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Market Orientation and Firm Performance in Fruit Exporting Companies in Nairobi City County in Kenya: An Empirical Review

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Abstract
The survival of firms in the modern dynamic competitive environment brought about by globalisation is to improve on performance. Fruit exporting firms in Kenya face the same global competition challenges, and the key to success is for management of such organisations to effectively utilise their available resources. The interest to carry on this study was brought about by the lack of methodological and empirical gaps depicted by scanty literature on fruit exports from Nairobi City County in Kenya. Another reason for taking this research was the failure by fruit exporting firms in Nairobi City County to grow from infancy to maturity as their international competitors do. Africa's share of the world market has been on a decline or even stagnating while proportion of the world market for other regions and countries have been increasing in tandem with the overall increase of world trade. It was posited that these fruit exporting firms could improve their performance by using market orientation strategies in their future long term performance.
Keywords: Market orientation, tropical fruits, innovation, firm performance, air space.

1. Introduction

Continued improvement in the functioning of organisations as well as continued research in academia have led to theories and more writings on the behaviour of organisations. These includes market orientation theory, agency theory, stakeholder theory, stewardship theory and upper echelons theory (Mallin, 2010; Jensen *et al* 1976), co-alignment theory (Olsen *et al*, 1998), Industrial organisation economics theory based on Structure-Conduct-Performance (S-C -P), the theory of the firm or behavioural view of the firm (Barnard, 1938; March and Simon, 1958; Cyert *et al*, 1963), resource dependency and open systems theory (Porter, 1987; Pfeiffer *et al* 1978), Transaction Cost Economics theory (T-C-E) (Williamson, 1985), Knowledge – based view (KBV) and the Resource Based View (RBV) (Wernerfelt, 1984).

Other theories include institutional theory, SWOT Analysis, the use of marketing mix, the theory of segmenting consumer market, consumer decision making process. Upper echelons theory states that organisational outcomes are directly impacted by the knowledge, experience and expertise of those individuals occupying prominent managerial roles in the organisation (Hambrick & Mason, 1984). Based on a review of the existing literature Zou and Stan (1998) created a matrix of the factors identifying the major factors of: Export market strategy and management attitudes and perceptions (Internal and Controllable); Management Characteristics and Firm Characteristics and competencies (Internal and uncontrollable); Industry characteristics, foreign market characteristics and Domestic market characteristics (External and uncontrollable) affecting the three measures of export performance: Financial measures, Non-financial measures and Composite Scales.

The basic aspects of the matrix as proposed by Madsen (1987), Aaby and Slater (1989), and Chetty and Hamilton (1993), argued that the single most important set of determinants of export performance falls into the cell of internal-controllable factors. The prevalence of determinants of export performance falls into the cell of internal – controllable factors. The prevalence of controllable factors suggested that most researchers held the view that export performance was under the control of the firm and its management. Thus not only better export performance could be attributed to management's superior work, but poor export performance should be blamed on the management as well. In addition, Aaby and Slater (1989) and Da Rocha and Christensen, (1994) classified the factors which had crucial effects on export performance.

As noted by Hofer and Schendel (1978); Porter (1980) and Ledesma (2002), the capacity to produce different varieties of goods and the quality of the product are crucial factors explaining export performance. Hofer and Schendel (1978) and Aaby and Slater (1989) stated that differentiation through marketing mix employed in respective export markets was a key that led to sustainable goals. Burton and Schlegelmilch (1987) and Weerachai and Patriya (2002) confirmed a significant relationship between unique product attributes, through differentiation strategy and export performance and Poh-Lin and Jeong (1995) explained that the export firms are able to differentiate their level of firm's orientation by being innovative, more pro-active and were risk takers. Generally, price adaptation seemed to positively influence export sales, export profits and export growth in the study by Chetty and Hamilton (1993) but was insignificant in others (White, 2000, Bredahl and Zaibet, 1995). In channel adaptation, dealer/ distributor support, motivation, and involvement, emerged as a key determinant of export sales, export profits and export growth (Cooper, 1985; Poh-Lin and Jeong, 1995). The research by Cavusgil and Zou (1994), and Kirpalani and MacIntosh (1980) mentioned that the channel adaptation and promotion had direct effects on export performance in term of flexibility and maintaining the target markets.

