Int Journal of Social Sciences Management and Entrepreneurship 7(1): 333-347, 2023

ISSN 2411-7323 www.sagepublishers.com

ROLE OF STRATEGIC ORIENTATION ON PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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ABSTRACT

The objective of the study was to establish the role of strategic orientation on performance of commercial banks in Kenya. Specifically, the study sought to assess the influence of market intelligence on the performance of commercial banks in Kenya and to determine the influence of innovation on the performance of commercial banks in Kenya. Descriptive survey design was useful in describing the features of the population that has been earmarked for study and providing answers to the research questions. The sample size of study was 280 and it comprised of senior management employees in all commercial banks in Kenya. The researcher distributed 280 questionnaires to the respondents by the researcher during data collection process and 271 were fully filled and returned to the researcher. Thus the response rate of was 96.8%. Kothari (2012) argues that a response rate which is more than 50% is considered adequate while excellent response rate is usually above 70%. This implies that the response rate in this research is good for making conclusions as well as recommendations. The target population was all 40 commercial banks in Kenya. The study concludes that market intelligence has a positive and significant influence on the performance of commercial banks in Kenya. Findings revealed that target Customer, competitors and information influence performance of commercial banks in Kenya. In addition, the study concludes that innovation has a positive and significant influence on the performance of commercial banks in Kenya. Findings revealed that new product, new behavior and research and development influence performance of commercial banks in Kenya. Based on the findings; this study recommends that the management of commercial banks in Kenya should ensure formulation and implementation of the effective strategies to enhance market intelligence. In addition, the management of commercial banks in Kenya should effectively embrace product innovation and market innovation to enhance performance of commercial banks.

Key Words: Strategic Orientation, Market Intelligence, Innovation and Performance of Commercial Banks

Background of the Study

Business environment is dynamic and it's becoming more complex day by day dictating the need of organizations to develop strategies that can help them survive and corresponds to the changes, the nature of competition and the changing scope and intensity (Wright, Gadner, Moynihan & Allen, 2017). This demands organizations/businesses to undertake new and improved approaches to management by adopting appropriate strategy. This has forced organizations to re-adjust and adopt strategies that make them improve their performance and performance (Huff, Floyd, Sherman & Terjensen, 2019).

The modern-day economic conditions are characterized with rapid and often unforeseen changes in the external environment which results from the major shifts in economic and political forces that change the rule of the game and bring a lot of uncertainty to organizations (Manno, et al., 2018). These conditions create a need for organizations to respond and adjust their strategies and behavior to the environmental challenges and if they do not realign with the existing realities this may be a threat to the firm's survival, performance and viability in the long run as observed by Fischer, Lee and Johns (2018).

A strategy is therefore an important pillar on the firm's structure, activities, investments and growth or performance as it helps in identifying the firm's problems and solutions by creating new capabilities and improving its performance. A strategy of a firm is one of the central concepts of management, it defines and communicates what a firm creates, by whom, how, for whom and why it's valuable (Huff, Floyd, Sherman & Terjensen, 2019). Strategy that is be adopted by the firm is mainly influenced by the structure, its activity, investments and its relation to the market and business performance (Valos & Bednall, 2019).

Initiatives that a firm undertakes to improve its performance are known as strategic orientation. Strategic orientation is defined as decisions and principles undertaken by a firm which directs its activities and generates behaviour intended to achieve sustainable competitive advantage and improve firm's performance (Hakala & Kohtamaki, 2017). This guiding principle helps in shaping the intention and actions of a firm in response to environmental situation and its interactions with the market place both with the customers and competitors in mind (Noble, Rajiv & Kumar, 2018). Strategic orientations are descriptions of how resources are allocated and coordination is undertaken. It's also the tendency to adopt particular norms and acts as functions in a specific way (Cagan, et al, 2018).

Strategic orientation can also be defined as firm's proclivity emphasizing strategic direction and it is used to achieve superior performance (Pleshko & Nickerson, 2018). Strategic orientation according Hoq and Chauhan, (2017), is considered as organizational resource and this resource is unique and can be valuable source of competitive advantage to the commercial banks. Fundamental assumptions underlying strategic orientation is that substantive strategy informs strategic actions (Lau & Bruton, 2017) that a firm will have to undertake.

