices. In addition, there is a statistically significant relationship between firm characteristics and performance, external environmental factors and performance and that firm characteristics moderate the relationship between market orientation and marketing practices. Finally, the joint effect of market orientation, marketing practices, firm characteristics and external environmental factors are greater than their individual effect on firm performance. Based on the results and conclusion of the study, the results are presented in the modified conceptual framework in Figure 5.1.

Figure 5.1 Modified Conceptual Framework



Source: Researcher, 2013 Sig=significant ;ns= not significant; α=.05

The results in Figure 5.1 indicate that five hypotheses regarding the relationship between market orientation and performance (H1), external environmental factors and performance (H3), the moderating effect of external environmental factors on the market orientation and firm performance relationship and the mediating effect of marketing practices on the market orientation and performance relationship were statistically significant at 0.05 significance level and were therefore supported. In the hypothesis regarding the joint effect of the independent, intervening and moderation on firm performance was greater than the individual effect was statistically significant and was supported. Conversely, the hypotheses that the relationship between firm characteristics and firm performance (H2) and the moderating effect of firm characteristics on the market orientation and marketing practices relationship (H4) were not statistically significant and thus not supported.

5.4 Implications of the Research Findings

The current research examined the relationship between market orientation, the external environment, firm characteristics and firm performance. The mediating role of the marketing practices and the moderating role of the external environment and firm characteristics were also explored. The study results present theoretical and policy implications.

5.4.1 Theoretical Implications

The findings provide support for the hypothesized direct relationship that market orientation influences firm performance consistent with the general view in extant literature (Kohli and Jaworski, 1990; Narver and Slater, 1990; Kirca et al., 2005). Previous studies have proposed that external environmental factors might moderate the market orientation and performance link (Kohli and Jawoski, 1990; Han et al., 1998; Kumar et al., 1998). Slater and Narver (1994a) suggests that the market orientation is important for all firms regardless of the state of their environment. While market orientation appears to affect firm performance in different contexts, it is also evident that the amount of the effect varies to a great extent among the different contexts (Ellis, 2006; Kirca et al., 2005).

In this study, additional environmental factors were included to enrich the investigation of the external environmental factors. While some of the factors from the Industrial Organizational theory (Pecotich et al., 1999) and competitive environment literature (Kohli and Jaworski, 1990) were previously hypothesized and empirically tested in previous market orientation studies, the current study integrated the different environmental factors with market orientation and marketing practices.

The extant literature suggests that market orientation is likely to predict firm performance through routes of intermediate factors meaning that a successful market orientation can create superior marketing activities (product, price, place, and promotion and marketing research decisions) which in turn result in superior performance outcomes (Slater and Narver 1994b; Han et al., 1998).

The findings of the current study imply that marketing practices complement the effects of market orientation on firm performance. The empirical evidence presented in this study indicated that there is a relationship between a firm's performance and market orientation, marketing practices, firm characteristics and external environmental factors. These findings could contribute to a renewed research interest for market orientation and its significance in superior firm performance and further development at the conceptual and theoretical level. The study results add to the existing market orientation and performance body of knowledge both theoretically and empirically testing the hypotheses in the Kenyan context.

5.4.2 Policy Implications

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 policy-makers whose major objective is to stimulate the 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, there is need for government interventions as the country endeavors to a globally competitive and prosperous country.

From the current study, it is evident that the marketing practices have a direct and positive effect on performance tour firms surveyed in Kenya. The policy-makers in the tourism industry may support the tour firms by offering marketing management skills and capabilities to ensure superior service delivery to the target customers. This can be done in conjunction with other key players in the tourism industry such as the airlines, hotels and travel agents. Policy-makers can consider the unique characteristics of the tourism product by offering support in terms of policies that may augment the growth of the tourism sector in general and tour firms and other tourism stakeholders in particular.

5.4.3 Practitioners

Market orientation has been recognized as key to firm success and superior performance (Narver and Slater, 1990; Kohli and Jaworski, 1990). The findings of the study indicate that market orientation is robust across industry and country context boundaries. The findings provide a strong indication that firms that are market orientation influences firm performance measured by dimensions such as customer satisfaction, employee satisfaction, customer retention, effectiveness efficiency, relevance and financial viability. However, the manner in which firms implement market orientation remains equivocal. The study provides support that marketing practices facilitate the conversion of market-oriented philosophy into superior firm performance. In this regard, Managers can consequently develop a firm culture that supports behaviours that are consistent with market orientation and use the market orientation construct to develop relevant and effective marketing activities.

Previous studies indicate that market orientation has been found to be more effective in influencing firm performance, contingent on the external environmental factors that the firm operates in (Slater and Narver, 1994a). Likewise, the findings of the current study show that firms that are able to adapt and implement market orientation contingent on the external environmental conditions are able to exploit the full potential of market orientation and achieve superior financial performance. However, the external environment of any firms comprises customers, competitors and other exogenous factors that the firm has no control. While some firms will operate in relative stable environments, others deal with dynamic environmental turbulence. Regardless of the dynamic environment, firms depend on selling products to customers an indication that no firm is likely to survive without being market oriented. Hence firms need to assess and adapt to changes in the external and internal environment when evaluating the market orientation needs. The study demonstrates that different market orientation components interact with diverse external environmental factors, marketing practices and firm characteristics in facilitating superior firm performance.

