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**The Effect of Market Orientation on Business Performance:
Evidence from Two Private Healthcare Institutions in Kenya**

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MBA HCM/45486/15

Submitted in partial fulfillment of the requirements for the award of
Degree of Master's in Business Administration in Healthcare Management at Strathmore University



STRATHMORE UNIVERSITY

NAIROBI, KENYA

JUNE, 2018

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Ezra Omolo
June 2018

Approval

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ABSTRACT

The relationship between market orientation and business performance has been widely studied by scholars in marketing. Even though these studies have concluded that market orientation leads to better business performance, no studies of this nature have been done in the healthcare sector in Kenya. The purpose of this study was to test this relationship in the healthcare context in Kenya. The findings would be useful for healthcare managers in Kenya on whether to adopt it as a strategy in healthcare business or not.

The study measured the effect of market orientation on three aspects of business performance in the private health sector in Kenya. These are employee performance, financial performance and customer satisfaction. Data was collected from a total of 37 respondents 11 being marketing executives and 26 being health center managers representing a total of 26 outpatient health facilities. Regression models were done and tests of correlation and significance carried out.

The study found that market orientation positively influences customer satisfaction, employee performance and financial performance with the strongest association seen with customer satisfaction and the weakest with financial performance. This study therefore affirms the importance of market orientation as a strategy by healthcare managers in improving business performance. It is recommended to healthcare managers to seek to adopt practices and develop cultures that would lead their organizations to become more market oriented. More studies need to be conducted that are larger than this study to further test this relationship in the Kenyan Healthcare context.

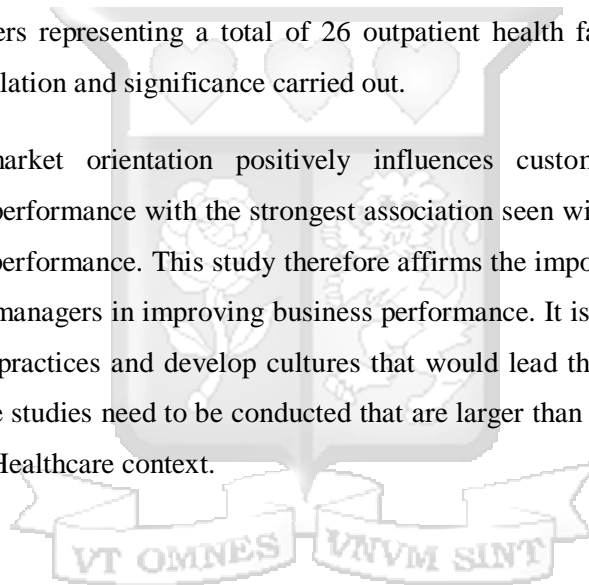
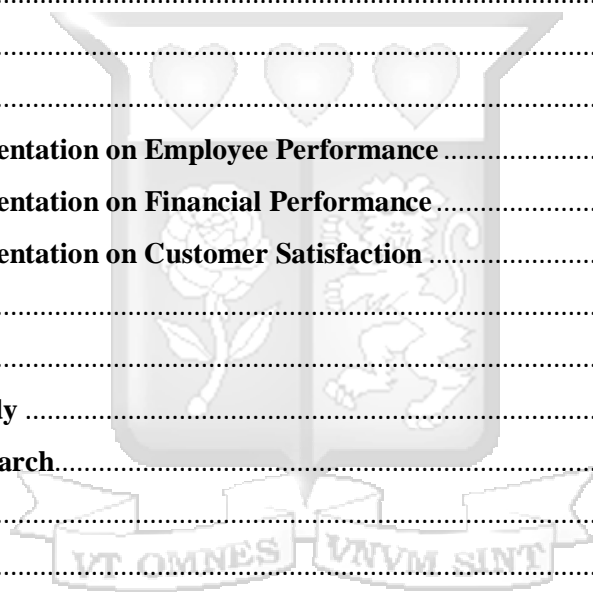


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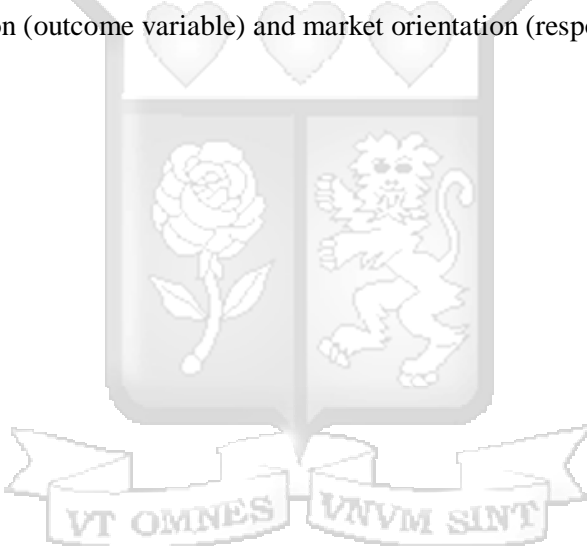
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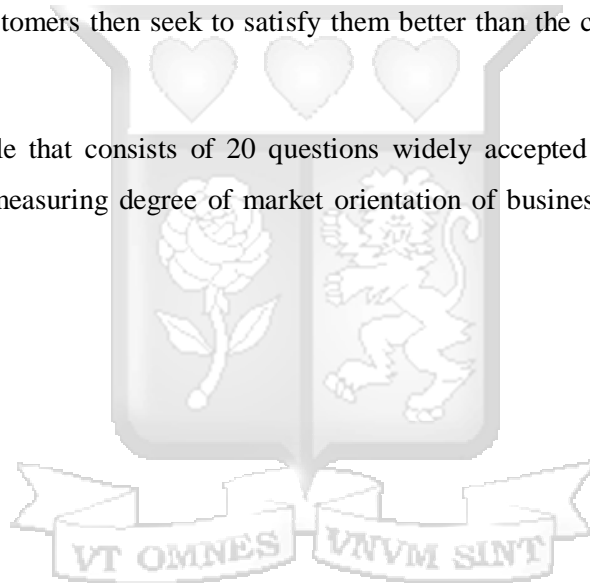
DEFINITION OF KEY TERMS

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large (American Marketing Association, 2017)

Market orientation is the organization-wide focus on gathering intelligence on customers' current and future needs as well as competitor activities, disseminating the information across the departments and organization wide responsiveness to the information i.e. steps taken by the organization in view of the information (Kohli & Jaworski, 1990).

Marketing Concept is the concept that holds that for an organization to achieve its goals, it needs to analyze the needs of its customers then seek to satisfy them better than the competitor (Kotler & Keller, 2016).

MARKOR Scale is a scale that consists of 20 questions widely accepted by marketing scholars and practitioners as a tool for measuring degree of market orientation of business units (Kohli, Jaworski, & Kumar, 1993)



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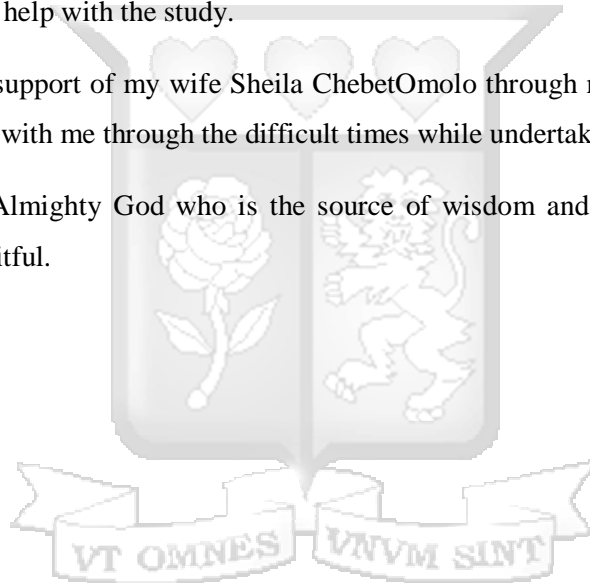
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My sincere thanks to the Almighty God who is the source of wisdom and every good knowledge for enabling this work to be fruitful.



DEDICATION

This work is dedicated to God who teaches my hands to war and from whom every good and perfect gift proceeds.



