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Market Orientation and Performance of Fruit Exporting Firms in Kenya: A Theoretical Perspective

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Abstract
Globalization has brought about stiff competition between international firms and every firm is at pains to improve its performance. Fruit exporting firms in Kenya face the same global competition challenges, and the key to success is for management of such organizations to effectively utilize their available resources. There is lack of methodological and empirical studies on fruit exports from Kenya. It is not documented how Kenyan fruit exporters internationalize and why they have failed to grow from infancy to maturity as international firms. This study had four objectives in mind: one was to determine the relationship between market orientation and firm performance; two, was to find out the moderating effect of firm characteristics on the relationship between market orientation and firm performance; three, was to determine the moderating effect of innovation on the relationship between market orientation and firm performance; and the last one was to determine the joint effect of the market orientation, firm characteristics and innovation on the overall performance of the fruit exporting firms in Kenya . A pilot study of five firms was conducted to determine the reliability of the instrument of collecting data as well as the validity of the collected data. In the cross-sectional survey conducted for the full study, 224 firms were identified as dealing in the exportation of fruits and vegetables. Of the 224 firms, further scrutiny of the firms revealed that 111 firms were focusing on fruit exports alone. Due to the firms being very few, a census survey was conducted on the sector. Of the 111 questionnaires sent 85 respondents gave their feedback giving a response rate of 76%. After analyzing the data and regressing on each of the hypotheses, the results indicated that all hypotheses were accepted with varying degrees. This means that the four variables had influence on the performance of firms in fruit exporting business. It was therefore concluded that market orientation should be adopted by fruit exporting firms in Kenya. Market orientation can be recommended as a basis for most firms in fruit export business in Kenya. The results of this study can also be extended to other groups of firms dealing with other agricultural products like vegetables and other garden plants.
Keywords: Market Orientation, Firm characteristics, Firm performance, Fruit exports, Foreign exchange.

1. Introduction

Agricultural production in Kenya is a very important contributor to the national gross domestic product, and horticulture industry employing over 75% of those engaged in agricultural sector in the country (KHCP report 2014). Horticulture plays a vital role in most of African countries. Horticulture, as an important agricultural sub-sector, comprises of the production and processing of cut flower, fruits, vegetable, nuts and ornamental plants. This study focused mainly on the production and export of tropical fruits from Kenya, and by extension, from East Africa to European market. Nigeria is the largest producer of fresh fruits in Sub-Saharan Africa, accounting for 22% of the region's total production. This is followed by Republic of South Africa with 18% and Kenya of 12% in 2009/2010. Kenya produces a variety of tropical fruits that include pineapples, mangoes, passion fruits, avocadoes and bananas. There are other fruits produced mainly for local consumption such as papayas, watermelons, plums and avocados. It is important to note that almost 45% of all fruits produced in Kenya is consumed within the immediate surroundings of the farms and neighboring markets.

There is a lot of literature written on horticultural production and exporting by different scholars (Ahimbisibwe, *et al*, 2013; Atnahene – Gima, 2005), as well as literature on the export of fruits from Latin America, especially from Brazil, Venezuela and Peru (Brodrechtova, 2008; Boso *et al*, 2012). There is scanty literature written on export of fruits from East Africa and from Kenya in particular. The little literature that was found was by Alvarez *et al*, (1987) on papaya exports from Hawaii and Ahimbisibwe, *et al*, (2013) on bananas and other tropical fruits exported from Uganda. But there was no literature found written on fruit exports from Nairobi City County in Kenya and yet it is the leading exporter in horticulture in all the counties in Kenya in terms of volume. The purpose of this study was to focus on the fruit export from Nairobi County in Kenya to EU market. Horticultural sector in Kenya has grown immensely over the past decade from 2005 to 2015 (FPEAK, *2015),* and has become the second largest foreign exchange earner after Tourism (Economic Survey, December 2014). But with the latest insecurity attacks and negative advisories on the country, horticulture has become the leading foreign exchange earner for Kenya and in Nairobi County.