In an era of intensified competition and changing marketing landscape, the external environmental factors underscore a firm's strategic decision. For firms to be effective and efficient, they must analyze the industry dynamics so as to position themselves strategically. The findings of the current study provide important pointers to firms' executives in terms of developing a better understanding of the environmental dynamics and in terms of managing the firms for superior performance.

5.5 Limitations of the Study

This study has provided further insight into the market orientation and performance relationship literature albeit with limitations. First, the selection of the study variables is not exhaustive. Specifically, the conceptualization of market orientation may be somewhat limited and it is arguable that market orientation may consist of more than customer orientation, competitor orientation and inter-functional coordination and the development and implementation of a market-oriented strategy. This means that other additional factors could provide further insight market orientation and performance relationship. The factors included in the current conceptual framework may not provide a complete image of the firms' marketing practices, firm characteristics, and external environmental factors and performance measures.

Second, the study used subjective performance only 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 their objective financial measures as they are not required by law to publish their financial results. Third, the study used key informants from tour firms which put constraints on the generazability of the results to other firms and other country contexts. The sample selection may also limit the generalization of results to the overall population. 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.

Fourth, the study used a cross-sectional research design whereby the respondents were interviewed only once to assess their perspectives of the variables under study. Although a cross-sectional data enable generalization of the findings while offering cost and control advantages, it prevents close investigation of several aspects of the relationships in this study. The development of a time-series database and testing of the market orientation performance relationship in a longitudinal framework should provide more insight into probable causation.

Finally, the results of this study were collected using single a key-informant approach which limits the ability to access information. The response was based on self-reported data comprising the perceptions of the respondent, as opposed to absolute values. In addition, although the choices of each question adopted were from previous studies, all possible alternatives might not have been considered. The findings of a survey based on other sources of information and the use of absolute data could provide additional findings.

5.6 Suggestions for Further Research

The findings add to the existing conceptual and empirical evidence that market orientation influences firm performance. In addition, the findings add to the existing conceptual and empirical evidence that this relationship is moderated by other extraneous variables such as the external environmental factors and the mediating effect of the marketing practices on the market orientation and firm performance relationship. The inclusion of additional factors not covered in this study could bring more insights into the market orientation and firm performance studies. The factors used to measure the study variables, namely; market orientation (customer orientation, competitor orientation and inter-functional orientation) marketing practices (product, price, place, promotion and probe), firm characteristics and performance are not exhaustive. While the moderating role of the environmental factors included was derived from industrial organization literature, the factors may not provide a complete image of a firm’s environment.

A further review of both marketing and strategic management literature would identify additional factors that contribute to the concept of market orientation, environmental factor framework and marketing practices variables. The additional factors could enhance the robustness of the study models and generalizabilty and validity of the results. Future research should also consider testing market orientation as a configuration concept among the diverse market orientation perspectives and how they differ in forms of market orientation that affect firm performance instead of using a single integrated scale.

Future studies on market orientation on tour firms or any type of firms or organisations should use both subjective and objective measures of performance so that the relationship between the two can be investigated. Balakrishnan (1996) contends that there is a strong relationship between subjective and objective measures of firm performance; however, this relationship has not been tested in the context of the tour firms in Kenya. It may be useful for future studies to develop constructs that combine both subjective and objective performance measures.

The replication of this study in other sectors of the tourism industry such as hotels and travel agencies, other firms in the service industry, the manufacturing sector, non-profit making organizations, government ministries, departments and agencies or a combination of the industries and organisations can give a more detailed view of the nature of the relationship identified in the study. It would be appropriate to study the relationship between market orientation and performance of the different tour firm categories. The replication of this study in other countries especially in the Sub-Saharan region would demonstrate the universality and significance of the market orientation and performance relationship in general and on the performance of service firms in particular.

The current study used a cross-sectional research design where data were collected at a single point in time. The shortcoming of cross-sectional research design is that it does not detect causal effects of variables. Measuring constructs that are dynamic in nature cannot be correctly assessed in a cross-sectional study. A longitudinal study would provide a better assessment of how organizations become market-oriented over time, and how market-oriented culture affects performance indicators. A longitudinal testing of market orientation would also be important in terms of arriving at causal linkages instead of relationship testing established in cross-sectional design. The self-reported and the single-informant approach suffer the potential for mono-method bias which may affect the survey responses (Gatignon and Xuereb, 1997; Greenley, 1995). With only one respondent from each firm, especially those of the self-reported performance variables, triangulating the responses is complex. Future research should consider combining multiple internal informants with views of other informants such as suppliers, customers, distributors and other firm stakeholders to generate dependable conclusions of the study variables. Finally, examining the relationship between market orientation and other strategic business orientations, marketing and competitive strategies would contribute to a better understanding of the determinants of firm performance.