CHAPTER 1: INTRODUCTION

This chapter seeks to introduce the main ideas that are the subjects of this research. First, it introduces marketing then the marketing concept followed by market orientation. This is important because the definitions reinforce the central place that market orientation holds in modern marketing practice and philosophy.

The chapter also briefly introduces the Kenyan Private Health sector which is the sector that is under study. In doing this, it is shown that this particular sector has seen tremendous growth in the last decade in terms of size as well as worth. This has made it a highly competitive business environment which might benefit from a market orientation as a means of beating the competition.

1.1 Background

Marketing is defined by the American Marketing Association as the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large (American Marketing Association, 2017). One of the philosophies widely accepted today as necessary in guiding marketing efforts of any organization is the marketing concept developed in the 1950s.

The marketing concept's central tenet is that organizations should analyze their customer's needs and then seek to satisfy them better than their competitors. In other words, if an organization is to achieve its goals, then it needs to be more effective than the competition in creation, delivery and communication of superior customer value to its target markets (Kotler & Keller, 2016). Market orientation is an important operationalization of the marketing concept. Whereas the marketing concept is a philosophy, market orientation is its implementation. Thus, 'a market-oriented organization is one whose actions are consistent with the marketing concept' (Kohli & Jaworski, 1990)

Market orientation can either be understood as a culture of the organization or as a behavior of the organization. The behavioral approach considers market orientation as the organization-wide focus on gathering intelligence on customers' current and future needs as well as competitor activities, disseminating the information across the departments and organization wide responsiveness to the information i.e. steps taken by the organization in view of the information (Kohli & Jaworski, 1990).

The culture approach was proposed by Narver and Slater also in 1990. It defines market orientation as the extent to which the organization exhibits customer orientation, competitor orientation and inter functional coordination of marketing activities (Narver & Slater, 1990).

Identifying who the customer is becomes more complex in the healthcare industry due to complex relationships where the person receiving the service may not be the one paying for the service. The payer of the service such as the insurance company in many cases dictates to the patient where they should receive the service. Payers do this by giving a list of approved health facilities where their clients, the insured can access medical care. This is usually dependent on contracts signed between insurance companies and the health facilities or practitioners. The credit arrangements between insurers and health providers are sometimes rescinded by the providers due to failure by insurance to pay in time or to pay at all. These arrangements affect consumer choice to a great extent hence making the healthcare industry a unique market.

Some customers may also be incompetent to make decisions e.g. children, elderly, unconscious or insane people hence represented by others in the decision process. The other challenge presented in healthcare is complex relationships with other providers and suppliers that influence customer decision. This can be seen in the case of practitioners who refer patients for specialized care, investigations, drugs, admission etc. and thus make decisions for customers on the strength of “medical advice”. Often they may leave a customer with little choice by indicating their preference for one provider or the other.

1.1.1 Business Performance

Organizations exist to achieve specified goals that are as diverse as the different types of organizations. Since this study focuses on the private for profit health sector, business performance is of even greater concern to the investors as well as to other stakeholders. In the healthcare sector with increased competition, it is no longer tenable to assess business performance in terms of clinical outcomes only. In order to effectively assess performance in healthcare, it is necessary to consider each of the three key entities in the healthcare service triad. These are the customer (patient), the clinician (employee) and the organization (hospital/ health facility) (Michelle, Davino, Ramaya, & Szmerekovsky, 2009).

Consequently, in this study, business performance is assessed at three levels namely; employee performance, financial performance and customer satisfaction. Financial performance takes care of the organization element in the triad since it determines whether an organization remains as a going concern or not.

1.2 The Kenyan Private Health Sector.

The Private health sector in Kenya has grown exponentially over the years making competition even stiffer. 56.8% of medical visits in urban Kenya in 2013 were to private health facilities with a reported increase in outpatient services utilization from 1.9 visits per person in 2009 to 3.1 2013(Ministry of Health, Government of Kenya, 2014). Total Health Expenditure grew from KSh. 163 billion in 2009/10 to KSh 234 billion in 2012/13 with total health spending as a percentage of GDP increasing from 5.4% to 6.9% in the same period (Ministry of Health, Government of Kenya, 2015) .

Kenyan private health sector was valued at estimated KSh20.4 billion as at 2010(Ministry of Medical Services(MOMS) and Ministry of Public Health and Sanitation(MOPHS), Government of Kenya, 2010). This figure has since grown leading to increased interest from investors.

Investment in the Kenyan private health sector has increased in the last decade. A good example is the Abraaj Group which invested 2.5 million US dollars in Avenue Hospital, a local Kenyan hospital, back in 2011. Since then Avenue Hospital has expanded its outpatient health centers network from the 3 at that time to 15 in 2017. The group increased its stake in the hospital chain to 51% in 2016.

The trend of opening satellite clinics by private hospitals is not exclusive to Avenue Hospital. It's a phenomenon that has hit the private health sector with every other major player competing to have their outpatient health facilities in every urban area across the country, and in the case of Nairobi in every major residential area as well as in popular city malls. Hospitals like Aga Khan University Hospital currently have a network of over 40 outpatient facilities across the country in urban regions. Africa Air Rescue (AAR) health services have a chain of over 15 health centers with indications that it intends to continue growing its reach.

According to the government online health facilities register, eHealth Kenya, there are currently 172 specialist practice clinics, 453 general practitioner clinics among many other medical centers in Kenya. Physicians and Dentists also face competition from clinical officers, nurse practitioners and quacks. There is indeed a place for marketing to beat the competition and drive profits.

1.3 Problem Statement.

Market orientation is considered to be the modern marketing and strategic management philosophy employed by forward looking organizations in markets all over the world(Gebhardt, Carpenter, & Sherry, 2006). As such a lot has been studied about it across the globe in various sectors including the healthcare sector. Studies linking market orientation to positive business performance have looked at this relationship

in various sectors and in different parts of the world. Some of the aspects of business performance that have been explored when studying market orientation include but are not limited to employee performance, financial performance and customer satisfaction(Kirca, Jayachandran, & Bearden, 2005).

Market orientation could be seen as a situational factor as relates to employee performance when a market orientation is considered as an organizational culture. Whereas we found studies linking market orientation to better employee performance, no such study exists in the Kenyan healthcare context(Kirca, Jayachandran, & Bearden, 2005). The two healthcare organizations that were a part of this study were both found to have an employee performance management system hence showing that there is considerable interest in employee performance evaluation and improvement in the Kenyan healthcare sector.

Healthcare organizations are increasingly operating in a dynamic competitive environment hence the need for a market orientation to improve their ability to offer value that is consistently superior to their competitors. One of the changes in the health care service industry is in the fact that customers are more informed, empowered and as such demand that their needs are met. Competitive organizations therefore seek not to simply meet their needs but to delight their customers (Reisberg, 1996). Healthcare industry has typically been slow to embrace practices that place a high value on excellent service to wow customers. A report by the American Customer Satisfaction Index (ACSI) for 2017 shows that healthcare facilities in the United States of America rank 32nd in terms of customer satisfaction behind banks, computer software industry, restaurants, athletic shoe stores, supermarkets among others (American Customer Satisfaction Index, 2018). Findings from research done by the Beryl's Institute indicate that as of 2017, health care organizations in the United States of America are increasingly focusing on patient experience in recent years with as much as 82% of institutions identifying it in different ways as their top priority as an organization(Wolf, 2017). Whereas no equivalent local studies were found, these are a good pointer towards trends in healthcare and hence the need for a market orientation to improve customer satisfaction. A market orientation has been shown to improve customer satisfaction in healthcare industry in previous studies (Chen & Yongjun, 2008) and as such could help hospital managers to achieve better levels of customer satisfaction. The two organizations studied here all have different methods of measuring customer satisfaction hence showing further the importance of this as a performance measure. There are currently no studies linking market orientation to customer satisfaction in the private health sector in Kenya.

Financial performance in the health sector is important just as it is in other sectors. As businesses struggle to thrive and survive in today's competitive business world(Fekete & Bockskei, 2011), businesses have to

come up with innovative ways to grow their financial performance. A market orientation has been severally studied as one of the ways to improve financial performance with results showing a positive relationship between market orientation and business profitability (Narver & Slater, 1990). There are however no studies showing this relationship in the health sector in Kenya.