The differences between countries has always been brought about by dissimilarities in geographical locations, climatic conditions, soil types and cultural practices. Every country in different geographical location has been endowed by nature to have some types of fruits and other countries and communities have domesticated these fruit plants (Islam, 2000). A fruit is a seed of a plant that nature has given it characteristics of beauty and sweetness to attract transporters from one location to another for natural propagation. Animals, including man, are the biggest player in this transportation from one location to another, and from one country to another and today from one continent to another. Between 2010 and 2014 there was tremendous increase of demand of fruits consumption in the world due to the improved standard of living and high quality of life in most parts of the world, leading to people living healthy (Kayode, 2014). In Western Europe and in the Middle Eastern countries demand for fruits has attracted suppliers from different countries, both in the tropics and in the temperate climates, giving a wide array of different types of fruits and nuts. This increase in demand has brought about a lot of complications in quality requirements, residual chemical content, timely delivery, and even the democratic conduct of production, handling and marketing processes. It has called for attention from practitioners and scholars alike, to scrutinize the marketing of fruits in both developed and emerging markets as well as in developing countries. Kenya is facing a challenge in the fruit sector as its market share is being attacked by South African sales that are growing at twice the rate that Kenya's exports are growing. Apart from that, its mango market share is still yet to recover from several years of decline in exports due to poor quality fruits being attacked by pests and diseases (USAID-KHCP, 2014)

Firms are finding themselves under tremendous pressure to deliver superior quality products and services to meet ever-changing demand of overseas customers (Bitner 1990; Day *et al* 1988; Parasuraman *et al* 1985). These changes call for attention to track them and respond appropriately to market changing needs. Firms must be market – oriented and to be proactive in responding to environmental changes and changes in demand. Market orientation means being responsive to market dynamics and changing tact at every probe by external stimuli. Market orientation refers to organization-wide generation of market intelligence, dissemination of intelligence across departments and organization wide responsiveness to it (Kohli *et al* 1990).

Although Kenya is the relatively successful producer of fresh fruits and vegetables for export market, it has been losing market share in the global horticulture market due to rising production costs, long transport times and poor regulatory compliance (KHCP report 2014). Currently there are 224 registered fruits exporters in Kenya (HCDA, 2015). More than half of them are located within Nairobi City County and even those operations in other regions maintain offices in Nairobi City County. The offices in Nairobi City County are to promote marketing and to facilitate logistics of exporting fruits. They engage in marketing research and promote market oriented strategies.

Market orientation and marketing strategies can be adopted by individual firms to improve their performance internationally. Horticultural production in any developing economy is very important for the food security of a nation. Agriculture is the basis of all other economic sectors of industrially developed and emerging economies as well as developing countries. In an emerging economy like Kenya, horticultural production can play a catalyst role in support of the other economic activities of the country. Horticultural products for export can come from excess production or a deliberate production of horticultural produce for export, and this needs a well thought-out long term marketing strategy (Burnet, 2011).

2. Production and Export of Fruits in Kenya

The history of production and processing of fruits in Kenya dates back to colonial period of 1960s. Fruits have always been grown in small farms and during the first years of Kenya political independence, some fruit begun to be produced in plantations like bananas, pineapples, and granadillas or passion fruits, mangoes and avocadoes. Demand locally and internationally for export begun to grow as Kenya continued to progress economically. In the mid-1970s big plantation by multinational corporations begun to invest in the production of pineapples, passion fruits, bananas, and oranges. Later in years following, mangoes and avocadoes were added with exotic temperate zone fruits such as citrus, oranges, peaches, plums and even grapes and apples on an experimental basis. Between 2010 and 2015 many fruits have been introduced to be produced in plantations with the aim of exporting most of them. New fruits and nuts include several new varieties of mangoes, passion fruits, macadamia nuts, peanuts, guava, oranges and pineapples. The leading fruits for exports from Kenya in 2013 – 2015 were pineapples, bananas, avocadoes, and mangoes. Citrus fruits of oranges, lemons, grapefruits, mandarins, and tangerines have been produced in large quantities in the recent times. They have found a ready market local market and some have begun to be exported to European countries of EU. There was to be new trade negotiations between East African Countries and EU under Economic Partnership Agreement (EPA) that delayed until October 2014 when it was signed. This had already affected Kenya's Fruits exports that dropped drastically. It is expected that fruit exports will pick up in the life span of the EPA agreement between 2014 and 2017.