Strategic orientation involves having the tendency of valuing and prioritizing certain strategically relevant action rather than others with an aim that they will increase firm's perfomance. In other words strategic orientations are certain set of strategic activities which a firm adopts for the purpose of achieving superior performance. Firm's strategic orientation hence guides how it packages and controls the resources it has in quest of emerging market opportunities and exploitation of existing markets (Menor & Roth, 2017; Hughes & Morgan, 2018). The capability of the firm to put in force any of the different types of strategy is influenced by the firm's setting (Porter, 2019).

The behavior generated creates the firms strategy which may include the emphasis on driving down the costs, responding aggressively to the competitors advances, seeking to provide maximal customer value or seeking to speed the pace of technological innovation. This acquired behavior may have the potential that result in favorable outcomes such as firm's growth (Cressy, 2019). Strategic orientation of the firm is manifested through its culture and serves as antecedent to firms practices and decisions related to resource allocation and opportunities to be pursued (Narver & Slater, 2019). Strategic orientation is mainly determined on one hand by the internal dynamics and on the other hand external influences. The external factors are so crucial due to the unpredictability of the environment which results to high level of complexities and dynamics that a firm has to fit into.

Through the adoption of a given strategic orientation, the firms usually establish behavior that can be legitimized by social actors under circumstances of uncertainty and legitimacy pressure and firms aping those that are successful (Barreto & Baden-Fuller, 2016). Strategic orientation can also be viewed as a cultural aspect of a firm (Weinzimmer, et al, 2018). This is because it generates a given behavior that can only be distinct to a given firm. Culture has been conceptualized as an intricate set of shared values, norms and beliefs (Jones, et al, 2017). This shared set of values, beliefs and norms are disseminated within the firm through behavior and activities of employees (Schein, 2017).

Strategic orientation governs behavior of individual actors through formal planning processes or hierarchical procedures. Firms rely more on culture, simple rules and strategic orientation to guide their actions as noted by Eisenhardt & Sull, (2017).

Monday, Akinola, Ologbenla and Aladeraji (2017) in their work on strategic management and firm performance, a study of selected Nigeria stock exchange quoted manufacturing companies in Lagos state, the result indicated that strategic management has a positive relationship with the level of competition of the firms. Garad, Abdullahi and Bashir (2017) in their study of the relationship between strategic management and organizational performance in Mogadishu, Somalia revealed that there is a statistically significant positive relationship between strategic management and organizational performance leading to a competitive advantage in the industry.

The banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK, 2013). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system (Price Water Coopers, 2018).

The banking sector in Kenya can be described as vibrant and growing. It compares favourably with other developing economies in terms of contribution to economic growth. By December 2020, Kenya had one Central Bank as a regulatory authority, 44 Commercial banking Institutions, seven Representative Offices of Foreign Banks, nine Microfinance Banks, two Credit Reference Bureaus and 101 Forex Bureaus (CBK, 2020). Based on their size (in terms of assets), of the 44 banking institutions, six are classified as top commercial banks. These include Kenya Commercial Bank Limited, Equity Bank Limited, Barclays Bank (K) Limited, Standard Chartered (K) Limited, Cooperative Bank of Kenya and CFC Stanbic Bank (K) Limited (CBK, 2020).

Over the past few years, the banking sector in Kenya has undergone several developments including interest deregulation, liberalized lending rates and improved financial laws. Besides, the sector has witnessed steady influx of foreign owned banks into the country. Equally, major world money transfer giants such as Western Union, a host of international foreign exchange bureaus, and Islamic Hawalas have found their way into the country. This trend has led to high competition.

Through deregulation, barriers to competition have been removed resulting to new entries with more appealing concepts (Kotler & Armstrong, 2021).

Globalization processes has encouraged marketers in the banking sector to take a fresh look at the ways in which they relate with the broader world around them. Local banks are thus challenged by skillful international marketers and products. Commercial banks must therefore take a global look of the industry, their competitors, and opportunities. Most local banks in Kenya, faced with this reality are locating into global market and importing practices that appeal to global customers (Kotler & Armstrong, 2021). For instance, the Kenya Commercial Bank (KCB) expanded into Rwanda, Britain, South Sudan, Tanzania, Uganda, and South Africa, while Equity bank has branches in South Sudan, Uganda, and Rwanda. This has led customers also to demand value for their money. Commercial banks are currently engaged in different management strategies to ensure they achieve better performance in both their financial and non- financial development goals. This study therefore seeks to establish the influence of strategic orientation on performanceof commercial banks in Kenya.