Several studies have established the positive association between market orientation and business performance. Studies on market orientation in health sector have been done because of the unique qualities of healthcare market that may lead into this market not behaving like other markets. These include aspects such as the consumer decision making being affected by the payer (e.g. insurance or parents and guardians), the service provider (e.g. in cases of referrals by physicians) as well as the information asymmetry that characterizes health service delivery.

Healthcare market in Kenya faces similar conditions especially for facilities that largely depend on insurance to pay for their services targeting the growing middle class in the country. We therefore seek to answer the question, ‘does a market orientation lead to better business performance in private healthcare facilities in Kenya’.

Literature search reveals that no study has been done in Kenya on effect of market orientation on business performance in the Kenyan Private Health sector. This research seeks to address this gap in marketing study and practice for healthcare managers in Kenya.

1.4 Research Objectives

- i. To assess the effect of market orientation on financial performance of private outpatient healthcare units.
- ii. To assess the effect of market orientation on employee performance of private outpatient healthcare units.
- iii. To assess the effect of market orientation on customer satisfaction in private outpatient healthcare units.

1.5 Research Questions

- i. To what extent does market oriented behavior influence the financial performance of private outpatient healthcare units in Kenya?
- ii. To what extent does market oriented behavior influence customer satisfaction in private outpatient healthcare units in Kenya?
- iii. To what extent does market oriented behavior influence the employee performance of private outpatient healthcare units in Kenya?

1.6 Scope of the Study

This study seeks to gain insights on market orientation's impact on health facility performance in selected outpatient health centers in Kenya.

The study includes outpatient health facilities of Africa Air Rescue (AAR) healthcare Kenya Limited and Avenue Healthcare. The study does not include any inpatient health facilities.

Study population is health center managers and marketing executives of these particular outpatient health facilities.

1.7 Significance of the Study

Literature search did not reveal any studies on market orientation in healthcare in Kenya. Further there was no research focusing on outpatient health facilities found. Whereas they hold many similarities with hospitals, outpatient health facilities are unique in many respects due to their smaller size, leaner staffing and smaller scope of services.

This research will help healthcare managers of outpatient facilities to have a basis for adopting market orientation as a strategy for their facilities.

Marketing scholars and academics in Kenya will find this study of great import as they seek to teach students on market orientation in the healthcare sector in Kenya.

The study will also help researchers to have a basis for further studies on market orientation in the health sector in Kenya and critical success factors related to business performance in Kenya.

The knowledge of the level of market orientation of health facilities in Kenya is important for insurance companies and other stakeholders in the health sector in Kenya who are interested in improving the experience of the consumer of health services in Kenya.



CHAPTER 2: LITERATURE REVIEW

This chapter examines what the existing literature says about market orientation and the various ways of measuring market orientation. It then establishes the most widely accepted tools for measuring market orientation and identifies the tool for use in this study.

This is followed by examination of the evolution of healthcare marketing and the characteristics and aspirations of the modern consumer of healthcare services.

Finally, there is a look at empirical studies showing the relationship between market orientation and a conceptual model for this study.

2.1 Introduction

A market orientation is one of alternative business orientations developed in the 1950s emphasizing the need to consistently create, communicate and deliver superior value to customers better than the competitors. The other orientations are the product, production and selling orientation. (Kotler & Keller, 2016). The production concept holds that customers prefer products widely available and inexpensive as such the seller focuses on high production efficiency, low cost and mass distribution. The Product Concept holds that consumers favor products with best quality, performance and features hence a focus on delivering superior products. The selling concept holds that consumers if left alone will not buy enough of the products hence a focus on pushing the product aggressively to consumers (Kotler & Keller, 2016).

2.2 Theoretical Review

2.2.1 Perspectives on Market Orientation

There are generally two perspectives on defining market orientation; the behavioral and the cultural. The behavioral definition was put forth (Kohli & Jaworski, 1990) following a literature review and twelve in depth field interviews of managers. It defines market orientation as consisting of organization wide intelligence gathering on competitors and customers, organization wide dissemination of the intelligence and organization wide responsiveness (Kohli & Jaworski, 1990). Responsiveness was further described as consisting of two sets of activities – response design (using market intelligence to develop plans) and response implementation (Jaworski & Kohli, 1993).

The cultural perspective based on literature review on marketing strategy and sustainable competitive advantage operationalizes market orientation as consisting of three components – customer orientation, competitor orientation, inter-functional coordination and 2 decision criteria – long term focus and profitability (Narver & Slater, 1990).

Market orientation scholars today have emphasized the need to distinguish between two forms of market orientation i.e. responsive and proactive (Atuahene-Gima, Slater, & Olson, 2005)(Voola & O'Cass, 2010). A responsive market orientation concerns itself with uncovering and satisfying expressed customer interests whereas the proactive form does the same for latent customer needs (Narver, Slater, & Tietje, 1998). Responsive market orientation's short term focus on the here and now reflects exploitation or adaptive learning whereas the proactive market orientation's focus on future markets reflects exploration or generative learning (Slater & Narver, 1998)(Atuahene-Gima, Slater, & Olson, 2005).

2.2.2 Healthcare Marketing Evolution

The concept of healthcare marketing is one that has been misunderstood and resisted by the health service industry, at least not until the mid-1970s globally. Today, marketing in healthcare is still met with a lot of distrust and often misunderstood by management in health service delivery. In fact many stakeholders in the health service industry are opposed to healthcare as a free market service due to consumers being disadvantaged since there is an imbalance of information (Greenspan, 2002).

Whereas health insurance and pharmaceutical industries have invested in marketing, many health professionals frown at marketing since they view it as unethical and unprofessional. Half of the context of healthcare marketing takes place in the consumer's mind, they come up with ideas, beliefs, perceptions and conclusions about healthcare organizations whether the healthcare executives participate in the process of influencing them or not(Thomas & Calhoun, 2007).

This in essence brings an understanding of marketing as reputation management. Whether we like it or not, people will have something to say about us, they will brand us or create a mental picture of us. Default reputation is almost always negative especially with increased publication of cases of medical malpractice and alleged negligence in the mainstream as well as social media. Deliberately planned and executed reputation management will lead to better reputation in the market place as well as increasing income and retaining business. Reasons for marketing include building awareness, enhancing visibility or image, improving market penetration, educating on positive healthy behavior, influencing customer

decision making, offsetting competitive marketing (defensive marketing), attracting medical staff and employees and creating an internal sales force(Thomas & Calhoun, 2007).

Health care organizations are increasingly doing various forms of customer satisfaction surveys as the industry experiences a shift in definition of quality care from provider perspective to consumer perspective. The internet age continues to influence how consumers make choices and interact with health service providers. Adoption of various forms of Information Communication Technologies has led to 'Health 2.0' which has helped to empower and educate the patient(Yamout, Glick, Lind, Monson, & Glick, 2011).

“Health 2.0 is the transition to personal and participatory healthcare. Everyone is invited to see what is happening in their own care and in the health care system in general, to add their ideas, and to make it better every day”(Eytan, 2008). Patient 2.0 is a term used to refer to the emerging patient who is conscious about digital interaction. This kind of patient seeks health information online, desires more involvement in the care delivery process, embraces health related applications and desires a quality experience in care environments (Buccoliero, Elena, Maria, & Solinas, 2016).

This has brought to greater focus the need for a market orientation in healthcare as the consumers begin to behave more like the consumers of other services.Indeed, it can be argued that since a market orientation primarily concerns itself with consistently creating, communicating and delivering superior value to customers better than the competition, Health 2.0 is a phenomenon of market orientation. This is especially true because Health 2.0 is a key step in the evolution of health service to a more personal and participatory model.

Traditional views of health service delivery placed the physician at the center of health service delivery supported by information asymmetry and recently by the dichotomy between payers and consumers. A shift is however taking place to consumer centered care as payers demand more value and better outcomes. Insurance companies present their members with lists of different providers to choose from. This includes health professionals, health centers and hospitals approved by them. Invariably, this has led to greater research by consumers so as to select providers who can best serve them. This has led to health service providers being keener on quality and customer satisfaction (Coughlin, Wordham, & Jonash, 2015).

A market orientation helps the healthcare institution to be more sensitive to the needs of the patient, to understand the views of the patient on quality service delivery and thus be able to serve them better. In developing countries like Kenya where private healthcare service has been growing for the past decade, increased competition makes a market orientation important as a strategy for assuring future growth of hospitals.