The Management's attitudes and perception on export performance referred to the management's point of views, opinions and how they perceived the export activities in terms of strategies, marketing, positioning, and other attributes, along with the perception in barriers, advantages and situation in the international export markets (Narver, 1993; Pitt 1996; Da Rocha and Christensen, 1994) that had been frequently cited as important determinants of export performance. Cavusgil and Zou (1994); Axinn (1998) and Cavusgil and Kirpalani, (1993) concluded that high management commitment allowed a firm to aggressively go after the export market opportunities and pursue export marketing strategies that improved export performance. Cavusgil and Zou (1994) and Leonidou and Katsikeas (1996) found that international orientation of the manager was a very consistent predictor of good export performance, measured in financial terms or as composite. In addition, Cavusgil and Zou (1994) stated that the management's perceived export advantage and how the management people and teams perceived the international export had benefits and could generate profits, growth and sales to firms was a relevant predictor.

Da Rocha and Christensen (1994) and Axinn (1998) found that this had a positive effect on export sales, profits and growth while another study by Cooper and Kleinschmidt, (1985) found that it had an insignificant effect, and a few others, Chartien, (1993) and Christien (1988) reported a negative effect. Overall it could be concluded that firm's export performance did not benefit from having educated and internationally experienced managers. Kaynak and Kuan (1993), Bodur (1994) Das (1994) and Louter et.al., (1991) reported a negative impact of the firm's number of years in exporting on export profitability and sales but Aaby and Slater, (1989) stated that there was no relationship between years of exporting experiences with the export performance, since the number of years engaged in export activities did not indicate the success of export sales, profits and growths, but it helped to gain only reputation and reliability.

They pointed out that although firm had a strong connection and several years in the industry, it could not achieve better profits and sales if they did not adapt themselves to the competitive environments. Reid (1986) Aaby and Slater (1989), and Chetty and Hamilton (1993) found that there was positive relationship between R&D/technology and innovation and export performance, since the R&D created the product innovation and new technology improvement, therefore, the firm was able to utilise these factors in other to gain customer's preference and build competitive advantages. Cavusgil and Zou (1994), Holzmuller and Kasper (1991) and Holzmuller and Stottinger (1996) argued that the industry's technological intensity or "Manufacturing complexity" had a positive influence on export performance. Cavusgil and Zou, (1994) found a significant indirect effect of export market competitiveness on export performance while Kaynak and Kuan (1993), and Madsen (1987) reported a negative effect of export market barriers (trade barrier, physical and psychological distance), which were not significant predictor of export performance. Kirpalani and MacIntosh (1980), Griffin & Pustay (1996) and Xuto (2003), found that trade barriers had direct influences on export performance, in terms of sales, profits and growths. Griffin and Pustay (1996) and Grimwade (1992) noted that non-tariff barrier or non-quantitative NTBs were the ways in which imports might be reduced.

Katsikeas (1997) reported a positive effect on export performance for the national export policy, but a non-significant effect for domestic market pressure and domestic currency devaluation. Seringhaus, (1998), Aaby and Slater (1989), Abalaka (1999), and Diamantopoulos and Schlegelmilch (1994) concluded that there were direct relationship between market information, market knowledge and export performance and that the level of export performance would be greater if information acquisition enabled market opportunities identification and threats to decision makers. Narver (1993); Pitt (1996) and Aaby and Slater (1989) explained that there was increasing evidence that the marketing orientation of firms impacted positively on business performance, which mainly focused on the customer's satisfaction and preferences. The researchers agreed that satisfaction was the most important factor for every business. The environment could be conceptualized as attributes (e.g. hostility, uncertainty, dynamic) or as objects (e.g. general and task environment) and Cateora (1996) and Scherer & Ross (1990) pointed out that socio-cultural environment had a significant impact on export performance through the import countries' rules and regulations.

2. Fruit Production and Export 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. Fruit Production and Export in Nairobi City County

Production of fruits in the Nairobi City County involves firms that operate in Nairobi City and rely on the farms lying outside the boundaries of the Nairobi City. All firms dealing with fruit production and export have their offices and exporting activities in Nairobi City. The firms dealing with fruit exports have extensive contact with farmers outside Nairobi and have arranged an elaborate transportation logistics that guarantees timely delivery of fresh fruit for overseas markets (KHCP report 2014). The main reason for having their offices in Nairobi is due to the strategic position of the International Airport and fully equipped test labs that make it easy for products to comply with the international standards. Some fresh fruits are harvested in the morning in a far-off farm sometimes up to 100 kilometers but are delivered at the Jomo Kenyatta International Airport by end of the day to be transported overnight and be in the supermarket shelves in Europe early morning the following day.