Statement of the Problem

Strategic orientation can assist in deploying an organization's internal strengths and weakness to take advantage of its external opportunities and minimize its external threats/problems (Tatar & Moradi, 2017). According to Melchorita (2019), strategic orientation addresses the reason why some organizations succeed while others fail. Strategic orientation capabilities can greatly enhance the performance of financial organizations like commercial banks. The Kenyan banking industry is currently facing stiff competition from new entrants like mobile phone companies and international banks (CBK, 2020). In this regard, incorporation of strategic orientation capabilities will go a long way in reducing this competition thus enhancing performance. One way commercial banks in Kenya have attempted to wither competition is the adoption of market expansions strategies to realize larger customer base like opening new branches and operating beyond Kenyan borders (Kungu, Desta, & Ngui, 2018).

The Central Bank of Kenya Banking Sector Stability Report 2020 indicated that due to the changes in the regulations, there has been an increase in value of gross non-performing loans (loan defaults) in the banking sector by 47.5% in the year 2019, decrease in profits as well as quality of assets. In order to survive, commercial banks need to have the best strategic orientation. This is because arguments from studies such as DeGroote (2017), Gathungu and Mwangi (2018) and Nyangosi (2017) acknowledge that firms experiencing high level of competition and low performance can cope by investing in organizational strategic orientation which enables them to be up to par with the changing and volatile environment of operation. This therefore motivated this study to find out the extent to which commercial banks have invested in organizational strategic orientation and the effect it is having on their competitive advantage.

Whereas, studies by have identified strategic orientation as critical factors contributing largely to the performance of organizations in developed countries, the same has not been fully replicated in Kenya. Failure to seek orientation strategies to guarantee performance and survival of commercial banks will lead to decline in profits and flight of critical stakeholders. Studies undertaken on strategic orientation has found out that it has a positive influence on performance of various organizations. Studies by Nakola et al, (2017) on the effect of strategic orientation on performance of SME evidence from Kenya, Obeidat (2016), on the effect of strategic orientation on performance of banks in Jordan and Abiodun and Ibidunni, (2018), on strategic orientation and performance of agro-based firms in transition economy in Nigeria, all shows that strategic orientation improves the performance of commercial banks. Implementation of strategic orientation is not always affirmative as noted by a study carried out by Ejdys (2018), on the influence of strategic orientation on commercial bank in Poland. The study established that strategic orientation insignificantly influences performance.

It is clear that the relationship between strategic orientations on organization performance is not always positive. Most of the studies undertaken have been targeting a single or two dimensions of the strategic orientation. This study therefore, sought to examine the influence of strategic orientation on the performance of commercial banks in Kenya.

General Objective

The study sought to establish the role of strategic orientation on the performance of commercial banks in Kenya.

Specific Objectives

The study was guided by the following specific objectives;

i. To assess the influence of market intelligence on the performance of commercial banks in Kenya.
ii. To determine the influence of innovation on the performance of commercial banks in Kenya.

LITERATURE REVIEW

Theoretical Review

Dynamic Capability Theory

This theory was progressed by Teece, Pisano and Shuen in 1997. The hypothesis hypothesizes that the upper hand of a firm lays on the procedures that a firm has which are unmistakable starting with one association then onto the next in the manner they facilitate and consolidate assets that is constantly formed by the association.s particular resources positions and the advancement way it embraces. This includes the authoritative capacity to adjust to natural change through structure, recharging and reconfiguring the abilities and capabilities (Teece, Pisano & Shuen, 1997). So as to endure the present business assault in the earth, ventures should be focused, this should be possible by an endeavors undertaking dynamic capacity.

Dynamic capacities are characterized as company's ability to coordinate, form and mastermind inner and outside capabilities to address quick evolving circumstance (Teece, Pisano & Shuen (1997). The on-going meaning of dynamic capacities as given Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece, and Winter (2017)is that its capacity of an association to unequivocally make, broaden and change its asset base. Dynamic capacities are critical as they empower an association to constantly re-establish its operational skills and in this manner prompting achievement of long haul upper hand (Protogerou, Caloghirou & Lioukas, 2018).

Eisenhardt and Martin (2020), observed that dynamic capacity is the precursor authoritative and vital practices by which supervisors alters their asset base so as to deliver new worth making techniques. They likewise perceived that dynamic capacities to be set of explicit and recognizable procedures, for example, item advancement, key basic leadership among other which are regular crosswise over firms as far as key highlights. This hypothesis accept that upper hand of a firm lies in utilizing dynamic abilities sooner more wisely or more accidentally than the contenders in this way importance so as to look after intensity, firms are required to persistently produce new upper hands as substantiated by Deya, (2016).