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APPENDICES

Appendix I: Introductory Letter

UNIVERSITY OF NAIROBI
P.O. Box 30197 – 00100
NAIROBI

TO: WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: MARKET ORIENTATION, MARKETING PRACTICES, FIRM CHARACTERISTICS, EXTERNAL ENVIRONMENT AND PERFORMANCE OF TOUR FIRMS IN KENYA

I am a Doctor of Philosophy (Ph.D) candidate at the University of Nairobi, in the School of Business, Department of Business Administration. As part of the requirement for the award of the degree, I am expected to undertake a research study and I am seeking for your participation.

The basic premise of the market orientation concept consists of identifying key customers and their needs and wants, creating added value in order to meet the needs of these customers better than the competition and achieving the above goals via a close intra-functional coordination. The purpose of the study is to assess the relationship between market orientation and performance of tour firms and to establish the influence of marketing practices, firm characteristics and external environment on performance of tour firms .

The attached questionnaire will take approximately twenty minutes to complete. Kindly answer all the questions as completely as possible. The research results will be used for academic purposes only and will be treated with utmost confidentiality. Only summary results will be made public. Only firm will have access to these records. Should you require the summary of study findings, kindly indicate so at the end of the questionnaire. Your co-operation will be appreciated.

Yours faithfully,

Njeru Gacugu Winnie
Ph.D Candidate
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Appendix II: Questionnaire

This questionnaire is designed to collect data from category A to D members who are registered with Kenya Association of Tour Operators. This academic research is part of the effort to contribute to the study of market orientation and firm performance of tour firms in Kenya. If you have reservations about a statement, please circle the response that most clearly approximates your feeling. The data and research findings provided will be used for academic purposes only and will be treated with strict confidence.

Thank you.

PART I: RESPONDENT AND FIRM PROFILE

1. Please indicate the position you hold in the company___________________

2. How long have you been in this position?
   Up to 5 years [ ] 6-10 years [ ] 11-15 years [ ]
   16-20 years [ ] above 20 years [ ]

3. Please indicate with a **(√)** your highest level of education?
   O level [ ] A level [ ] Certificate [ ]
   Diploma [ ] Bachelors Degree [ ] Masters Degree [ ]
   Ph.D/Doctorate [ ]

4. What is the ownership status of your firm?
   Fully Kenyan owned [ ] Fully foreign owned [ ]
   Joint Kenyan and foreign owned [ ]

5. How many years has your business been in operation in Kenya?
   Up to 5 years [ ] 6-10 years [ ] 11-15 years [ ]
   16-20 years [ ] Over 20 years [ ]

6. How many employees are currently permanently employed in your firm?
   Up to 10 employees [ ] 11-20 employees [ ] 21-30 employees [ ]
   31-40 employees [ ] 41-50 employees [ ] Over 50 employees [ ]

PART II: TOUR FIRM MARKET ORIENTATION

7. Please indicate with a tick (√) the extent to which your firm focuses on the following:

a) **Customer orientation**

Description		Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i)	We constantly monitor our level of commitment and orientation to meeting customers' needs.					
ii)	Our strategy for competitive advantage is based on clear understanding of our customers' needs.					
iii)	Meeting of our customers' needs is the most important objective of our business.					
iv)	Our strategies are driven by our beliefs on how we can create greater value for our customers.					
v)	We give close attention to after-sales service.					

b) **Competitor orientation**

Description		Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i.	Our staff members regularly share information within the firm concerning competitors' strategies.					
ii.	We quickly respond to competitors actions that threaten us.					
iii.	The top management team regularly discusses competitors strengths and strategies.					
iv.	We target customers and customer groups where we have developed or can develop a competitive advantage.					
v.	Managers from every functional area regularly interact with our current and prospective customers.					

c) **Inter-functional coordination**

Description	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i. We freely communicate information about our successful and unsuccessful customer experiences across all business functions.					
ii. Our functions are integrated in ways they meet the needs of our target markets.					
iii. Our managers understand how everyone in our business can contribute to creating customer value.					
iv. All functional departments work hard to thoroughly and jointly solve customer problems.					

PART III: MARKETING PRACTICES

8. Please indicate with a tick (√) the extent to which your firm responds to the following marketing practices:

a) Product practices

Description and characteristics	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i. We have the ability to develop new products					
ii. We develop new products to exploit research and development (RandD) investment					
iii. We successfully launch new products					
iv. We ensure that product development efforts are responsive to customer needs					

b) Pricing practices

Description	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i. We use pricing skills and systems to respond quickly to market changes					
ii. We know our competitors pricing tactics					
iii. We do an effective job of pricing our products					
iv. We monitor competitors' prices and price changes					

c) Distribution (place) practices

Description	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i. We have a strong working relationship with our distributors					
ii. We attract and retain the best distributors					
iii. We add value to our distributors businesses					
iv. We provide high levels of service support to our distributors					

d) Promotion practices

Description	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i. Our advertising programs are well developed and executed					
ii. We have good advertising and creative skills					
iii. Our sales promotions are well developed and executed					
iv. We give the sales people the training they need to be effective					

v.	We provide effective sales support to the sales force					
vi.	We provide sales management planning and control systems					
vii.	Our public relations programs well developed and executed					
viii.	Our internet marketing programs are well developed and executed					

e) Marketing Research practices

	Description	Not at all	To a small extent	To a moderate extent	To a large t extent	To a very large extent
i.	Our marketing research abilities helps us to find customers					
ii.	Our marketing research skills helps us to develop effective marketing programs					
iii.	We use our marketing research information effectively					
iv.	Our marketing research expertise help us to develop marketing programs					