2.2.3 Market Orientation Antecedents and Construct

The past few decades have seen a shift by marketing practitioners and scholars from viewing marketing as a department to viewing it as a set of values or culture (Webster Jr, Malter, & Ganesan, 2005) with growing body of empirical studies showing the positive benefits of a market orientation on business performance (Langerak, 2003) (Kirca, Jayachandran, & Bearden, 2005). Marketing scholars increasingly view market orientation as the central concept of marketing (Kotler, 2000) as scholars in other fields such as management increasingly find it relevant (Besanko, Dranove, & Shanley, 2000) (Gebhardt, Carpenter, & Sherry, 2006). In this section we first elaborate on the antecedents of market orientation as described in the literature then proceed to construct market orientation based on the cultural definition put forth by Kohli and Jaworski (Kohli & Jaworski, 1990).

The antecedents of market orientation are broadly categorized into three areas namely top management factors, inter departmental factors and organizational systems (Jaworski & Kohli, 1993). Top management factors are important since top management determines and/or steers the value systems and culture of the organization (Webster, 1988). The more emphasis top management places on market orientation, the higher the degree of market orientation that will be exhibited by the organization (George, 1994) (Narver & Slater, 1990). Top management's consistent communication of market orientation as a business priority will lead to signaling of the employees to track changing markets, share the intelligence with colleagues within and across departments and respond to the market needs.

The definition of market orientation repeatedly uses the phrase 'organization wide' hence showing the importance of inter departmental factors as an antecedent of market orientation. The factors include inter departmental connectedness and conflict. These two work in opposition to each other leading to different consequences as far as market orientation is concerned. Interdepartmental connectedness concerns itself with the degree of formal and informal contacts/ networks among employees in the different departments leading to greater information sharing and more concerted coordinated efforts to respond to market needs which leads to a greater market orientation (Kennedy, Goolsby, & Arnould, 2003). Interdepartmental conflict is the tension which arises between departments due to perceived divergent goals. This inhibits

communication across departments thus lowering intelligence dissemination as well as hampering collaboration towards responding to market needs. This leads to lower market orientation (Jaworski & Kohli, 1993).

The third set of factors, organizational systems, consists of two variables namely centralization and organizational reward systems. Centralization refers to limited delegation of decision making authority in an organization (Hall, Haas, & Johnson, 1967) and it diminishes a market orientation by hampering efforts to generate intelligence, share it and respond to customer needs since employees always await the top management decision and direction on most matters (Jaworski & Kohli, 1993), (Matsuno, Mentzer, & Ozsomer, 2002). Organizational reward systems that are market oriented typically reward employees for factors such as customer satisfaction, building customer relationships and the likes, motivate employees to engage more in intelligence gathering, dissemination and responsiveness across the departments hence a greater market orientation (Jaworski & Kohli, 1993).

Based on the definition of a market orientation as the organization wide intelligence generation, dissemination and responsiveness to the intelligence, the first step in a market orientation is the generation of intelligence. Market intelligence generation for a market oriented organization differs from that of a customer led organization. While a customer led organization may focus only on the verbalized needs of the customer, a market oriented organization scans the market more broadly, has a longer term focus and is a generative learner (Slater & Narver, 1998). Market intelligence generation therefore not only pertains to customer needs and preferences but also includes latent and future needs and how they are affected by government regulations, competitors, technology as well as other environmental factors (Kohli & Jaworski, 1990). Market intelligence generation employs many of the traditional market research methods such as customer surveys, discussions with market players and secondary sources of data in combination with other techniques to discover latent needs and drive generative learning. Such techniques include observing how customers use the products in order to discover latent needs (Leonard & Rayport, 1997) and conducting market experiments for learning and improvement of the offering (Hamel & Prahalad, 1994). It also involves seeking to escape the 'tyranny of the served market' – a phenomenon that involves managers seeing the world only through the eyes of the current customers, by searching for unserved markets (Hamel & Prahalad, 1994). A key concern in healthcare is who the customer is, especially when the payer is different from the one receiving the service or where the one receiving the service is not the decision maker. These complex relationships have led to a wider definition of customer to include the payer as well as the patient and others who influence the customer (Kohli & Jaworski, 1990). Finally, intelligence generation is an organization wide responsibility to be carried out across all departments.

Intelligence dissemination as the next step underscores the fact that intelligence must be disseminated across departments for the organization to be able to respond to the market needs. In healthcare, service complaints must be communicated to the clinical team by the customer experience team for the clinical team to improve the offering or develop a new product, while finance needs to be notified in order to prioritize funding, marketing to market the new service and so on. Intelligence must be communicated, disseminated, shared and perhaps even sold to departments and individual employees in the organization. This should be done through both formal and informal structures (Kohli & Jaworski, 1990). A culture that encourages direct sharing of information as a means of improvement rather than for punitive reasons would likely enhance intelligence dissemination. Formal means are through departmental meetings, inter departmental meetings, reports, memos among others. Informal methods include stories about customers shared among employees. Information can flow to the marketing department or from the marketing department. Information flowing across the departments and within departments further strengthens the importance of horizontal communication which has been shown to be important for organizations in the service industry of which health care is one (Zeithaml, Berry, & Parasuraman, 1988).

Organization wide responsiveness is the action taken to respond to the intelligence generated and disseminated (Kohli & Jaworski, 1990). Responsiveness consists of two components namely, response design (using market intelligence to design plans) and response implementation (executing the plans) (Jaworski & Kohli, 1993). Responsiveness is not a function of one department and as such response design process needs to be done in a way that fosters inter departmental participation and coordination.

2.2.4 Consequences of Market Orientation

The consequences of market orientation are broadly classified into four classes namely financial, customer, innovation and employee categories (Jaworski & Kohli, 1996).

The literature advances the idea that a market orientation gives an organization market sensing and customer linking properties that lead to superior financial performance (George, 1994) (Hult & Ketchen, 2001). Performance measures include cost based performance measures such as profits which account for performance after accounting for the cost of implementing strategy and revenue based performance measures such as sales which account for performance before factoring the cost of implementing strategy. Additionally, research has also measured financial performance using managers' perception of organizational performance relative to the organization's goals, relative to the industry and competition (Kirca, Jayachandran, & Bearden, 2005). Such measures include return on assets, market share and growth

rate among others. Overall, evidence suggests that market orientation enhances business financial performance (Jaworski & Kohli, 1996)(Kirca, Jayachandran, & Bearden, 2005)(Deshpande, Farley, & Webster, 1993).

Customer consequences are understood to include measures such as customer satisfaction, customer loyalty and customer perceptions of the quality, turnaround time, service levels and value of products or services the organization offers (Jaworski & Kohli, 1996). A market oriented organization actively works to create and maintain superior customer value thus positively influencing customer perceived quality of products and services (Brady & Cronin, 2001). Market oriented organizations anticipate customers' needs and prepare to satisfy them by developing new products and services as well as product improvements thus enhancing customer satisfaction and loyalty (Slater & Narver, 1994),(Kirca, Jayachandran, & Bearden, 2005).

Innovation consequences include innovativeness which is described as the ability of an organization to create and implement new ideas, products and processes (Hult & Ketchen, 2001) and new product performance described as the success of new products and services measured by market share, sales, return on investment and profitability(Im & Workman, 2004). Market orientation is posited to drive innovativeness and new product performance because it places a premium on customers expressed as well as latent and future needs and greater use of information cross the organization. Market orientation has been shown to have a strong positive association with new product performance (Abdul Adis & Jublee, 2010),(Ramaseshan, Caruana, & Ewing, 1999),(Ramaseshan, Caruana, & Pang, 2002) as well as with innovation (Atuahene-Gima, 1996),(Kirca, Jayachandran, & Bearden, 2005).