An endeavor can build up an upper hand through asset setup that are created as they are worked from inside instead of purchased in the market (Makadok, 2017) as a portion of the assets that are required are promptly accessible inside the association. This implies a firm needs to attempt a ceaseless advancement of its assets, capacities and skills so as to acquire the vital responsiveness and potential to dispatch aggressive activity when required (Deya, 2016). This is on the grounds that dynamic capacity normally goes about as a support between the assets an association has and the fluctuating business circumstance by helping the undertakings to change its asset base and consequently keep up a reasonable upper hand which may somehow or another be disintegrated. It basically accentuations on asset advancement and reestablishment to be aggressive. Dynamic capability theory was used to assess the influence of market intelligence on the performance of commercial banks in Kenya

Game Theory

Game theory is also called lose-lose hypothesis. The hypothesis comes from financial matters field and it's a numerical hypothesis of basic leadership by members who are in clashing circumstances. It is ascribed to John Von Neumann in his papers of 1928 and 1937. It traverses rounds of static and dynamic nature under immaculate or flawed data. Game hypothesis is valuable in examining successive and profoundly unique choices at the strategic level. The game hypothesis puts accentuation on methodology of being proactive and being engaged by speculation ahead, thinking about options and foreseeing the response of contenders and different players in the game which is an industry or aggressive condition.

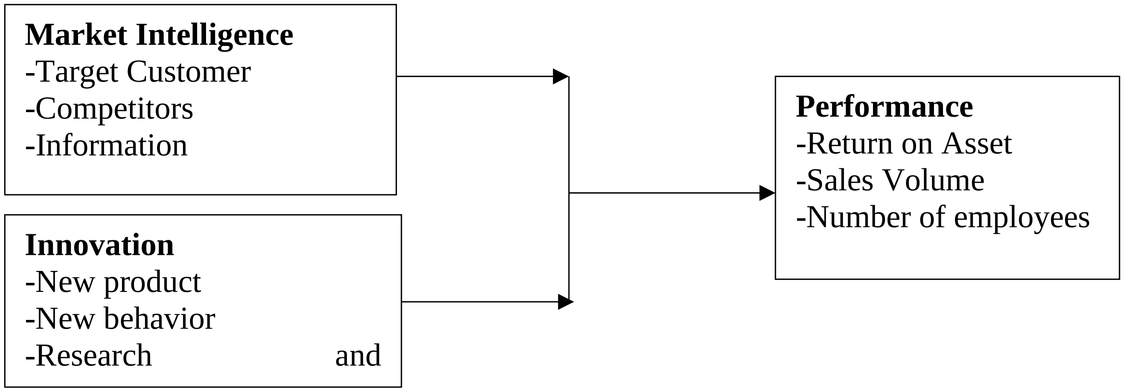
Game hypothesis is appropriate in the manner specialty units contend in a given industry, their relationship and communications in circumstances of an industry that has ferocious challenge. In this hypothesis a firm gains while the one loses inside a similar industry. This implies at least two firms who have a scope of activity or comparable opportunity to a lot of decisions and furthermore have certain data. The players have a lot of inclinations for different potential results and their aftereffects of cooperation's relies upon all players choices. The decision of technique depends profoundly on the data that one has, which can either be flawless or blemished and vital activities are at the same time for the players.

The presumption of normal conduct manufactures the model. In little and medium undertaking division, difficulty and contention are the ordinary event day by day, subsequently the foreseen exhibition by the endeavor must be broke down in accordance with the separating their intensity relying upon how openings they get are misused and the difficulties confronted are overcome. Numerous choices that are made in an undertaking include related results as they work in a similar industry that implies the choices and activities of the other player greatly affect them too.

This theory would be identified with the factors of market knowledge, advancement, client centre and working condition. It will therefore be used in explaining the role of market intelligence on the performance of commercial banks in Kenya. This is on the grounds that any business ought to be seen on how the area would respond that is the means by which different ventures in a similar domain would respond. There are choices that need either collaboration or autonomous results. Numerous business methodology choices as a rule encompass dependent results henceforth need for game hypothesis. The little and medium undertakings work in a domain where there is rivalry (clashing gatherings), need to settle on judicious choices, they want to be focused, depend on data and realize that the decisions made have a heading to how the part responds.