PART IV: EXTERNAL ENVIRONMENT

9. Please indicate with a tick (√) the extent to your firm is affected by the following external environmental factors:

a) Threat of entry

	Description	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i.	In our industry, new competitors have to enter at a highly visible large scale and risk strong reaction from existing tour firms					
ii.	Established tour firms in our industry have substantial					

	resources which may be used to prevent the entry of new competitors					
iii.	New tour firms must spend a large amount of capital on risky and unrecoverable up-front advertising and/or for research and development (RandD)					
iv.	Retaliation by established tour firms towards new entrants into our industry is and has been strong					
v.	New entrants into our industry have to spend heavily to build their brand names and to overcome existing brand loyalties					
vi.	New firms entering our industry as small scale firms must accept a considerable cost disadvantage					
vii.	Large capital and/or financial resources are required for entry into our industry					

b) The bargaining power of buyers

Description	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i. In our industry, buyers or buyer groups are very powerful					
ii. The buyers of our industry's products are in a position to demand concessions					
iii. There is a small number of buyers who form a large proportion of our industry's sales					

c) Threat of substitute goods/service

	Description	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i.	In our industry, there is considerable pressure from substitute products					
ii.	All firms in our industry are aware of the strong competition from substitutes					
iii.	The availability of substitute products limits the potential returns in our industry					
iv.	Substitute products limit the profitability of this industry					
v.	The needs which our industry's products satisfy may be easily satisfied by products/services from many other sources					
vi.	The products of the industry in which we compete have intrinsic characteristics from which it is difficult to find substitutes					

d) **The bargaining power of suppliers**

	Description	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i.	The suppliers product quality can affect the final quality in this industries product					
ii.	The suppliers product is an important input into our product					
iii.	The suppliers of product in our industry can easily raise their prices or threaten to reduce the quality of their product					
iv.	In our industry, supplier or supplier groups are very powerful					
v.	The suppliers of our industry's products can and do demand and gain concessions.					
vi.	There exist a small number of suppliers who contribute to a large proportion of our industry's inputs					

e) **The intensity of Rivalry**

	Description	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i.	Firms in our industry compete intensely to hold/or increase their market share					
ii.	There is a diversity of competitors in our industry (i.e. competitors may be diverse in strategies, origins, personality and relationships to their parent companies)					
iii.	In our industry, competitive moves from one firm have noticeable effects on other competing firms and thus incite retaliation and counter moves					
iv.	In our industry, advertising battles occur frequently and are highly intense					
v.	In our industry, price competition is highly intense (i.e. price cuts are quickly and easily matched)					
vi.	Price cutting is a common competitive action in our industry					
vii.	In our industry, competition is described with terms such as “warlike”, “bitter”, or “cut-throat”					
viii.	In our industry, firms have the resources for vigorous and sustained competitive action and for retaliation against competitors					
ix.	In our industry, foreign firms play an important role in industry competition					

f) **Market Turbulence**

	Description	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i.	In our kind of business, customers’ product preferences change quite a bit over time					
ii.	Our customers tend to look for new products/services all the time					
iii.	We are witnessing demands for products and services from customers who have never bought them before					
iv.	Sometimes our customers are price sensitive, but on other occasions , price is relatively unimportant					

g) **Government policies**

Description	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i. Our firm's operations are affected by the transport infrastructure (e.g. roads, air travel, rail)					
ii. In our firm, telecommunication infrastructure is key					
iii. Government monetary decisions and policies affects the growth of our firm					
iv. Our firm's operations are affected by insecurity					

PART V: TOUR FIRM PERFORMANCE

10. Over the last three years relative to your closest competitor, indicate how your firm has performed with respect to the following performance outcomes. (Tick as appropriate).

a) Customer Satisfaction

Description	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i) We have more loyal customers in our firm					
ii) We often receive complimentary phone calls/ letters/emails from our customers					
iii) We hardly receive complaints about our service offering					
iv) We generate new customers in our firm on a regular basis					
v) Our customers are happy with our offerings and charges					

b) Employee satisfaction

Description	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i) Employees of this firm make personal sacrifices if it were important for the firm's well being					
ii) The bonds between the firm and its employees are weak					
iii) Generally, employees are proud to work for this firm					
iv) Our employees have little or no commitment to this firm					

v) Employees feel as though their future is intimately linked to that of this firm					
vi) Employees often go above and beyond the call of duty to ensure the well being of our firm					
vii) We have lower employee turnover than that of our competitors					

c) Customer retention

	Description	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i)	We don't have repeat customers in our firm					
ii)	We promptly respond to our customer needs					
iii)	Our customers feel safe in their transactions when dealing with us					
iv)	We enjoy more committed customers in our firm					