In the period preceding EPA agreement, fruit exports had registered impressive improvement. Pineapples, bananas, avocadoes, mangoes and passion fruits recoded highest growth of over 20% between 2013 and 2014. Many other tropical fruits did very well, and in that period of 2013/2014, the volume and value of fruit exports realized tremendous improvement. In terms of value, fruits registered the growth of 20% to Ksh5.4 billion compared to Ksh.4.48 billion earned in the previous year (FPEAK 2014). Export volumes rose by 10.5% to 114,762 tons in 2014 from 103,778 tons in 2013, while those of fruits rose by 13% to 35,149 tons from 31,107 tons in the period of 2014 (FPEAK 2014). EU had allowed free entry of imports from African, Caribbean and Pacific Courtiers (ACP) under the Generalized System of Preferences (GSP) and were later negotiated under a series of Lomé Conventions I-IV from 1985 – 2010. GSP is a preferential tariff system which provides for the more general rules of WTO, formally GATT. GSP is a system of exemptions from the Most Favored Nation principle (MFN) that obliges WTO member countries to treat the imports of all other WTO member countries no worse than the way they treat the imports of their "most favored" trading partner. MFN requires WTO member countries to treat imports coming from all other WTO member countries equally by imposing equal tariffs on them (UNCTAD, 2013).

The ACP/EU Lomé Conventions were based on this GSP and were to be negotiated between East African Countries and EU under Economic Partnership Agreement (EPA) to replace the ACP Lomé Conventions by January, 2014. These negotiations are meant to allow a country or group of countries to enjoy Market Access Regulations (MAR) benefits of reduced tariffs (EAC Secretarial Report, January, 2015). These negotiations delayed until October, 2014 when it was signed. There was a lapse between the two agreements, and this had already affected Kenyan Fruits exports to EU that dropped drastically in volume and in value. Since it has now been agreed and signed for two years until October 2017, in the meantime exports of fruits and vegetables to EU is expected to pick up in the life span of the current EPA agreement between 2014 and 2017. In the period preceding EPA agreement fruit exports had registered impressive improvement. Pineapples, bananas, avocadoes, mangoes and passion fruits recoded highest growth of over 20% between 2013 and 2014. Many other tropical fruits did very well, and in that period of 2013/2014, the volume and value of fruit exports realized tremendous improvement. In terms of value, fruits registered the growth of 20% to Ksh5.4 billion compared to Ksh.4.48 billion earned in the previous year (FPEAK 2014). Export volumes rose by 10.5% to 114,762 tons in 2014 from 103,778 tons in 2013, while those of fruits rose by 13% to 35,149 tons from 31,107 tons in the period of 2014 (FPEAK 2014).

3. Market orientation and firm performance

Kohli and Jaworski (1990) posit that market orientation is the organization wide generation and dissemination of market intelligence pertaining to current and future needs of customers, and the responses to it. Narver and Slater (1990) viewed market orientation as the organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and thus superior performance of business. It is through these definitions of Market orientation that provided a major step in the evolution of the marketing theory and provided organizations with a useful model of assessing how market oriented they were (Foley and Fahy, 2009).

Many studies have examined the relationship between market orientation and performance (Jaworski and Kohli 1993; Narver and Slater 1990; Pelham 2000; Slater and Narver 1994), with general empirical support that market orientation enhances firm performance (Kirea *et al*. 2005). However, researchers have generated much debate on the exact role of market orientation and the process through which it influences performance; that is: "How does market orientation (actually) contribute to performance?" (Hult *et al*. 2005, p1173). As globalization and the rapid growth of international trade have made it imperative for firms, especially for those from emerging economics, to seek expansion opportunities, the application of market orientation in the export context has increasingly played a critical role in firms' survival and success in international markets (Diamantopoulos *et al*. 2000; Murray *et al*. 2007). Its critical function in export markets is to enable firms develop and market appropriate goods and services that are valued by customers in export markets (Diamantopoulos *et al*. 2000; Narver and Slater 1990). Despite the significant relationship between market orientation and firm performance in export markets, it has received limited research attention (Akyol and Akehurst 2003; Cadogan*et al*. 1999; Diamantopoulos *et al*. 2000; Murray *et al*. 2007), especially in an emerging economy context. Moreover, the internal process through which market orientation influences performance in the export context is not well understood.