Fruit exporters from the Nairobi City County deal with a variety of fruits that can be categorized into seven (7) categories: those producing or dealing with bananas, passion, papaws, pineapple, mangoes, avocadoes, and varieties of oranges. It is worth noting that most firms do not deal with one type of fruit only because of the seasonality of the fruits. Most firms also deal in fresh vegetables and different varieties of fruits even if it is outside their usual products. Some fruit exporting firms in Nairobi City County experience fluctuations in economic circles experienced by Kenyan economy. Some firms have been boosted by economic boom of 2010-

2014 and have consolidated their hold in the fruit business. Others have not been so lucky due to stiff competition and unavailability of air space in transporting their goods. Majority of these firms are resilient and have been supported by their good financial and managerial capabilities to weather the dynamic changes that the Kenya economy experiences from time to time.

4. Market orientation

The literature on market orientation covers planning and anticipation of the market requirements so that a firm can plan accordingly. To be successful, firms should determine customers' needs and wants, and satisfy them more effectively than their competitors do. Narver and Slater (1990) defined market orientation as a culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business. Kohli *et al* (1990) defined market orientation from a behavioral perspective as the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization wide responsiveness to it. Export market intelligence generation concerns the activities associated with generating information about the firm's export customers' current and future needs and wants, competition in the firm's export markets, and other exogenous factors such as technological and regulatory developments (Erdil, Oya and Keskin, 2004 Alhakimi & Baharun, 2009; Norzalita & Mohd (2010).

Market orientation is the organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and thus continuous superior performance for the business (Aaker (1988; Kohli and Jaworski 1990; Kotler 1984: Kotler and Andreasen 1987; Peters and Austin 1985; Peters and Wateman 1982; Shapiro 1988; Webster 1988). A market oriented seller understands that, through the numerous means of creating additional benefits for buyers as well as the numerous types of reductions in buyers' total acquisition and use costs, there are many potential sources of sustainable competitive advantage (Aaker 1988; Hall 1980; Porter 1985). Thus a market-oriented business continuously examines these alternative sources of competitive advantage to see how it can be most effective in creating sustainable superior value for its present and future target buyers. To maximize its long-run performance, the business knows it must build and maintain a long-run, mutually beneficial relationship with its buyers. Accordingly, market-oriented seller decides how best to share with its buyers the superior value it creates for them (Forbis and Mehta 1981; Hanan 1985)

Two seminal articles, those of Narver and Slater (1990) respectively of Kohli and Jaworski (1990) have coined the concept of market orientation in the beginning of the nineties. According to Narver and Slater (1990), market orientation consists of three behavioural components, customer orientation, competitor orientation, and inter-functional coordination, and two decision criteria, long-term focus and profitability. They define customer orientation as 'the sufficient understanding of one's target buyers to be able to create superior value for them continuously'. Competitor orientation means that 'the seller understands the short-term strengths and weaknesses and long-term capabilities and strategies of both the key current and the key potential competitors'. The third behavioral component, inter-functional co-ordination, means 'the coordinated utilization of company resources in creating superior value for target customers'. Kohli and Jaworski (1990) acknowledge the importance of customer focus but in their definition market intelligence is at the centre of market orientation: 'market orientation is the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization wide responsiveness to it.' They introduce market intelligence instead of customer focus since in their view, market intelligence is much broader than customer focus.

'It includes consideration of exogenous market factors that affect customer needs and preferences and current as well as future needs of customers'. In another study on market orientation, Ruekert (1992) refers to Narver and Slater (1990) and Kohli and Jaworski (1990) and borrows aspects from both definitions but focuses on strategy as a tool to implement market orientation in the definition: 'market orientation in a business unit is the degree to which the business unit: (1) obtains and uses information from customers; (2) develops a strategy which meets customer needs; and (3) implements that strategy by being responsive to customer needs and wants'. A company's strategy is a particularly interesting perspective to explore the intentions of management before they are realized. Although many other studies with measures of market orientation have been reported (Deng en Dart, 1994; Pelham and Wilson, 1996; Atuahene-Gima, 1996) most authors either adapt the reviewed measures of market orientation or use them as a starting point. Therefore, I look closer at the elements of the 'classic' measures of market orientation (Narver and Slater, 1990; Jaworski and Kohli, 1993; 1993; and Ruekert, 1992) to find out whether these measures cover the same construct.