d) Effectiveness

	Description	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i)	The mission statement, and other documents provide the reason for the existence of the firm					
ii)	The mission is operationalized through our current training program goals, objectives, and activities.					
iii)	Quantitative and qualitative indicators are used to capture the essence of our mission.					
iv)	A system is in place to assess effectiveness of our firm					
v)	Our firm closely monitors its effectiveness					
vi)	The firm uses feedback to improve itself					
vii)	Our products and services are highly rated					
viii)	We are able to meet all our customer needs					
ix)	The mission is known and agreed to by staff					

e) Efficiency

	Description	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i)	We make best use of our staff members to the best of their abilities					
ii)	We make maximum use of physical facilities (buildings, equipment, etc)					
iii)	We make optima use of financial resources					
iv)	We monitor employee absenteeism and turnover rates					
v)	We monitor timeliness of service delivery					
vi)	High-quality administrative systems are in place (financial, human resources, program, strategy, etc) to support the efficiency of the firm					
vii)	Benchmark comparisons are made of the progress achieved in our firm					

f) Relevance

	Description	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i.	Our firm carries out stakeholder satisfaction (customers, hotels, airlines, etc) on a regular basis					
ii.	Our firm introduces new products and services regularly					
iii.	We monitor changes in partner / stakeholders attitudes					
iv.	Our firm monitors its reputation					
v.	The firm creates or adapts to new technologies					
vi.	We regularly monitor and adapt to the business environment					
vii.	Our products and services reflect changing customer needs and wants					
viii.	Stakeholder needs assessments are conducted regularly					
ix.	We strongly encourage innovation					
x.	Our products and services reflect changing environmental conditions					

g) Financial Viability

	Description	Not at all	To a small extent	To a moderate extent	To a large extent	To a very large extent
i.	Our firm monitors finances on a regular basis					
ii.	Our assets are greater than liabilities					
iii.	Our firm keeps a reasonable surplus of money to use during difficult times					
iv.	Our firm consistently has more revenue than expenses					
v.	Our profit margins have been increasing over the years					
vi.	Our firm diversifies levels of funding sources					
vii.	Our firm rarely gets short/long term loans from financial institutions					
viii.	Our staff are among the best paid in this industry					
ix.	We pay our suppliers on time					

Thank you for your time and cooperation

Appendix III: List of Tour Firm: Category A TO D

	Tour Firm	Category
1	Abercrombie and Kent Ltd	A
2	African Horizons Travel and Safaris Ltd	A
3	African Quest Safaris Ltd	A
4	African Safari Diani Adventures – Msa	A
5	Balloon Safaris Ltd	A
6	Bush and Beyond Ltd	A
7	Cheli and Peacock Ltd	A
8	Discover Kenya Safaris Ltd	A
9	Dodoworld (K) Ltd	A
10	Enchanting Africa LTD	A
11	Express Travel Group	A
12	Gamewatchers Safaris Ltd	A
13	Guerba (K) Ltd	A
14	HTT Holidays and Incentives Ltd	A
15	Jade Sea Journeys Ltd	A
16	Kobo Safaris Ltd	A
17	Liberty Africa Safaris	A
18	Maniago Safaris Ltd	A
19	Mini Cabs Tours and Safaris	A
20	Origins Safaris	A
21	Pollman's Tours and Safaris Ltd-Msa	A
22	Private Safaris (EA) Ltd	A
23	Rhino Safaris Ltd	A
24	Somak Travel Ltd	A
25	Southern Cross Safaris (Mombasa)Ltd	A
26	Southern Cross Safaris Limited	A
27	Transworld Safaris (K) Ltd	A
28	Twiga Car Hire and Tours Ltd	A
29	Vintage Africa Ltd	A
30	Wild Trek Safaris Ltd	A
31	Wildlife Safari (K) Ltd	A
32	Big Five Tours and Safaris Ltd	B
33	Intra Safaris Ltd-Msa	B
34	Kenya Wildlife Trails Ltd	B
35	Luca Safari Ltd.	B
36	Muthaiga Travel Ltd	B
37	Robin Hurt Safaris Ltd	B
38	Southern Sky Safaris	B
39	Sunworld Safaris Ltd	B
40	Africa Expeditions Ltd	C
41	African Latitude (Kenya) Ltd	C