Employee consequences of market orientation posited by the literature include employee team spirit, employee organizational commitment (willingness to sacrifice for the organization), employee customer orientation (i.e. the motivation of employees to discover and satisfy customer needs), and job satisfaction (Kirca, Jayachandran, & Bearden, 2005). Market orientation does this by creating a sense of pride in employees of belonging to an organization in which all employees are united towards a common goal of satisfying customers' needs. When the common objective is accomplished then employees feel more worthwhile, have a sense of belonging, are more satisfied and more motivated to keep being market oriented (Kohli & Jaworski, 1990),(Jaworski & Kohli, 1993). Market orientation also reduces role conflict among employees which is defined as the incompatibility of communicated expectations that hamper employees' role performance (Kirca, Jayachandran, & Bearden, 2005),(Siguaw, Brown, & Widing, 1994).

2.2.5 Theoretical Review Summary

Market orientation can be defined either as behavior or culture. Behavioral definition defines market orientation as consisting of organization wide intelligence gathering on competitors and consumers, organization wide dissemination of the intelligence and organization wide responsiveness (Kohli & Jaworski, 1990). The cultural definition defines market orientation as consisting of customer orientation, competitor orientation and inter-functional coordination (Narver & Slater, 1990).

The antecedents of market orientation are broadly classified into top management factors, inter departmental factors and organizational systems. These have been shown to lead to an organization becoming market oriented. Top management factors involve management emphasis on market orientation. Inter departmental factors include connectedness and interdepartmental conflict whereas organizational systems include centralization and reward systems.

Market orientation is associated with improved business performance including customer satisfaction, financial performance, innovation and employee performance. This association is true in hospitals as well as in other businesses (Kirca, Jayachandran, & Bearden, 2005),(Chen & Yongjun, 2008).

2.3 Empirical Review: Market Orientation and Business Performance

A positive relationship between market orientation and business performance has been confirmed through numerous studies including some Meta analyses (Kirca, Jayachandran, & Bearden, 2005)(Ellis, 2006).

One study found that for commodity and non-commodity businesses, market orientation was positively associated with profitability as measured by relative return on investment as well as customer retention rate (Narver & Slater, 1990). The study population consisted of a sample of 140 strategic business units of a major western corporation for which questionnaires were administered to their respective top management teams.

A study on the antecedents and consequences of market orientation showed that market orientation is positively associated with employees' organizational commitment. The study also found a positive relationship between market orientation and financial performance when judgmental measures were used but no association when the more objective measure – market share was used. The results for market share were explained by questioning the suitability of market share as an indicator of performance given that some companies deliberately pursue a focus strategy being less concerned with share positions as well as

the possible lag between adopting market orientation and improving market share (Jaworski & Kohli, 1993).

A market orientation is associated positively with overall business performance, financial performance (e.g. profits, sales), market performance (includes measures like market share, perceived quality, customer loyalty, customer satisfaction) and innovation (Kirca, Jayachandran, & Bearden, 2005).

Studies done in hospitals on relationship between market orientation and hospital performance have generally shown a positive relationship. A study on market orientation in Taiwan involving mid and top level executives of public and private hospitals in Taiwan with more than 100 bed capacity revealed that market orientation positively influences organizational performance as measured by subjective measures of healthcare quality, profitability, revenue and financial performance. This was based on questioning the executive to rate progress over these measures in the last 3 years. The study also concluded that attention to professional ethics, organizational entrepreneurship and environmental uncertainty were some of the factors affecting adoption of market orientation by hospitals with private hospitals showing a higher degree of the three hence higher levels of market orientation than public hospitals (Lin, 2011)

Another study involving hospitals used a scale that had 14 different activities to determine level of market orientation and effect on financial performance across 1016 hospitals in the United States with a capacity of 250 beds or more. The authors found that higher levels of market intelligence and inter functional coordination led to higher performance in hospitals and concluded that market orientation significantly affects financial performance (McDermott, Franzak, & Little, 1993).

A survey done in the United States used a market orientation scale developed by the team performing the survey that included 5 dimensions (customer philosophy, adequate marketing information, strategic orientation, operational efficiency and integrated marketing information) and 287 items. The survey involving senior administrators of 61 hospitals found a significant association between line administrators' scores and hospital performance and no significant association between marketing activities and hospital success (Wren, LaTour, & Calder, 1994).

In a survey of 293 top executives from 176 hospitals in the United States, the researchers used MARKOR to measure market orientation and 19 measures of performance clustered into 3 dimensions – financial, market/product development and internal quality. They concluded that market orientation had a significant impact on each of the dimensions of the performance measures (Raju, Lonial, & Yash, 1995)

Yet another study using Structural Equations Modeling, analyzed data from 175 hospitals in the United States thus confirming the strong relationship between market orientation and performance which was found to be much stronger for smaller hospitals (Raju, Lonial, Yas, & Ziegler, 2000).

A Beijing study used a scale developed by the researchers consisting 5 dimensions (customer intelligence, environment intelligence, intelligence dissemination, customer satisfaction and inter functional coordination) and 21 items to survey 102 nonprofit hospitals in Beijing. The study concluded a strong relationship between market orientation and hospital performance. Performance measures were grouped into four – customer, employee, financial and operational (Chen & Yongjun, 2008).

Whereas the relationship between market orientation and hospital performance is multi-dimensional, what stands out from the literature is that market orientation leads to better business performance.

2.4 Research Gap

The literature review found no research in Kenya on market orientation and business performance in the healthcare sector. Most of the research done on market orientation and business performance has been based on data collected from one individual from each organization typically from management.

This study looks at the healthcare sector in Kenya and involves data collection from the management and marketing executives.



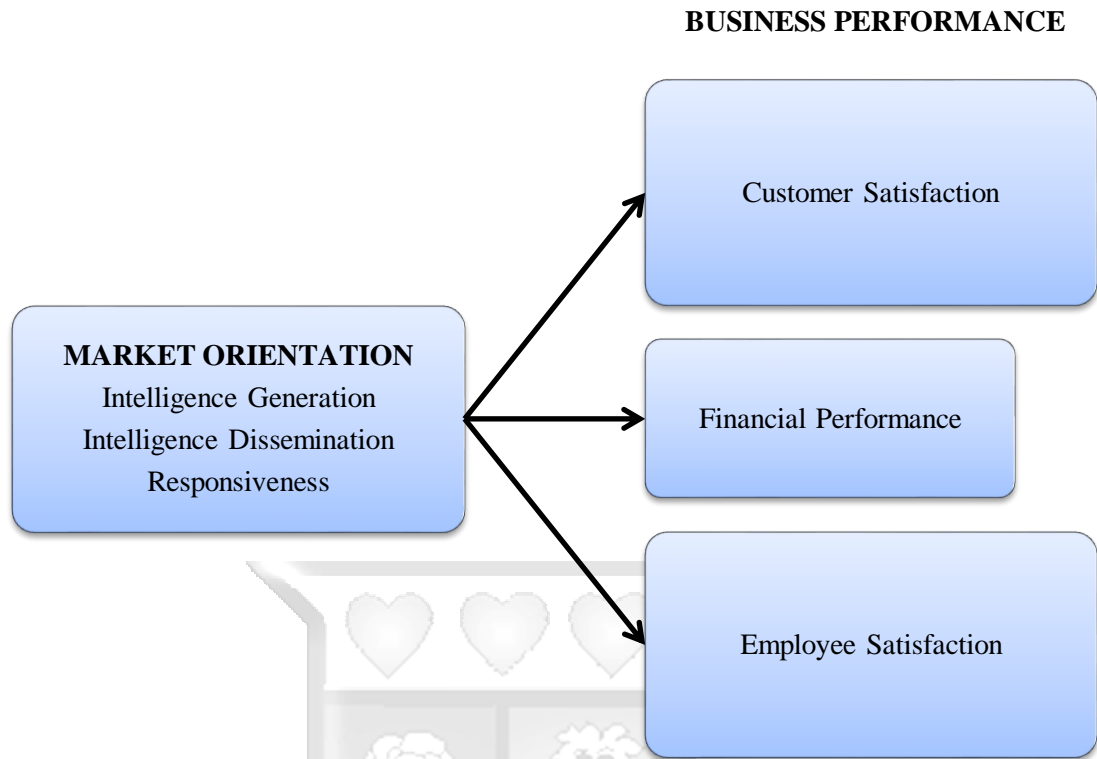


FIGURE 1.1: CONCEPTUAL FRAMEWORK

Market orientation will be measured using the MARKOR scale. Customer satisfaction will be measured using internally generated customer satisfaction scores as well as through subjective interviews with health center managers. Financial performance will be measured using interviews with managers. Employee performance will be measured using interviews with managers whereas staff satisfaction will be measured using interviews with managers and marketing executives.



CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research Design

The research is a cross sectional study design utilizing quantitative data since the study aims to assess the relationship between market orientation and business performance in outpatient health facilities in Kenya.

3.2 Sampling

3.2.1 Study Setting and Population

The study population is health center managers and marketing executives of 2 private healthcare organizations in Kenya with chains of outpatient health facilities that operate as strategic business units. These are Avenue Healthcare and Africa Air Rescue Healthcare Kenya limited.

Avenue healthcare had 15 outpatient health facilities whereas AAR Healthcare had 18 outpatient centers as at the time of the study. These healthcare organizations were selected since they cater to the same market: middle class with medical insurance and usually compete for the same market. They were also selected because their health centers operate as profit centers/ strategic business units with functional managers for their units which are spread across the country.

In each of these facilities, the health center manager and the marketing executives or their equivalents were interviewed. These have been selected due to their perceived knowledge of the health center performance and marketing practices.

TABLE 1: STUDY POPULATION

	AAR Healthcare Kenya	Avenue Healthcare	Total
Outpatient Centers	18	15	33
Health Center Managers	18	15	33
Marketing Executives	12	5	17

3.2.1 Sampling Procedure

Total number of outpatient units being 33, initially questionnaires were sent to all the health center managers and marketing personnel in the outpatient units. The total number of health center managers targeted was 33 whereas the total number of marketing executive was 17. The reduced number of marketing executives was due to the fact that some health centers were sharing marketing staff.

Out of the total of 50 personnel requested to participate, 37 of them consented to participate representing 26 health center managers and 11 marketing executives.

3.3 Data Collection

Data was collected from health center managers and marketing executives through purposive sampling. Purposive sampling was chosen since the nature of information sought could only be obtained from the particular staff chosen for this study, i.e the managers and marketing executives. Information on marketing activities and performance of the Outpatient centers could only be best obtained from them. Questionnaires were sent to all the managers and marketing executives of the two organizations under study.

The questionnaires included the MARKOR scale to assess market orientation and other sections to assess business performance. The MARKOR scale is considered one of the two most significant and significant measures of market orientation widely accepted by researchers (Farrel & Oczkowski, 1997). Its Cronbach's alpha score of 0.85 is above the recommended 0.7 (Kohli, Jaworski, & Kumar, 1993) hence showing reliability (Nunally & Bernstein, 1994).

There are various scales for measuring market orientation (Churchill, 1979), (Deshpande, Farley, & Webster, 1993), (Wren, LaTour, & Calder, 1994), (Wrenn, 1997), however the most cited in the literature are two- one by Kohli and Jaworski (Kohli & Jaworski, 1990) and the other by Narver and Slater (Narver & Slater, 1990).

The method advocated for by Narver and Slater is commonly referred to as MKTOR and includes 3 behavioral components and two decision criteria as previously discussed in section 2.1.1 above. The two decision components were excluded after applying Cronbach alpha coefficient. MKTOR has 15 items with each item graded on a 7 point Likert scale where a score of 1 implies absence of that particular activity while 7 is the highest possible score. Customer orientation includes 6 items, competitor orientation 5 and inter functional coordination has 4 items. The market orientation of the business is calculated as a simple average of the three components' 7 point Likert scale (Narver & Slater, 1990).

MARKOR by Kohli and Jaworski has 20 items on the basis of a 5 point Likert scale with three components i.e. intelligence generation, intelligence dissemination and responsiveness which factors planned and implemented response (Jaworski & Kohli, 1993). In this study we employ the MARKOR scale.

Questionnaires were administered to outpatient health center managers and marketing executives in each business unit. MARKOR scale will be used to assess market orientation. The MARKOR scale is considered one of the two most important and significant measures of market orientation widely accepted by researchers (Farrel & Oczkowski, 1997). Its Cronbach's alpha score of 0.85 is above the recommended 0.7 (Kohli, Jaworski, & Kumar, 1993) hence showing reliability (Nunally & Bernstein, 1994).

The MARKOR scale is a 20 item scale developed by Kohli et al (Kohli, Jaworski, & Kumar, 1993) to measure market orientation. The scale helps to assess the degree of market orientation of a given business unit based on a series of 20 question with required responses on a 5 point Likert scale ranging from strongly disagree to Strongly agree (Kohli, Jaworski, & Kumar, 1993). The scale assesses market orientation based on the components of market orientation as described in the behavioral approach namely organization wide intelligence gathering on customers and competitors, organization wide intelligence dissemination and organization wide responsiveness to the intelligence (Kohli & Jaworski, 1990). The higher the score, the more market oriented the organization is.

In assessing business performance, data internally generated by the business unit such as employee performance and customer satisfaction were used.

On financial performance, participants were asked to rate their degree of satisfaction with certain measures of financial performance on a 7 point Likert scale ranging from Not at all to Completely Satisfied. Customer satisfaction was measured using internally generated customer satisfaction surveys which all the outpatient centers had. Employee performance was measured by asking the participants to rate out of 10 employee performance either based on their perceptions or based on any existing performance evaluation tool they have.

All completed questionnaires were stored safely in a locked cabinet accessible to the researcher only. The questionnaires had no names or identifying marks or symbols of the study participants or their health centers to ensure confidentiality. Once data was entered into excel and STATA software version 12, it was stored in a password protected computer with access limited to the researcher only.

3.4 Data Analysis

Quantitative data analysis techniques were used including both inferential and descriptive analysis. Qualitative data was transformed into quantitative data by organizing responses into themes and coding them before data entry. Data was cleaned and fed into STATA software version 12.

Descriptive statistics were generated to give an overview of the staff designation characteristics and market orientation scores. Variables of interest were market orientation score, staff job title, customer satisfaction, employee performance, financial performance and years they have worked in that particular unit. Mean, median and standard deviations were calculated.

Results are presented in form of tables, figures and narrations.

Multivariate regression analysis was conducted to identify relationships between the participants and key questions the study seeks to answer. Regression analysis is useful for this study since we are comparing a relationship between market orientation and various variables of business performance.

3.5 Data Reliability and Validity

Market orientation was measured using MARKOR an instrument whose validity has been established and is widely used as a measure of market orientation by marketing scholars and practitioners as already demonstrated in the literature review. Cronbach's alpha for the MARKOR scale was already established to be 0.85 proving its reliability (Kohli, Jaworski, & Kumar, 1993).

Business performance measures used in the questionnaire have been obtained from the literature review conducted and thus proven to be valid measures that will give good quality to this research. The questionnaire was tested through a pilot group of 10 individuals from the study population to familiarize with research, its administration and identify areas that need modification to enhance validity and reliability. Cronbach's alpha for this particular study for the MARKOR scale was calculated and found to be at 0.9 hence further confirming reliability. Below are the results of the pilot study.

Research assistants were trained prior to administering the questionnaires to minimize response bias.

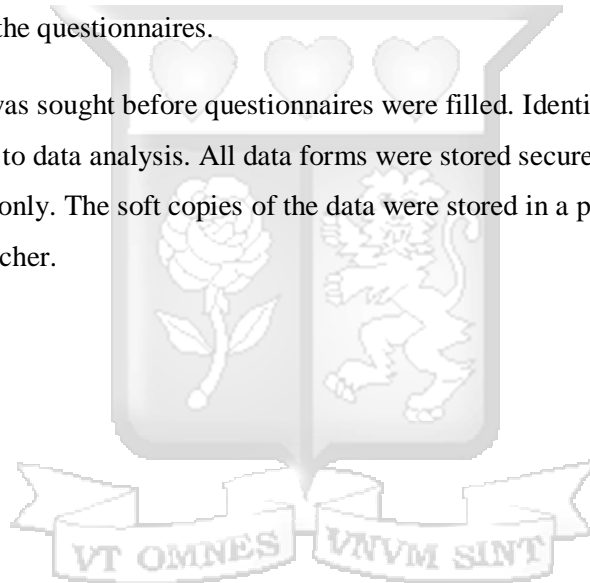
TABLE 2: DESCRIPTIVE STATISTICS FOR PILOT STUDY

Variables	Observations	Mean	Minimum	Maximum	Median
Market Orientation	10	76.4	64	86	77
Employee performance	10	7.33	6	9	7
Customer Satisfaction in last 1 year	10	8.44	8	9	8
Financial performance score	10	5.083	3.875	6.25	5.125

3.6 Ethics Issues in Research

Ethical approval was sought from the Strathmore University Institutional Review Board to collect data from human subjects using the questionnaires.