Measures of market orientation have been discussed and compared for several purposes. Tuominen and Moller (1996) identify and compare schools of thought in market orientation research. Jaworski and Kohli (1996) review the state-of-the-art and offer a roadmap for future research in market orientation research. Okzkowski and Farrel (1998) apply a technique for discriminating between similar measures of constructs on Kohli, Jaworski and Kumar's (1993) and Narver and Slater's (1990) measure of market orientation. Finally, I make a reference to some influential authors on market orientation theory for those who want to learn more about how market orientation impacts a business (Webster, 1988; 1992; Day, 1994a; 1994b; Day and Wensley, 1983; Kotler 1991).

To develop a hypothesis of the content of market orientation that could be tested for construct validity, I reviewed the major conceptual literature on both sustainable competitive advantage and market orientation to identify the principal common threads (e.g. Aaker 1988; Anderson 1982; Day 1984; Kotler 1977, 1984; Levitt 1960, 1980; Ohmae 1982; Peters and Waterman 1982; Porter 1980, 1985). The literature inferred that market orientation consists of three behavioral components – customer orientation, competitor orientation, and inter-functional coordination – and two decision criteria – long-term focus and profitability.

Customer orientation and competitor orientation include all the activities involved in acquiring information about the buyers and competitors in the target market and disseminating it throughout the businesses. The third hypothesized behavioral component, inter-functional coordination, is based on the customer and competitor information and comprises the business's coordinated efforts, typically involving more than the marketing department, to create superior value for buyers. In sum, the three hypothesized behavioral components of a market orientation comprehend the activities of market information acquisition and dissemination and the coordinated creation of customer value. The behavioral content of market orientation define market orientation as the organization wide information generation and dissemination and appropriate response related to current and future customer needs and preferences.

Customer orientation is the sufficient understanding of one's target buyers to be able to create superior value for them continuously (or, per Levitt 1980, to create continuously an "augmented product"). A customer orientation requires that a seller understand a buyer's entire value chain (Day and Wensley 1988), not only as it is today but also as it will evolve over time subject to internal and market dynamics. A seller creates value for a buyer in only two ways; by increasing benefits to the buyer in relation to the buyer's costs and by decreasing the buyer's costs in relation to the buyer's benefits. A seller must understand not only the cost and revenue dynamics of its immediate target buyer firms, but also the cost and revenue dynamics facing the buyers' buyers, from whose demand the demand in the immediate market is derived.

Export market orientation remains one of the most recent concepts in international marketing as previous empirical studies of market orientation have been in the context of domestic markets (Olimpia, Chewit and Amonrant, 2007). However efforts have been made by authors such as Cadogan (2003) to integrate market orientation constructs such as market intelligence generation, market intelligence dissemination and responsiveness to market intelligence into international marketing hence the birth of export market orientation concept. Various definitions of Export market orientation have been advanced by a number of authors. According to Mokhtar *et al*. (2009), export market orientation is the extent to which the marketing concept is implemented. It is an organizational culture dedicated to delivering superior customer value which must be manifested in the activities in the process of a firm (Sorensen, 2005; Slater &Narver, 1998; Cadogan & Diamantopoulos and Mortanges, 1999). These activities according to researchers such as Teeuwsen, (2004); Mokhtar, Yusuf and Arshad, (2009) and Sanjeev (2003) Olimpia *et al*. (2007) Brendan and Graham (2002); Bozic (2006); Alhakim *et al*. (2009) (Okpara, 2009 involve the organization wide generation of market intelligence pertaining to current and future customer needs in the foreign market dissemination of the market intelligence across departments, and organization-wide responsiveness to it.