Conceptual Framework

Conceptual framework is a tool used by a researcher to develop awareness and understanding of the situation under scrutiny and to communicate (Kombo & Tromp, 2016).



Independence Variables **Dependent variable**

Market Intelligence

Market insight portrays the all-encompassing accumulation of inward and outer business natural data by the association that can be utilized to settle on choices on practicality of the present business showcase (Franco, Magrinho & Silva 2017). Showcasing knowledge could likewise be characterized as the organized gathering and examination of openly accessible data about clients, contenders and improvement in the commercial center (Kotler & Armstrong, 2017).

Market knowledge is significant as the advertising condition is continually offering new open entryways and dangers which must be perceived, accumulated, inspected and utilized (Marius & Bogdan, 2017). Market insight isn.t just worried about the checking of the client's needs and inclinations, yet in addition incorporates investigation on how the clients may be influenced by elements, for example, government guideline, innovation, rivalry, and other natural powers as seen by Kara et al, (2017). Market knowledge goes for expanding association's focused capacity.

Innovation

Development is characterized as the association's availability to give up old propensities and attempt new untested ideas (Menguc & Auh, 2016). This additionally includes the scope of association exercises related with moving from origination of a plan to an item or administration offered available to be purchased in the commercial center. Inventive firms are normally responsive and are slanted to embrace thoughts that leave from business as usual (Hurley & Hult, 2018). Wang and Ahmed (2018) additionally seen that imaginativeness is the association's capacity to surpass routine reasoning procedure which includes going past the conspicuous to find originality. A firm that is creative needs to put exceedingly in innovation.

Little and medium undertakings have the imaginative bit of leeway which is gotten from their adaptable regulatory structures which are increasingly receptive to changes in the commercial center. Development emphatically influences the organizations long haul achievement as it improves association adaptability, readiness to change and presentation of new items while diminishing the hierarchical lack of care (Hult, Ketchen & Slater, 2017). So as to continue being focused SMEs need to continually improve and upgrade their item creativity (Salavou & Avlonitis, 2018).

Empirical Review

Market Intelligence and Performance

Little and Medium endeavor division is an exceptionally powerful of which market knowledge is key in making an upper hand. Endeavors to be couple with the present market circumstance needs to embrace showcase knowledge, as this aides in understanding the client's needs and this upgrades associations capacity to react rapidly and successfully to quick changing economic situations is a definitive determinant of the upper hand. Market insight encourages the association's capacity to envision, respond to and profit by ecological changes consequently prompting predominant execution as seen by Vieira (2019) in an examination done in Brazil on Antecedents and results of market direction, a Brazilian meta-investigation and universal super investigation.

A firm that profits by market insight is generally a greater amount of market orientated; this depends on the company's capacity to react rapidly and viably to quick changing economic situations. Aziz and Yasin (2019) in an examination entitled in what manner will showcase direction and outside condition impact the exhibition among the SME in the agro nourishment part in Malaysia, they discovered that market arranged firms have prevalent ability of accomplishing higher benefits when contrasted with their partners who are not market situated. The examination additionally inferred that the SMEs require a greater amount of the market knowledge when contrasted with the huge firms because of the size, idea of the items offered, as this gives a look at what the market requires and it causes in making them to be aggressive in the market through being engaged.

Market knowledge it has been seen that it contributes emphatically to the aggressiveness of little and medium endeavors especially in connection to deals, showcase stake and productivity. It has an impact additionally on the client obvious quality, consumer fulfillment and devotion as noted by Daunda (2019). Market insight is basic to the aggressiveness of an endeavor, since it energizes and bolsters new item advancement that go for gathering the present and future market needs.

Innovation and Performance

Advancement is basic to the exhibition and survival of little and medium ventures as it changes the manner in which business is done and how the buyers would get the stocks. Because of the globalization of the earth most ideal method for invigorating advancement of little and medium undertakings is through development as a large portion of such firms acknowledge high turnover of products presented inside a brief timeframe and expands their intensity. Imaginative undertakings put profoundly in innovation subsequently they are innovatively situated as they look to get new and cutting edge innovations to grow new procedures, items and administrations (Gao, et al, 2017).