Based on the resource – based view of the firm, Ketchen *et al* (2007) have recently argued that market orientation as a resource only has potential value. Similarly, Desarbo *et al*. (2007) have stressed that a firm's ability to deploy resources through organizational capabilities may be more critical than the resources themselves in helping the firm obtain desirable performance. Equally important, in delineating why firms have differential performance, Porter (1991) has asserted that it is a fir's possession of competitive advantage that drives performance. Taking these debates together, since market orientation (i.e., as a resource) and performance are not directly related, it is imperative to focus on the process through capabilities and competitive advantage in examining the market orientation – performance relationship. Hence, only if a firm takes appropriate strategic actions to capitalize on market orientation can it create a competitive advantage in achieving higher performance

(Ketchen *et al*. 2007). Previous studies have investigated the mediating role of innovation capabilities and competitive advantages in the market orientation-performance relationship (Han *et al*. 1998; Zhou *et al*. 2005, 2008). Nevertheless, I still have limited knowledge in revealing the exact process through which market orientation influences firm performance.

4. Analysis of literature on market orientation

This study will address critical gaps in both market orientation and RBV literature theoretically and empirically through capturing the important roles of marketing capabilities and competitive advantage using Kenya as a developing economy context. Specifically, the aim is to provide three significant contributions to the marketing and strategic management literature. First, based on the debates on market orientation and RBV as a backdrop, I shall attempt to resolve existing deficiencies in the extant literature by capturing the *internal process* through which market orientation influences performance in export markets based on the following linkages: strategic resources-strategic action-competitive advantage-organizational performance (Ketchen *et al*. 2007). In Newbert's (2007) review of articles on RBV, surprisingly no empirical studies have examined the important role of marketing capabilities (I.E., strategic action) on performance, although it is widely recognized that marketing affects firm performance (Vorhies *et al*. 2009). Further, in Krasnikov and Jayachandran's (2008) meta-analysis of the firm capability-performance relationship, the results show that marketing capability has a stronger effect on firm performance than research-and-development and operations capabilities, thus reinforcing the importance of capturing the effect of marketing capabilities on the market orientation-performance relationship.

By taking strategic actions (i.e., market capabilities development) to capitalize on market orientation, firms create competitive advantages, which consequently enhance performance. Ketchen *et al*. (2007 have asserted that a major limitation of the extant literature on market orientation is that the role of competitive advantage has yet to be captured when examining the market orientation –performance relationship.

Mexico and the United States have dominated the global avocado export market for the last three decades. During that time, Kenya has consistently ranked as a top 20 producer. Its best ranking was eleventh, in 1961 (FAOSTAT). Kenya's main export market is Europe; to which it supplies mainly the Fuerte variety avocado. In 2003, 92 percent of avocados produced by Kenya were of the Fuerte variety, while the other 8 percent were of the Hass variety (Deloitte Touche 2003). From the mid-1970s to the late 1990s, Kenya consistently ranked nineteenth among world producers, jumping to thirteenth in 1998. Kenya was able to maintain and even to improve its position based on natural market linkages to Europe and its ability to provide avocados during off-peak seasons. However, by 2000, a switch in European consumer tastes to the Hass variety, and other factors discussed below, pushed Kenya's market rank back to sixteenth. Unfortunately for Kenyan small growers, prices paid for the Fuerte avocado did not keep pace with other cash crops. The farmers, therefore, did not reinvest in avocado trees, and avocado quality declined.

By 2002, small Kenyan avocado farmers had no direct links with exporters for export-grade avocados. In late 2002, the government of Kenya (GoK) and USAID funded a project to improve market linkages between small avocado growers and exporters, while supporting a cluster initiative that strengthened the entire sector. A value chain analysis identified many important points, such as the fact that the average avocado small grower had seven or fewer trees, and only 5 percent had more than 20 trees. The analysis also confirmed the predominance of indigenous Fuerte variety avocados, which were more susceptible to disease and were in declining demand in European markets. The analysis also showed that avocado small growers were very discouraged because of factors including rampant crop disease, little access to technical assistance, almost no access to finance, and dependence on poor-quality Fuerte avocados. With low grade-1 fruit yields, poor prices for the little grade-1 fruit harvested, and no market for grade-2 fruit, some farmers cut down their avocado trees to sell for firewood.