42	African Road Safaris	C
43	Charleston Travel Ltd	C
44	Dallago Tours and Safaris	C
45	Eastern and Southern Safaris	C
46	Gametrackers (K) Ltd	C
47	Jamii Tours and Travel Ltd	C
48	Ker and Downey Safaris Ltd	C
49	Ketty Tours Travel and Safaris Ltd	C
50	Kimbla Mantana (K) Ltd	C
51	Linderberg Holidays and Safaris	C
52	Nature Expeditions Africa	C
53	Real Africa LTD	C
54	Sayari Afrika Ltd	C
55	Shoor Travels and Tours	C
56	Silver Africa Tours and Safaris Ltd.	C
57	Suntrek Tours and Travel Ltd	C
58	Travel Affairs Ltd	C
59	Tusker Safaris Ltd	C
60	Acacia Holidays Ltd	D
61	Afriqueen Adventure Ltd.	D
62	Air Travel and Related Services Ltd	D
63	All Seasons Safaris and Tours	D
64	Allamanda Safaris	D
65	Apollo Tours and Travel	D
66	Archers Tours and Travel Ltd.	D
67	BCD Travel	D
68	Bill Winter Safaris	D
69	Chameleon Tours	D
70	Chronicle Tours and Travel	D
71	Crown Tours and Car Hire Ltd.	D
72	Destination (K) Ltd	D
73	Diwaka Tours and Travel Ltd	D
74	East Africa Safari Ventures Ltd	D
75	Eyes on Africa Adventure Safaris Ltd	D
76	Fredlink Company Ltd-Msa	D
77	Grant and Cameron Safaris Ltd	D
78	Hirola Tours and Safaris	D
79	Holiday Bazaar Ltd	D
80	IntoAfrica Eco-Travel Ltd	D
81	Jambo Travel House Limited	D
82	Kenia Tours and Safaris	D
83	Kibo Slopes and Safaris Ltd	D
84	Kuldips Touring Company-Msa	D
85	Let's Go Travel	D

86	Market Service Station Ltd	D
87	On Safari (K) Ltd	D
88	Ostrich Holidays Adventures	D
89	Rickshaw Travels (Kenya) Ltd	D
90	Safaris In Style	D
91	Safaris Unlimited (Africa) Ltd	D
92	Special Lofty Safaris-Msa	D
93	Star Travel and Tours Ltd	D
94	Tobs Kenya Golf Safaris	D
95	Tour Africa Safaris	D
96	Travel Creations Ltd	D
97	Travel 'n Style Ltd	D
98	Tropical Breaks	D
99	Tropical Ice Ltd	D
100	Uniglobe Northline Travel Ltd	D
101	Venture Africa Safaris and Travel	D
102	Westminster Safaris Ltd	D
103	Woni Safaris Ltd	D
104	Zoar Tours and Safaris	D

Source : http://www.katokenya.org. Downloaded in July 2012

Appendix IV: Supplementary Statistical Analysis

Table A1: Factor analysis for market orientation

	Component			
Market Orientation	1	2	3	4
We quickly respond to competitors actions that threaten us	.749			
Meeting our customers' needs is the most important objective of our business	.729			
We target customers and customer groups where we have or can develop a competitive advantage	.642			
Our staff members regularly share information within the firm concerning competitors' strategies	.598			
The top management team regularly discusses competitors strengths and strategies	.548			
We constantly monitor our level of commitment and orientation to customers' needs		.818		
Our strategy for competitive advantage is based on clear understanding of our customers' needs		.661		
We freely communicate information about our successful customer experiences across all business functions		.652		
Our managers understand how everyone in our business can contribute to creating customer value		.511		
Our functional areas are integrated in ways that meet needs of target markets			.759	
Our strategies are driven by our beliefs on how we can create greater value for our customers			.595	
Managers from every functional area regularly interact with our current and prospective customers				.837
All functional departments work hard to thoroughly and jointly solve customer problems				.634
We give close attention to after sales service				.612

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 11 iterations.
Source: Primary Data

Table A2: Factor analysis for marketing practices

Marketing Practices	Component						
	1	2	3	4	5	6	7
We do an effective job of pricing our products	.763						
We monitor competitors' pricing and price changes	.693						
Our internet marketing programs are well developed and executed	.652						
Our marketing research activities help us to find customers	.690						
We provide sales management planning and control systems	.390						
We have ability to develop new products		.626					
We develop new products to exploit research and development investment		.724					
We use pricing skills and systems to respond quickly to market changes		.740					
We have good advertising and creative skills		.708					
We ensure that product development efforts are responsive to customer needs			.596				
Our sales promotions are well developed and executed			.509				
We give salespeople training they need to be effective			.877				
We provide effective sales support to the sales force			.664				
Our advertising programs are well developed and executed			.494				
Our public relations programs are well developed and executed				.821			
Our marketing research skills help us to develop effective marketing programs				.644			
We provide high level of service support to distributors					.757		
We launch new products successfully					.593		
We know our competitors' pricing tactics					.520		
We use our marketing research information effectively						.822	
Our marketing research expertise helps us to develop marketing programs						.715	
We attract and train the best distributors							.853
We add value to our distributors businesses							.749
We have a strong working relationship with distributors							.393

Source: Primary Data

Table A3: Factor analysis for external environmental factors

	Component											
External Environmental Factors	1	2	3	4	5	6	7	8	9	10	11	12
Firms in our industry compete intensely to hold or increase their market share	.853											
There is diversity of competitors in our industry (diverse in strategy, origins, personalities and relationships to their parent companies)	.702											
There exists a small number of suppliers who contribute to a large proportion of our industry's inputs	.647											
Products of the industry in which we compete have intrinsic characteristics from which it is difficult to find substitutes	.639											
Price cutting is a common competitive action in our industry	.593											
Firms are aware of the strong competition from substitutes	.483											
Competition is described with terms such as warlike bitter or cutthroat	.482											
New competitors have to enter industry at a highly visible large scale and risk strong reaction from existing tour operators		.774										
Our firms operations are affected by the transport infrastructure		.769										
Established tour operators have substantial resources which may be used to prevent the entry of new competitors		.596										
Sometimes our customers are price sensitive but on other occasions price is relatively unimportant		.656										
Price competition is highly intense (i.e. price cuts are quickly and easily matched)			.769									