Little and medium undertakings can possibly start minor mechanical advancement that suits their conditions as it was seen by Ngahu (2020), this encourages them in improving execution and creating and keeping up an upper hand when contrasted with enormous firms. Development causes the firm to develop at a quicker rate when contrasted with different firms that don.t attempt advancement. Makanyeza and Dzvuke (2017), in an examination because of development on the presentation of little and medium undertakings in Harare, Zimbabwe noticed that advancement has aaffirmative influence on execution as it helps the firm address the clients. issues and consequently having the option to keep the endeavor aggressive.

Hafeez, Sharrif and Lazim (2017), in an investigation done in Pakistan entitled .does advancement and social learning impact SME execution., discovered that nature of the item improves through development which results to the firm performing better and being aggressive. This view is additionally upheld by an examination attempted by Ngirigacha and Bwisa (2017), on significance of pioneering developments on SMEs advertise aggressiveness in Thika Town which settled that there is a huge and positive connection between item advancement and execution of undertakings.

RESEARCH METHODOLOGY

Research Design

The study embraced descriptive survey design as it seeks to examine the role of strategic orientation on the performance of commercial banks in Kenya. Descriptive survey design was useful in describing the features of the population that has been earmarked for study and providing answers to the research questions as noted by Shields and Rangarajan (2017). The study adopted both quantitative and qualitative methods to investigate the connection between the significant study variables. According to Teddlie and Tashkkori, (2019) the two methods help in getting comparative data of the same kind. This was used to compute the hypothetical relationship amongst the dependent and independent variables because it requires the data to be transposed into numbers in a formal objective systematic process and obtain information describe variables and their relationships (Mark, Philip &Adrian, 2019, Nicholas, 2017, and William, 2019).

Target Population

The target population for this research was all 40 commercial banks in Kenya (There are 23 domestic and 17 foreign commercial banks). The study focused on head offices of these banks because it is where all management decisions of the bank are made. The banks formed the unit of analysis senior management employees in each department formed the unit of observation. The unit of observation was therefore be the head of human resource department, operations department, finance department, research and development department, information technology department, head of customer care department and sales and marketing department. Therefore, a total of 7 heads were targeted from each commercial bank making. The target population was therefore be 280 respondents.

Sampling Frame

The sampling frame for this study was all the 280 senior management employees from human resource department, operations department, finance department, research and development department, information technology department, head of customer care department and sales and marketing department in all the 40 commercial banks in Kenya.

Sample Size and Sampling Technique

According to Mwandia, (2014) census studies are the most trusted and reliable route as all the population elements are part of the study. Therefore the study carried out a census of all 40 commercial banks. Therefore, the sample size for the study was all 280 senior management employees in all commercial banks in Kenya. Amariati (2017) recommends for census study for the entire population in circumstances where the population is fairly small.

Data Collection Instruments

This study employed quantitative data collection method whereby data was gathered by use of close ended questionnaires this is because they works best with standardized questions that are interpreted the same way by all respondents (Coopers &Schindler, 2017). Advantage of quantitative method is that it provides data that can be used after analysis to draw generalized conclusions and also analyzing quantitative data is easier and one can determine statistical relationship which can then be tested in order to prove the research hypothesis (Caniato, Kalchschmidt & Ronchi, 2017).

Pilot Study

To make sure that the investigation instruments that are the questionnaire captures what is required then its validity and reliability was carried out through a pilot study. The purpose of the pilot testing was to establish the accuracy and the appropriateness of research design and instruments used (Saunders, Lewis & Thornhill, 2017). The pilot study was undertaken to pre-test the questionnaires. This was done by taking a sample of 4 commercial banks (not head offices). The sample taken was not part of the main study. A sample of 28 management employees in seven departments in the commercial bank was taken which is 10% of the sample which was selected using the simple random sampling.

Data Analysis and Presentation

Data was analysed using the Statistical Package for Social Sciences (SPSS) version 26. Quantitative data was analysed using descriptive statistics including frequency, percentages and means, summary graphs, pie charts and frequency distribution tables were employed to portray the sets of categories formed from the data. Descriptive statistics enable the researcher to meaningfully describe a distribution of measurements and summarize data (Mugenda & Mugenda, 2018).

This study also conducted inferential statistics through correlation analysis. Pearson correlation coefficient was used for testing associations between the independent and the dependent variables. Correlation coefficients between independent variables (market intelligence, innovation, knowledge management, customer focus) and dependent variable (performance of commercial banks in Kenya) were computed to explore possible strengths and direction of relationships. According to Wagana (2017), when $r = +1$ it means there is perfect positive correlation between the variables, when $r = 0$ it means there is no correlation between the variables, that is the variables are uncorrelated, when $r = -1$ it means there is perfect inverse correlation between the variables.