The goal of the Kenya Business Development Services (Kenya BDS) Project was to improve access to markets and access to competitive skills by supporting lead firms in backward integration strategies, which provided extension services and supply contracts to small growers. In addition to supporting lead firms, the project helped to establish small out grower producer groups. By supporting the avocado sector through these means, it was expected that a corresponding cluster initiative would take shape that would bolster the entire value chain, bring in other actors, and improve the relationship between exporters and small growers.

5. Firm Characteristics and Firm Performance

Usually, a manager can change the output of a company by changing the type and quality of inputs used: the raw materials, the capacities of the workers, and the process technology. He can take further precautions to inhibit random components (strikes, weather, diseases, etc.) The importance of each category depends to a large extent on the type of business. In a law firm, human skills and competencies determine to a large extent the output of the firm. In arable farming, the random component is large through weather influences. In greenhouses, the 'raw material' (seeds and breeds) is crucial for the output. It is crucial that organizations re-design themselves by utilizing their resources by channeling them to the right departments to enhance maximum performance.

The contribution and roles of SMEs has become an important engine to the economy (Van Gils, 2005). SMEs have been characterized as dynamic, innovative, efficient and their small sizes allows for flexibility, immediate feedback, short decision-making chain, better understanding and quicker response to customer needs (Singh, Garg & Deshmukh, 2008). Nevertheless, they have been on tremendous pressure to sustain in domestic as well as global markets owing to global competition, technological advances and changing needs of customers.

With respect to a measure of market orientation the following differences between small independent companies and large companies are important. First, in large companies there is more specialization than in small independent companies where one manager performs many or all managerial tasks, himself. Second, small companies have less financial resources than large companies. This often means that a small company only operates in one market segment or that the company does not segment its market. In this respect, a distinction between companies that produce homogenous products and companies that produce heterogeneous products seems relevant. Finally, large companies have more financial means to build (marketing) competencies than small companies. Now we shall discuss the consequences of these characteristics for our measure of market orientation for small independent companies

Firm characteristics are specific to the firm and form part of the internal atmosphere which moderates its market orientation. Apart from management and staff who according to Gudlaugsson (2005) can create barrier to market orientation as they as a team create organizational beliefs, values and direction; the impact of other aspects of the internal environment (specifically age, size, ownership and industry) on the level of market orientation and possession of dynamic capabilities is important to this study. Firm ownership structure influences the level of bureaucracy, whereby firm's having majority government ownership are highly bureaucratic whereas private firms do allow more flexibility in decision making and subsequently have a higher level of dynamic capabilities. Similarly, differences in operating environments affect choice of strategy which coupled with certain structural variables, may place firms in particular industries in a better position to implement their strategies successfully and profitably (Pant, 1991). A company must create a sustainable competitive advantage.

Export performance can be broadly defined as the outcome of a firm's activities in export markets (Muhammed & Saleem, 2008). Cadogan *et al*. (2003) define it as the firm's degree of economic achievement in its export markets. Consequently, several conceptual contributions have appeared seeking to come up with measures and dimensions of export performance. Leonidou et al. (2002) have identified that export intensity, export sales growth, export profit level, export sales volume, market share and export profit contribution are mostly used measures of export performance, Ayse & Akehurst (2003) observe that export performance of a firm can be measured by using subjective and objective measures since research shows that both yield consistent results (Hart & Banbury, 1994; Olimpia *et al*. 2006). They noted that objective measures are concerned with absolute performance indicators whereas subjective are concerned with performance of a business in relation to its major competitors or relative to a company's expectations.