Export market intelligence generation is concerned with the activities associated with generating information about the firm's export customers' current and future needs and wants, competition in the firm's export markets and other exogenous factors such as regulatory and technological developments (Oya, Erdil, and Keskin, 2004; Alhakimi &Baharun, 2009; Norzalita and Mohd 2010). Responsiveness to market intelligence embodies the design and implementation of all responses to the export intelligence that has been generated and disseminated within a firm (Dodd, 2005). In this regard, Toften & Olsen (2003) point out that one way of developing organizational knowledge is when information outside the company is acted on by integrating and incorporating it within the organization. In agreement, Toften, (2005); Kohli & Jaworski (1990; Vyas & Souchon (2003) observe that for successful international operations firms need to act on the information that is normally acquired. Export market intelligence dissemination concerns the formal and informal information exchanges which allow the information generated to reach the appropriate export decision-makers (Olimpia & Amonrat, (2006). The importance of export market intelligence dissemination is to provide a 'shared basis for concerted actions' by different departments. It has been pointed out by various authors such as (Kohli & Jaworski, (1990); Alhakimi & Baharun, (2009) that competitive advantage of a firm in international markets lies squarely on the ability of the firm to disseminated information and not in its access or acquisition.

5. Firm characteristics

Firm's Characteristics refers to attributes of a firm such as age, capital structure, size and location. These attributes enable a firm to successfully integrate a market orientation with its dynamic capabilities would be influenced by the firm's characteristics. Some economists use age as an alternative for the experience the firm has acquired in this business (Geroski 1995), with others proposing post-entry performance is positively related to the age of the firm once the firm has survived for a sufficient period of time (Audrestch and Mahmood 1994; Audrestch 1995). Conversely, Yin and Zajac (2004) found that age of a business does influence its performance echoing the findings by Boecker (1997) and Szulanski, (1996) that older firms suffer from ossification of their routines, non-learning processes, blindness and conservatism, which cause poor performance and decline.

Every firm has specific characteristics that are part of the internal atmosphere which moderates its market orientation. 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.

The level of bureaucracy is influenced by a firm's ownership structure that affects the level of bureaucracy, whereby firm's having majority government ownership are highly bureaucratic whereas private firms 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). 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 (Kohli *et al*, 1990). 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 discuss the consequences of these characteristics for our measure of market orientation for small independent companies.

6. Innovation in Firms

Many writers have espoused the meaning and application of innovation in firms. It refers to the notion of openness to new ideas as an aspect of a firm's culture. Innovativeness is a measure of the organization's orientation towards innovation. The contention is 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 (Zaltman *et al*, 1973).

Burns and Stalker (1961) were the first to use the words capacity to innovate, to mean the ability of the organization to adopt or implement new ideas, processes, or products successfully. This definition highlights the 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, when combined with the market oriented culture 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.

According to Zaltman, Duncan and Holbek (1973)0 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, two innovation constructs were introduced into models of market orientation: (1) innovativeness and (2) the capacity to innovate. Innovativeness of the culture is a measure of the organization's orientation towards innovation. As earlier discussed, 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.

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. The definition of capacity to innovate underscores the emphasis given by Rogers (1983), which 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. Firm Performance

The main aim of marketing strategy research is to increase the understanding about the determinants of firm performance, and how managers can create the main thrust of strategic marketing reset Balanced Score Card (Kaplan and Norton, 1985) is used to superior performance (Meyer, 1991; Combs *et al*, 2005). Scholars and academicians differ on what constitute organizational performance (Ford and Schellenberg, 1982).One perspective used the goal approach (Etzioni, 1964), which assumes that organizations peruse ultimate and identifiable goals and thus defines performance in terms of goal attainment.

The other perspective is the system resource approach (Yuchtman *et al*, 1967) that stresses the relationship between the organization and its environment and thus defines performance in terms of organizations ability to secure scarce and valued resources. The process approach (Steers, 1977), defines performance in terms of the behavior of the organization participants. Davroch (2005) defines firm performance in terms of completed projects as in Research and Development Projects in research institutions and in Universities and institutions of higher learning.

Conclusion

Many scholars have contributed to the understanding of market orientation and firm performance. Other authors have written on firm characteristics while still others wrote on innovation. Hence, the purpose of the study is to address the existing knowledge gap with regard to market orientation and firm performance of fruit exporting companies in Nairobi City County, Kenya. The empirical literature review was instrumental in identifying the research hypotheses and establishing the research methodology.

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