This study also conducted multiple regression analysis to establish the nature and the magnitude of the relationship between the dependent and the independent variables. Regression model was fitted to determine the relationship between each independent variable and the dependent variable. The study used the following models to determine the effect of strategic orientation on performance of commercial banks.

RESEARCH FINDINGS AND DISCUSSIONS

Descriptive Statistics

Market Intelligence and Performance of Commercial Banks

The first specific objective of the study was to assess the influence of market intelligence on the performance of commercial banks in Kenya. The respondents were requested to rate various statements on market intelligence and the performance of commercial banks in Kenya. A 5 point Likert scale was used where 1 symbolized no extent, 2 symbolized little extent, 3 symbolized moderate extent, 4 symbolized great extent and 5 symbolized very great extent. The results were as presented in Table 1.

From the results, the respondents agreed that they understand their customers' demographics. This is shown by a mean of 3.965 (std. dv = 0.783). In addition, with a mean of 3.914 (std. dv = 0.905). The respondents agreed that they have an interaction with their customers. Further, the respondents agreed that they undertake in-house research in order to serve their customers better. This is shown by a mean of 3.899 (std. dv = 0.834).

The respondents also agreed that they have a meeting as a firm to discuss the trends and development in order to serve the customers better. This is shown by a mean of 3.884 (std. dv = 0.872). In addition, with a mean of 3.824 (std. dv = 0.983). The respondents agreed that the information that they gather is shared with all in the organization. The respondents agreed that the products /services offered target a specific market. This is shown by a mean of 3.818 (std. dv = 0.782).

Table 1: Market Intelligence and Performance of Commercial Banks

	Mean	Std. Deviation
We understand our customers demographics	3.965	0.783
We have an interaction with the customers	3.914	0.905
We undertake in-house research in order to serve our customers better	3.899	0.834
We have a meeting as a firm to discuss the trends and development in order to serve the customers better	3.884	0.872
The information that we gather is shared with all in the organization.	3.824	0.983
The products /services offered target a specific market.	3.818	0.782
Aggregate	**3.849**	**0.810**

Innovation and Performance of Commercial Banks

The second specific objective of the study was to determine the influence of innovation on the performance of commercial banks in Kenya. The respondents were requested to rate various statements on innovation and the performance of commercial banks in Kenya.. A 5 point Likert scale was used where 1 symbolized no extent, 2 symbolized little extent, 3 symbolized moderate extent, 4 symbolized great extent and 5 symbolized very great extent. The results were as presented in Table 2.

From the results, the respondents agreed that they have invested highly in technology than their rivals. This is shown by a mean of 3.905 (std. dv = 0.722). In addition, with a mean of 3.886 (std. dv = 1.063). The respondents agreed that they promote research and sharing of information amongst the employees. Further, the respondents agreed that they are producing new products and services based on consumer needs. This is shown by a mean of 3.828 (std. dv = 0.937).

The respondents also agreed that they always have new ideas coming up from time to time on how to serve the client better. This is shown by a mean of 3.811 (std. dv = 0.920). In addition, with a mean of 3.763 (std. dv = 0.880). The respondents agreed that they encourage partnerships this other firms that develop products that are useful to us. The respondents agreed that they train their customers on how to use a given product. This is shown by a mean of 3.675 (std. dv = 0.897).

Table 2: Innovation and Performance of Commercial Banks

	Mean	Std. Dev.
We have invested highly in technology than our rivals	3.905	0.722
We promote research and sharing of information amongst the employees	3.886	1.063
We are producing new products and services based on consumer needs.	3.828	0.937
We always have new ideas coming up from time to time on how to serve the client better	3.811	0.920
We encourage partnerships this other firms that develop products that are useful to us.	3.763	0.880
We train our customers on how to use a given product	3.675	0.897
Aggregate	**3.881**	**0.871**

Inferential Statistics

Inferential statistics such as correlation analysis and regression analysis were used to assess the relationships between the independent variables (market intelligence and innovation) and the dependent variable (the performance of commercial banks in Kenya).

Correlation Analysis

This research adopted Pearson correlation analysis determine how the dependent variable (the performance of commercial banks in Kenya) relates with the independent variables (market intelligence and innovation). The results were as depicted in Table 3.