Suppliers product/service quality can affect the final quality in this industries product/service			.616									
Foreign firms play an important role in industry completion			.572									
Government monetary decisions and policies affects the growth of our firm			.694									
Our customers tend to look for new products all the time				.839								
We are witnessing demand for products from customers who have never bought them before				.642								
In our kind of business customers' product preferences change quite a bit over time				.593								
In our industry supplier or supplier groups are very powerful					.772							
In our industry, telecommunication infrastructure is key					.612							
Our firms operations are affected by insecurity					.611							
Suppliers in our industry's products can and do demand and gain concessions					.599							
New operators must spend a large amount of capital on risky and unrecoverable upfront advertising and/or for research and development						.660						
Firms have the resources for vigorous and sustained competitive action and for retaliation against competitors						.819						
Competitive moves from one firm have noticeable effects on other competing firms and thus incite retaliation and counter moves							.665					
Advertising battles occur frequently and are highly intensive							.772					
Buyers of our products are in a position to demand								.775				

concessions												
There is small number of buyers who form a large proportion of our industry's sales								.753				
Suppliers of products in our industry can easily raise their prices or threaten to reduce the quality of their product or service								.453				
New firms entering industry as small scale operators must accept a considerable cost disadvantage									.844			
New entrants have to spend heavily to build their brand names and to overcome existing brand loyalties									.844			
Suppliers of product is an important input into our product									.536			
Retaliation by established tour operators towards new entrants into our industry is and has been strong										.804		
Needs which our industry's product satisfy may be easily satisfied by products from many other sources										.537		
Buyers and buyer groups are very powerful										.486		
Availability of substitute products limits potential returns in our industry										.345		
Large capital and/or financial resources are required for entry into our industry											.910	
There is considerable pressure from substitute products												.575
Substitute products/services limit profitability of this industry												.660

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 46 iterations
Source Primary Data

Table A4: Factor analysis for firm performance

	Component												
Firm Performance	1	2	3	4	5	6	7	8	9	10	11	12	13
We have lower employee turnover than that of our competitors	.745												
We often receive complimentary phone calls/letters/emails from our customers	.665												
A system is in place to assess effectiveness of our firm	.918												
Our firm closely monitors its effectiveness	.728												
The firm uses feedback to improve itself	.785												
The mission is operationalized through our current training programs goals objectives and activities	.804												
We monitor employee absenteeism and turnover rates	.660												
High quality administrative systems are in place to support the efficiency of the firm	.779												
Stake-holder needs assessment are conducted regularly	.826												
Our firm introduces new products and services regularly	.646												
Our firm diversifies levels of funding sources	.755												

Our firm rarely gets short/long term loans from financial institutions	.806												
Our staff are among the best paid in this industry	.777												
We pay our suppliers on time		.530											
Employees of this firm make personal sacrifices if it were important for the firms well being		.802											
Our products are highly rated		.854											
We are able to meet all our customer needs		.824											
The mission of our firm is known and agreed to by staff		.705											
We enjoy committed customers in our firms		.558											
We generate new customers in our firms on a regular basis			.817										
Our profit margins have been increasing over the years			.814										
Our customers are happy with our offerings and charges			.601										
Our customers feel safe in their transactions when dealing with us			.571										
Our firm keeps a reasonable surplus of money to use during difficult times			.519										
We make maximum use of physical facilities			.483										
Employees feel as though their future is intimately linked to that of this firm				.876									

We promptly respond to our customers' needs				.849									
If a customer uses our services once, they remain with us forever				.704									
Generally employees are proud to work for this firm				.638									
We have loyal customers in our firms				.605									
we monitor timeliness of service delivery				.563									
We regularly monitor and adapt to the business environment					.786								
Our firm consistently has more revenue than expenses					.698								
We make optimal use of financial resources					.672								
Benchmark comparisons are made of the progress achieved in our firm					.570								
We hardly receive complaints about our service offering					.511								
Our employees have little or no commitment to this firm						.893							
The bonds between the firm and its employees are weak						.870							
It is hard to see repeat customers in our firm						.699							
Employees often go above and beyond the call of duty to ensure the well being of our firm							.665						

The mission statement and other documents provide the reason for the existence of the firm							.611						
Our products reflect changing environmental conditions							.649						
We strongly encourage innovation							.565						
Our firm monitors finances on a regular basis							.547						
Our firm carries out stakeholders satisfaction on a regular basis								.733					
Quantitative and qualitative indicators are used to capture the essence of our mission									.855				
We monitor changes in partner/stakeholder attitudes										.752			
The firm creates or adapts to new technologies											.793		
We make use of our staff members to the best of their abilities											.696		
Our firm monitors its reputation											.482		
Our assets are greater than liabilities												.793	
Our products and services reflect changing customer needs and wants													.528

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.
Rotation converged in 19 iteration
Source: Primary Data