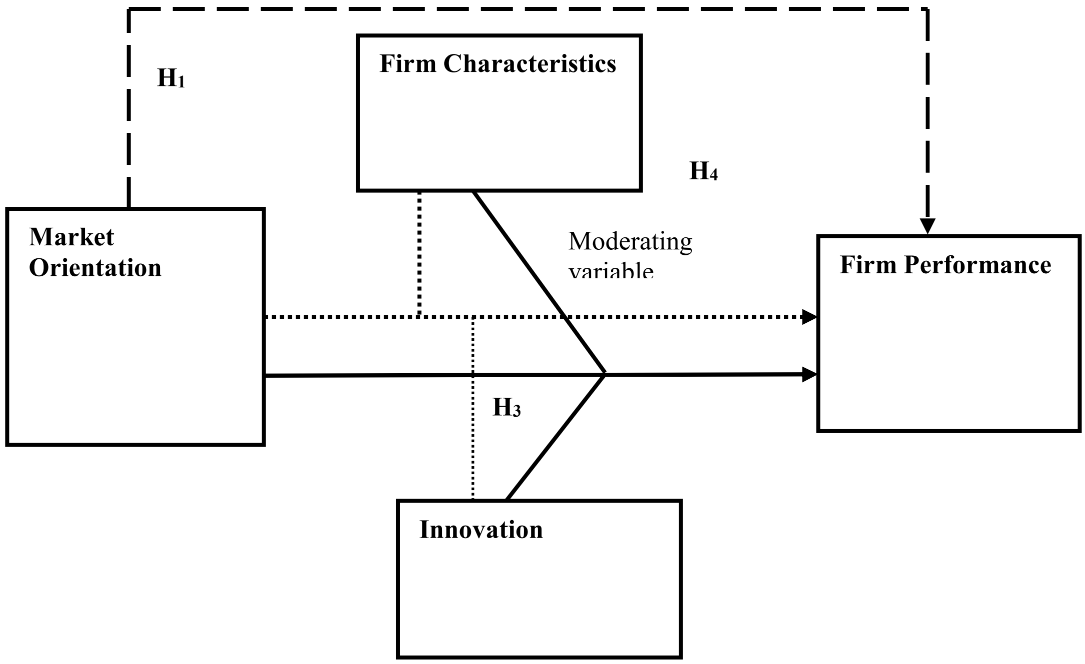
6. Innovation and firm performance

In line with the literature, I anticipated that market oriented behavior, with its focus on satisfying customers and increasing value (Houston, 1986; Webster, 1988; Pelham and Wilson, 1995), has a positive effect on the market performance of a company's products. The belief is that a manager who is well informed about the market through market intelligence is better able to choose products that perform well in the market than a manager who is less well informed (Houston, 1986; Shapiro, 1988). Zaltman, Duncan and Holbek (1973) suggest that the two different stages of innovation process are initiation and implementation. A critical part of the initiation stage is "openness to the innovation" (Zaltman, Duncan and Holbek 1973, p. 64) which is determined by whether the members of an organization are willing to consider the adoption of or are resistant to innovation. Van de Ven (1986) refers to this as the management of the firm's attention in order to recognize the need for new ideas and action in the organization. Drawing on Zaltman, Duncan and Holbek's (1973) differentiation of innovation, I established two innovation constructs into models of market orientation: (1) innovativeness and (2) the capacity to innovate.

Innovativeness is the notion of openness to new ideas as an aspect of a firm's culture. Innovativeness of the culture is a measure of the organization's orientation towards innovation. I reason that there are antecedents to innovativeness: that is, various characteristics of a firm's culture, such as an emphasis on learning, participative decision making, support and collaboration, and power sharing, affect whether the firm has an innovation orientation (Golovko *et al*, 2011). The capacity to innovate, a term first used by Burns and Stalker (1961), is the ability of the organization to adopt or implement new ideas, processes, or products successfully. This definition underscores my emphasis on what Rogers (1983) refers to as the pre-diffusion aspect of innovation, that is, early production or adoption of innovation by an organization rather than the diffusion of innovation among buyers after first adoption. The innovativeness of the firm's culture acts in concert with various structural properties of the company to affect the innovative capacity of the organization. Innovative capacity relates to what Cohen and Levinthal (1990) call absorptive capacity. This capacity can be measured by the number of innovations an organization is able to adopt or implement successfully. Innovativeness of the firm's culture, when combined with resources and other organizational characteristics, creates a greater capacity to innovate. Firms that have a greater capacity to innovate are able to develop a competitive advantage and achieve higher levels of performance.

7. Research design and hypotheses

The study involved a triangulation of both qualitative and quantitative research methods. Focused interviews were adopted for the qualitative phase of the study which was instrumental in designing the data collection instruments used in the quantitative phase of the study.