As illustrated in table 4.6, market intelligence has a positive and significant association with the performance of commercial banks in Kenya (r=0.884, p value =0.000). The p-value (0.000) was less than the significant level 0.05 hence making the association significant. The results are in agreement with Agarwal and Narayana (2020) findings that market intelligence affects organization performance.

Further, the results show that innovation has a positive and significant influence on the performance of commercial banks in Kenya (r=0.843, p value=0.000). The p-value (0.000) was less than the significant level 0.05 hence making the association significant. The results are in agreement with the findings of Msemwa, Ruoja and Kazungu (2017) that innovation has a positive and significant influence on organization performance.

Table 3: Correlations Coefficients

		Organization Performance	Market Intelligence	Innovation
Organization Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	271		
Market Intelligence	Pearson Correlation	.884	1	
	Sig. (2-tailed)	.002		
	N	271	271	
Innovation	Pearson Correlation	.773	.097	1
	Sig. (2-tailed)	.002	.187	
	N	271	271	271

Regression Analysis

This research used multivariate regression analysis to determine the association between the independent variables (market intelligence and innovation) and the dependent variable (the performance of commercial banks in Kenya).

The research used R-squared to show the variation in dependent variable (the performance of commercial banks in Kenya) that could be explained by (market intelligence and innovation). The R squared was 0.861 and this implied that 87.6% of the dependent variable (the performance of commercial banks in Kenya) could be explained by independent variables (market intelligence and innovation).

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.936[a]	0.876	0.877	0.16355

a. Predictors: (Constant), Market Intelligence and Innovation

The research used analysis of variance to determine if the model was good fit for the data. As depicted in table 4, the F calculated was 731.75 which is higher than the F critical value which was 2.406. Besides, the p value was 0.001 which is less than the significant level of 0.05. This implies that the model was a good fit for the data hence can be used to show the impact of independent variables (market intelligence and innovation) on the dependent variable (the performance of commercial banks in Kenya).

Table 5: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	75.222	4	18.806	731.75	.001[b]
	Residual	6.875	268	.0257		
	Total	82.097	270			

a. Dependent Variable: Organization Performance
b. Predictors: (Constant), Market Intelligence and Innovation

The regression equation was;

$Y = 0.779 + 0.314X_1 + 0.176X_2$

The results revealed that market intelligence has a positive and significant influence on the performance of commercial banks in Kenya (β_1=0.771, p value= 0.004). The p-value (0.004) was less than the significant level 0.05 hence making the relationship significant. The results are in agreement with Agarwal and Narayana (2020) findings that market intelligence affects organization performance.

In addition, the results revealed that innovation positively and significantly influence the performance of commercial banks in Kenya (β_2= 0.176, p value= 0.001). The p-value (0.001) was less than the significant level 0.05 hence making the relationship significant. The results are in agreement with the findings of Msemwa, Ruoja and Kazungu (2017) that innovation has a positive and significant influence on organization performance.

Table 6: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.779	0.119		6.546	0.002
	Market Intelligence	0.314	0.071	0.304	4.423	0.004
	Innovation	0.176	0.072	0.171	2.444	0.001

a. Dependent Variable: Organization performance

Conclusions

The study concludes that market intelligence has a positive and significant influence on the performance of commercial banks in Kenya. Findings revealed that target Customer, competitors and information influence performance of commercial banks in Kenya

In addition, the study concludes that innovation has a positive and significant influence on the performance of commercial banks in Kenya. Findings revealed that new product, new behavior and research and development influence performance of commercial banks in Kenya

Recommendations

The study found that market intelligence has a positive and significant influence on the performance of commercial banks in Kenya. This study therefore recommends that the management of commercial banks in Kenya should ensure formulation and implementation of the effective strategies to enhance market intelligence.

In addition, study found that innovation has a positive and significant influence on the performance of commercial banks in Kenya. This study therefore recommends that the management of commercial banks in Kenya should effectively embrace product innovation and market innovation to enhance performance of commercial banks.

Recommendation for Further Studies

The main purpose of the study was to establish the influence of strategic orientation on the performance of commercial banks in Kenya. However, this study was limited to commercial banks in Kenya and the findings cannot be generalized to other financial institutions in Kenya. Therefore the study recommends that further studies should be conducted on establish the influence of strategic orientation on the performance of other financial institutions in Kenya.

In addition, the study found that 87.6% of the performance of commercial banks in Kenya could be explained by market intelligence and innovation. As such, further studies should be conducted to assess other factors that influence the performance of commercial banks in Kenya.

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