Voluntary written consent was sought before questionnaires were filled. Identifiable data that may be reported was removed prior to data analysis. All data forms were stored securely in a lockable cabinet accessible to the researcher only. The soft copies of the data were stored in a password protected computer only accessible to the researcher.



CHAPTER FOUR: FINDINGS

4.1 Introduction

This chapter presents the findings of the study. It begins with an overview of the characteristics of the respondents then goes ahead to report on the impact of market orientation on employee performance, financial performance and customer satisfaction.

Thereafter, it evaluates the difference in scores of the 4 variables as reported by Health center managers on the one hand and marketing executives on the other hand.

The findings are presented in form of tables, charts, graphs and narrations.

4.2 Overview of Respondent Characteristics

Overall, 50 respondents were reached in this study and 37 consented to participate and gave usable responses. 26 of the respondents were health center managers whereas 11 were marketing executives hence 70.27% of the respondents were health center managers with marketing executives accounting for 29.73% of the total respondents. This was expected because some of the outpatient centers were sharing marketing executives.

TABLE 2; SUMMARY OF RESPONDENT CHARACTERISTICS

	HEALTH CENTER MANAGER	MARKETING EXECUTIVE
Total Number	26	11
% with 0-6 months' work experience at health center.	26.92	54.55
% with 6 months – 1 year work experience at health center.	3.85	18.18
% with 1 – 2 years' work experience at health center.	19.23	9.09
% with more than 2 years work experience at health center.	50	18.18

50% of the health center managers had worked in their respective units for more than 2 years whereas 54.55% of the marketing executives had only worked in their respective health centers for 0 to 6 months. Table 1 above gives a summary of respondent characteristics.

TABLE 3: DESCRIPTIVE STATISTICS

Variables	Observations	Mean	Standard Deviation	Minimum	Maximum	Median
Market Orientation	37	74.600	14.8724	36	99	77
Intelligence Generation	37	3.559	0.772	2	5	3.5
Intelligence Dissemination	37	3.762	0.953	1.4	5	4
Responsiveness	37	3.844	0.9093	1.556	5	4
Employee performance score	37	7.6216	0.9818	6	10	8
Customer Satisfaction in last 1 year	37	8.4054	0.9267	6	10	8
Financial performance score	37	5.233	1.091	1.125	7	5.375

4.3 Market Orientation

As shown in Table 2 above, the mean market orientation score was 74.6 with values ranging from a minimum of 36 to a maximum of 99 with a standard deviation of 14.67. The values were obtained by adding the various scores from each of the questions pertaining to market orientation as in the MARKOR scale for each respondent. The scores for the components of market orientation were calculated by taking an average of all the scores for each question pertaining to that particular component. Intelligence

generation had six questions assessing it, intelligence dissemination had 5 questions whereas responsiveness took the rest of the 9 questions.

Looking at the various components of market orientation, the best scores were from the responsiveness component with mean scores of 3.844 showing while the poorest score was 3.559 for Intelligence generation. It is still however useful to note that all the three components had high scores showing that the high market orientation scores are a result of excelling in all the components.

Table 3 below illustrates the difference in market orientation as scored by managers vis a vis marketing executives. Overall, health center managers tended to give lower scores for market orientation than marketing executives. Whereas the mean market orientation score for marketing executives was 80.18, that of health center managers was 72.35. The least score given by marketing executives for market orientation is 63 whereas that given by health center managers is 36 with managers giving a maximum score of 99 in comparison to a maximum of 93 from the marketing staff.

TABLE 4: COMPARISONS OF THE SCORES FOR MARKET ORIENTATION AS GIVEN BY MARKETING/SALES STAFF AND HEALTH CENTER MANAGERS.

Measure	Health Center Managers	Marketing Staff
Total Score	1881	882
Mean	72.35	80.18
Maximum	99	93
Minimum	36	63
Median	73.5	82
Mode	81	74

4.4 Financial Performance

Financial performance was measured using a series of 8 questions as in the attached questionnaire that assessed various aspects of financial performance. Each aspect was scored based on a likert scale ranging from 1 to 7 as lowest to highest possible score respectively. Based on this, the maximum possible score for any Health Center was 56 with lowest possible score being 8. Overall, the mean financial performance score was 41.8857 with scores ranging from a minimum of 9 to a maximum of 56 and a standard deviation of 15.59.

We further compared how health center managers perceived financial performance vis a vis the marketing executives. This was done by separating the data for financial performance scores into two sets based on whether the respondent identified themselves as a marketing executive or as a health center manager. We then calculated mean, median, maximum and minimum scores on excel. Findings are as illustrated in Table 4 below.

In general managers had a lower mean financial performance score at 41.2 as compared to a mean financial performance score of 43.5 by marketing executives. The difference in the means being a small difference shows that their perception of financial performance were not as diverse.

TABLE 5 COMPARISONS OF THE SCORES FOR FINANCIAL PERFORMANCE AS GIVEN BY MARKETING STAFF AND HEALTH CENTER MANAGERS.

Measure	Health Centre Managers	Marketing Staff
Mean	41.15384	43.5453
Maximum	56	52
Minimum	9	36
Median	42	42

4.4.1 Effect of Market Orientation on Financial Performance

In order to examine the relationship between market orientation (response variable) and financial performance (outcome variable), the data was cleaned and imported from Microsoft Excel to Stata software version 12 and Ordinary Least Squares fitted since the outcome variable was continuous.

As in the table 5 below, at P value of 0.652, confirms a positive relationship between market orientation and financial performance which is neither significant at 90% confidence interval nor at 95% confidence interval.

R value of 0.0849 confirms a very weak positive relationship between market orientation and financial performance.

TABLE 6: FINANCIAL PERFORMANCES SCORE (OUTCOME VARIABLE) AND MARKET ORIENTATION (RESPONSE VARIABLE)

Variables	Coefficients	Robust Std.				
Financial performances score		Errors.	T	P>t	[95% Interval]	Conf.
Market orientation score	0.0891222	0.1960208	0.45	0.652	-0.3096851 0.4879	
Constant	68.1474	15.48599	4.40	0.000	36.64093	99.654

R = 0.0849

R Squared = 0.0072

4.5 Employee Performance

Employee performance was measured using individual health facility generated performance management systems. Out of 37 respondents, only one answered in the negative when asked about the existence of an internal employee performance evaluation system. For this particular respondent they were asked to give their subjective opinion on the average staff performance score at their health facilities.

All values were recorded out of a maximum score of 10.

The mean employee performance score was 7.6216 with the maximum score being 10 and the minimum being 6 and a standard deviation of 0.9818 (See Table 2 above).

To examine the correlation between employee performance and market orientation, data set was imported from excel to Stata software version 12 and ordinary least squares regression model fitted. Table 7 below gives a summary of the results.

Variables	Coefficients	Robust Standard Errors				
Employee performance score			T	P>t	[95% Conf. Interval]	
Market orientation score	0.017029	0.00974	1.82	0.078	-0.0021	0.0375

Constant	6.336386	0.77077	8.22	0.000	4.7682	7.90450
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TABLE 7: EMPLOYEE PERFORMANCE (OUTCOME VARIABLE) AND MARKET ORIENTATION (RESPONSE VARIABLE)

R = 0.2579

R squared = 0.06665

In terms of employee performance, an increase in market orientation score by 1% increases the employee performance score by 0.017. This is statistically significant at 10% level of significance with a P value of 0.078 but statistically insignificant at 95% confidence interval. Due to the small sample size, we choose to use 90% confidence interval.

R of 0.2579 confirms a weak positive relationship between market orientation and employee performance.

4.6 Effect of Market Orientation on Customer Satisfaction

Customer Satisfaction was measured using individual health facility facilitated customer satisfaction surveys. This was scored on a scale of 1 to 10 with 10 being the highest possible score.

Overall, mean customer satisfaction score was 8.41 with the highest score being 10 and the minimum score at 6 (See Table 2 above).