Independent variable Dependent variable
Moderating variable

Fig.1. Relationship between variables: independent, moderating and dependent

Research Hypotheses

The following four hypotheses were drawn from the conceptual model, and they were to be tested in the study.
H1: There is a relationship between Market Orientation and Firm Performance;
H2: There is a relationship between Market Orientation and firm performance as moderated by firm characteristics;
H3: There is a relationship between Market Orientation and firm performance as intervened by Innovation; and,
H4: There is a more or stronger relationship between market orientation and firm performance as influenced jointly by all variables of market orientation, firm characteristics and innovation.

8. Findings on Market Orientation and Firm Performance

The first objective of the study was to assess the relationship between market orientation and firm performance for fruit exporting firms in Kenya. Market orientation consists of customer orientation, competitor orientation and inter-functional coordination facets. Firm performance measures were composed of customer retention, customer satisfaction and financial viability indicators in relation to their major competitors. To assess market orientation and performance relationship, the following hypothesis was tested.

H1: There is a statistically significant relationship between market orientation and firm performance of fruit exporting companies in Nairobi County.

Table 4.6. 1 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.583[a]	.340	.290	.97131

From table 4.6.1, it can be seen that market orientation is responsible for the approximately 29% of the deviations ($R^2 = 0.290$) in the performance of fruit exporting firms.

Table 4.6.2 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	37.988	6	6.331	6.711	.000[a]
	Residual	73.589	78	.943		
	Total	111.576	84			

It can be seen from the table 4.6.2 above that there is a significant relationship between market orientation and firm performance of fruit exporting firms in Nairobi Kenya. It can be seen that the overall model statistically discloses that there exists a significant relationship between market orientation and firm performance ($F = 6.711$, p–value = .000).

The results confirm what previous studies have indicated in the past that market orientation does have a significant impact on the firm's overall performance (Langat *et al*, 2012). The hypothesis

Table 4.6.3 Coefficients for Market orientation and Firm Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.638	.737		2.221	.029
	Interfunctional Coordination	.117	.077	.152	1.524	.131
	Competitor Orientation	.152	.063	.248	2.416	.018
	Customer Orientation	.602	.108	.539	5.598	.000

a. Dependent Variable: SecEE: Table411 The firm's internal processes have improved considerably in the last 5 years

The results of table show that market orientation had a statistically significant influence on firm performance. It explained 34% of its variation ($R^2=0.34$). The standardized regression coefficient (β) value of the computed scores of inter-functional coordination of market orientation was 0.152 with a t- test of 1.524 and a significance level of P – value = .131. The standardized regression coefficients were used as it removes the unit of measurement of the predictor and outcome variables. This allowed the researcher to compare the relative effect of the 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 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 firm performance of fruit exporting companies is therefore supported by this study. The regression equation to estimate the performance of fruit exporting companies in Nairobi County can be stated as:

$$FP = 0.152\ I.C. + 0.248\ C.O. + 0.539 C.M.O. + \varepsilon_1$$

Where: FP = Firm Performance
I.C. = Inter-functional Coordination
C.O.= Competitor Orientation
CMO= Consumer Market Orientation
ε_1 = Error Term

9. Market Orientation, Firm Characteristics and Firm Performance

H_2: There is a statistically significant relationship between Market orientation and firm performance as Moderated by Firm Characteristics. Information about market orientation and firm characteristics was collected. Data was analyzed using SPSS

Table 4.6.3

Market Orientation and Firm Characteristics statements	N	Mean	S.E.
The market orientation level of the firm to target Customers (Customer Orientation)	85	4.318	0.098
Integration of business functions toward serving target market needs (Inter-functional Coordination)	85	4.082	0.110
Firm Characteristic (Firm Existence)	85	2.612	0.167
Number of employees engaged in the firm (Firm Characteristic)	85	3.08	0.097
Average Score		**3.503**	**0.1144**