Table A5 : Respondent Scores on External Environmental Factors

Description	N	Mean	SE
The Threat of New Entrants			
New operators must spend a large amount of capital on risky and unrecoverable upfront advertising and/or for research and development	60	4.23	.105
New entrants have to spend heavily to build their brand names and to overcome existing brand loyalties	60	4.23	.102
New competitors have to enter industry at a highly visible large scale and risk strong reaction from existing tour firms	60	4.23	.084
New firms entering the industry as small scale firms must accept a considerable cost disadvantage	59	4.17	.094
Large capital and/or financial resources are required for entry into our industry	60	4.17	.064
Retaliation by established tour firms towards new entrants into our industry is and has been strong	60	4.15	.097
Established tour firms have substantial resources which may be used to prevent the entry of new competitors	60	4.13	.084
Grand mean score on entry threat	**59**	**4.19**	**.09**
The Threat of Substitute Goods/Service			
Availability of substitute products/services limits potential returns in our industry	59	4.20	.099
Firms are aware of the strong competition from substitutes	60	4.20	.108
Products/services of the industry in which we compete have intrinsic characteristics from which it is difficult to find substitutes	60	4.18	.099
Substitute products/services limit profitability of this industry	60	4.17	.079
There is considerable pressure from substitute products/services	59	4.10	.105
Needs which our industry's product/services satisfy may be easily satisfied by products/services from many other sources	60	3.98	.077
Grand mean score on substitute threat	**59**	**4.14**	**.095**
The Bargaining Power of Buyers			
Small number of buyers who form a large proportion of our industry's sales	60	4.53	.073
Buyers of our industry's products/services are in a position to demand concessions	60	4.40	.086
Buyers and buyer groups are very powerful	60	4.27	.095
Grand mean score of buyer power	**60**	**4.40**	**.085**
The Bargaining Power of Suppliers			
The suppliers of product/service in our industry can easily raise their prices or threaten to reduce the quality of their product or service	60	4.52	.090
In our industry supplier or supplier groups are very powerful	60	4.33	.113
The suppliers in our industry's products/service can and do demand and gain concessions	59	4.32	.098
The suppliers of product/service is an important input			

into our product/service	59	4.22	.114
The suppliers product/service quality can affect the final quality in this industries product/service	60	4.18	.108
There exists a small number of suppliers who contribute to a large proportion of our industry's inputs	60	4.12	.104
Grand Mean score on supplier power	**59**	**4.28**	**.105**
The Intensity of Rivalry			
Price competition is highly intense (i.e. price cuts are quickly and easily matched)	60	4.53	.093
Advertising battles occur frequently and are highly intensive	60	4.50	.097
Price cutting is a common competitive action in our industry	60	4.40	.083
Competition is described with terms such as “warlike” “bitter” or “cutthroat”	60	4.40	.096
Foreign firms play an important role in industry competition	60	4.33	.105
There is diversity of competitors in our industry(diverse in strategy, origins, personalities and relationships to their parent companies	60	4.33	.078
Firms in our industry have the resources for vigorous and sustained competitive action and for retaliation against competitors	60	4.32	.110
Firms in our industry compete intensely to hold or increase their market share	60	4.25	.097
Competitive moves from one firm have noticeable effects on other competing firms and thus incite retaliation and counter moves	60	4.22	.104
Grand Mean score on intensity of rivalry	**60**	**4.36**	**.096**

Source: Primary Data

Table A6 :Correlation Analysis between Firm Characteristics, Market Orientation and Marketing Practices Controlling for Size of the Firm

Control Variables			Marketing practices	Market orientation	Size of the firm
-none-(a)	Marketing practices	Correlation	1.000	.201	-.017
		Significance (2-tailed)	.	.170	.910
		Df	0	46	46
	Market orientation	Correlation	.201	1.000	.121
		Significance (2-tailed)	.170	.	.413
		Df	46	0	46
	Size of the firm	Correlation	-.017	.121	1.000
		Significance (2-tailed)	.910	.413	.
		Df	46	46	0
Size	Marketing practices	Correlation	1.000	.205	
		Significance (2-tailed)	.	.167	
		Df	0	45	
	Market orientation	Correlation	.205	1.000	
		Significance (2-tailed)	.167	.	
		Df	45	0	

Source: Primary Data

Table A7 : Correlation Analysis between Firm Characteristics, Market Orientation and Marketing practices Controlling for Age of the Firm

Control Variables			Marketing practices	Market orientation	Age of the firm
-none-(a)	Marketing practices	Correlation	1.000	.201	-.246
		Significance (2-tailed)	.	.170	.092
		Df	0	46	46
	Market orientation	Correlation	.201	1.000	.242
		Significance (2-tailed)	.170	.	.097
		Df	46	0	46
	Age of the firm	Correlation	-.246	.242	1.000
		Significance (2-tailed)	.092	.097	.
		Df	46	46	0
Age	Marketing practices	Correlation	1.000	.277	
		Significance (2-tailed)	.	.059	
		Df	0	45	
	Market orientation	Correlation	.277	1.000	
		Significance (2-tailed)	.059	.	
		Df	45	0	

Source : Primary Data