The results in table 4.6.3 show that the mean score for the four statements used to measure customer orientation, Inter-functional coordination and firm characteristics. The overall mean score of 4.32 (to a moderate extent) shows that fruit exporters have a general understanding of the customer's needs and wants and also aligning or preparing their firms to be market oriented. This is expected to enable the exporting firms produce quality products and services of excellent quality standards. In addition, the results show that the exporting fruit firms surveyed understand the needs and wants of their target customers as most of their strategies are directed towards creating superior customer value (mean 4.32 SE= 0.10). The duration of the existence of the firm recorded the lowest (mean= 2.612 S.E.= 0.167). The results imply that the fruit exporting firms surveyed are customer oriented. It is from the above results that the fruit exporters are customer oriented and uses its resources to coordinate their staff so as to create superior value for their customers. The results are consistent with previous studies which had concluded that market orientation is an effective tool for decision making (Langat *et al*. 2012; Shin, 2012; Lin, 2011; Narver and Slater, 1990).

It can also be seen that from the resource based view, it suggests that firm characteristics do account for the differences in resources, decision making and assessment (Barney 1991). Some of the firm characteristics include market orientation strategy applied, firm age and firm size. The results showed that

10. Findings on Market Orientation, Innovation and Firm Performance

H_3 = There is statistically a significant relationship between Market orientation and firm performance as moderated by Innovation

The Cronbach's Alpha coefficient of the factor's constructs surpassed the 0.5 threshold recommended (Cronbach, 1947) for reliability. The alpha values for market orientation had a high value of 0.679 and low alpha value of 0.490.

The study focused on the fruit exporting firms in Nairobi City County and the main objective was to determine the influence of market orientation on the performance of fruit exporting firms in Nairobi City County in Kenya. This study has shown that there is positive relationship between market orientation and firm performance. This is in line with findings of earlier scholars including Kohli and Jaworski (1990), Narver and Slater (1990), Deshpande *et al* (1993), Etel *et al* (2004), and Liu *et al* (2003) among others.

The study also found out that market orientation assists firms to improve in their business performance through the enhancement of collection and use of market information and implementation of market orientation strategies. The findings indicate that market orientation can lead to better performance by fruit exporting firms in Nairobi City County. Market orientation can be a source of new ideas and innovation that can make firms respond to the demands of the market.

This study also found out that business performance improved when firms implement market oriented strategies. It proved that a firm with market orientation is likely to improve in its performance and efficient utilization of resource. This study also suggests that market orientation can be used in other sectors of horticulture especially in the study of individual fruits like avocado, mango, pineapple, passion and bananas. In this study it is suggested that future research can be replicated in other African countries and developing economies. In order to understand the practical application of market orientation, business performance needs to be extended to other variables such as organizational culture, age of the company and ownership structure.

This study established that firm characteristics has positive influence on the performance of a company. Characteristics of the firm such as the age, structure and size influence the performance of a company. Older companies have a history and have accumulated experience and increased their capacities. This can act as the basis for expansion of the company and gives the firm the strength in competition. The structure of a company influences the management style and therefore influences the performance. This study found out that the structures found in fruit exporting firms in Nairobi City County have assisted most of them in their export businesses. The size of the company was found to be influential in giving the company strength in export business. Company size is indicated by the number of employees, the amount of capital invested and the market share. Image and reputation can also influence company performance.

11. Conclusion and Recommendations

The study focused on the relationship between market orientation and firm performance in fruit exporting firms in Nairobi City County in Kenya. The study revealed positive relationship between market orientation and firm performance. This indicated that market orientation can assist firms to improve in their performance. The market in Western Europe keeps on changing and in order to succeed, Kenyan fruit exporters must constantly study the market to understand the changes of customers. This calls for firms to be market oriented and to respond by being proactive. This could be by way of becoming either customer oriented or competitor oriented so as to adapt to the quick environmental changes that leaves firms with old methods of selling products obsolete and miss out on opportunities. Firms therefore should practice market orientation as a strategy for future development. This study examined the moderating effect of firm characteristics on the relationship between market orientation and firm performance and found out that there is not statistically significant. This shows that firm characteristics enhances the relationship between the predictor and the independent variable.

This study also found out that the moderating effect of innovation is significant in enhancing the relationship between market orientation and firm performance. Innovation as indicated by number of new products or ideas, production process innovation, and investment in Research and development. From This study also found out that production process innovation as practiced by fruit exporting firms especially in the packaging and sorting stage enhances firm performance.

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