Comparisons on how the customer satisfaction scores given by the marketing executives differed to the scores as given by health center managers was done. Findings indicate that the scores were almost the same hence showing that the two probably perceive the degree of market orientation of their facilities in a similar fashion. Mean customer satisfaction score as reported by marketing executives was 84.55 whereas the mean score was 83.46 as reported by health center managers.

To assess the relationship between market orientation and customer satisfaction, the data set was imported from Microsoft Excel to Stata software version 12 and ordinary least score regression model fitted. Table 7 below presents a summary of the results.

TABLE8: CUSTOMER SATISFACTION (OUTCOME VARIABLE) AND MARKET ORIENTATION (RESPONSE VARIABLE).

Customer satisfaction in last 1	Coefficients	Standard	t	P>t	[95% Conf. Interval]
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year		Error				
Market orientation score	0.02344	0.01064	2.20	0.034	0.0018398	0.0450403
Constant	6.6531	0.83225	7.99	0.000	-0.7992574	8.342671

R = 0.3912

R squared = 0.153

There is a positive relationship between market orientation and customer satisfaction with a P value of 0.034 showing statistical significance at 95% confidence interval. R value of 0.3912 confirms a weak positive relationship between market orientation and customer satisfaction.



CHAPTER 5: DISCUSSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the key findings and their implications for future research and managerial decision making as concerns marketing strategy.

Overall the study has demonstrated an association between market orientation and the various variables of interest examined here that contribute to business performance. The associations have been weak positives with the strongest being between market orientation and customer satisfaction.

Larger studies need to be done to further confirm the association and establish the most critical success factors that impact business performance in the Kenyan health sector.

5.2 Discussion

5.2.1 Market Orientation

Market orientation is recognized as the standard of modern marketing practice and its application in organizations especially in the service industry is a matter that has been explored for decades. In a highly competitive environment like the Kenyan private health sector, it is not surprising that the degree of market orientation was high in the organizations under study.

This can be explained by the fact that these healthcare organizations have both implemented aggressive expansion plans in the last decade fueled to a large extent by private investors acquiring significant stakes in these businesses with the hopes of getting good returns on investment. As the literature review noted, markets characterized by turbulence and competitive intensity tend to have higher levels of market orientation (Jaworski & Kohli, 1993) which is the situation in the Kenyan Private health care field.

Previous studies have shown that health service providers are becoming keener on quality service and customer satisfaction (Coughlin, Wordham, & Jonash, 2015). The high scores for market orientation in this study seem to agree that indeed there is a shift even within the Kenyan healthcare industry context to embracing market orientation as a culture that would lead to better customer satisfaction.

In a situation where all the business units are market oriented, market orientation therefore becomes more of a bare minimum than a differentiation strategy to give a competitive advantage to the market oriented business.

It is interesting to note the difference in market orientation scores by marketing executives visa vis the scores by health center managers. Marketing executives scored higher mean market orientation scores compared to health center managers. Could this be due to a relatively lower level of intimate knowledge of the market orientation environment in business units by marketing executives especially in situations where they are a shared resource by a number of health facilities? Or could there be other factors behind this? This is an area that potentially needs further research to explore the difference and find out the factors that may be behind it.

Finally, the high scores for market orientation go a long way to confirm that healthcare managers in Kenya are adopting market oriented behavior as well as increasingly providing space for marketing practitioners in the business.

5.2.2 Effect of Market Orientation on Employee Performance

Employee performance in service industries like the health sector is very key since they determine the quality they give. Performance evaluation tools are typically designed to enable performance improvement as well as provide a basis for reward systems. It is therefore an important goal for many organizations to improve employee productivity and to continually grow and retain quality staff.

Employee performance was measured on a scale of 1 to 10 where respondents were asked to either give the score according to their facility based employee performance management tool or estimate based on their subjective opinions in case they had no such tools in place. All the respondents indicated that they had a performance management tool.

The finding of this study that market orientation is positively associated with employee performance is in line with consistent findings in the studies seen in the literature review. Previous studies have already shown that indeed market orientation increases employee performance by among other factors improving the employee team spirit and reducing role conflicts (Kirca, Jayachandran, & Bearden, 2005)

The mean employee performance score was 7.62 with a maximum of 10 and a minimum score of 6. This shows that generally, performance levels for employees in these facilities are very high. However, scores such as 10 being the maximum possible score appearing as average scores for employees put to question

the reliability and/or usefulness of these particular performance management tools. If the objective of performance management is to improve performance, then a score of 100% could either mean the employees have no more room for growth or they are mismatched for the jobs or that the goals and targets are too low. Seeing as this was not the subject of the study, it would be important to study more in depth the various performance management tools used in health facilities in Kenya, their reliability and probable effect on employee productivity and satisfaction.

Overall, the high employee performance scores are seen to correspond to the equally high market orientation scores. In some cases, health facilities that scored very low market orientation scores ended up having very high employee performance scores e.g. one facility that had a market orientation score of 36 had employee performance score of 8 out of the maximum possible score of 10. This could be either due to poor quality of employee performance management systems or again it may mean that there are other more important factors that affect employee performance.

From the study, a positive association between market orientation and employee performance was established as weak positive association. Based on the P value of 0.078 the study concludes that market orientation leads to better employee performance on a 90% confidence level. The use of 90% confidence interval is justified in this study due to the small number of observations i.e. 37. It would be useful to carry out larger studies to confirm this relationship.

5.2.3 Effect of Market Orientation on Financial Performance

Financial performance was measured by asking respondents to grade on a scale of 1 to 7 their degree of satisfaction with certain measures of financial performance is in the questionnaire (see Appendix). The final score was expressed as a percentage of the maximum total possible score of 56.

The facilities under study being private for profit healthcare organizations must hold financial performance as very key for the sake of investors getting their returns as well as for the continual life of the business.

Overall, financial performance scores were high, with a mean financial performance score of 74.76 and values ranging from a minimum of 16% to a maximum of 100%. This in effect shows that the health facilities under study were to a large extent enjoying good financial health. This is an important finding for investors looking to invest in the Kenyan health sector showing that it has good potential for returns seeing as most of the managers and marketing executives are satisfied with the financial performance.

The mean financial performance scores as scored by marketing executives was 77.76 where the managers scored a mean of 73.5 a small difference by all means. The mean score by the managers could have been affected by the outlying figures of 16.1% and 35% hence explaining the difference in the financial performance scores. Compared to the larger difference in market orientation scores (mean of 72.4 for managers and 80.2 for marketing executives), we conclude that the perceptions of marketing executives and managers on financial performance generally showed that they agreed to a larger extent.

A study in Taiwan on effect of market orientation on business performance showed that there was a positive association with measures of financial performance as rated by mid and top level executives of various hospitals such as market share, profitability, return on investment among others (Lin, 2011). Findings for this study were similar to this and other studies done in hospitals.

The study revealed a weak positive relationship between market orientation and financial performance. This was actually the variable that showed the weakest association with market orientation of the 3 variables under consideration in this study. R value of 0.0849 confirms a weak positive relationship whereas p value of 0.652 is not significant at 90% confidence interval.

Kumar et al already demonstrated that environmental turbulence and competitive intensity moderate the main effects of market orientation (Kumar, Jones, Venkatesan, & Leone, 2011). As such it may be expected that very low competitive intensity or high competitive intensity could lead to either good financial performance or poor financial performance respectively regardless of the market orientation scores. A health facility located in an area where the competitive intensity is low or that provides services not provided by its competitors may therefore record better financial performance despite low market orientation.

More research would need to be done on a larger scale to see whether this relationship still holds and to control for other factors that might affect business performance. Even though previous studies have found a strong association between subjective measures and their objective counterparts, it would be useful to compare objective measurements of financial performance with market orientation scores to further assess this relationship in the Kenyan healthcare context (Dess & Davis, 1984).

5.2.4 Effect of Market Orientation on Customer Satisfaction

Customer satisfaction scores were elicited by asking the respondents whether they have a formal internal customer satisfaction survey. All the respondents answered in the affirmative. They were then asked to record their latest score in the past 1 year as a health center. The fact that all health centers had internal

customer satisfaction surveys shows that health care organizations in Kenya are interested in getting customer feedback and hence probably an indicator of emphasis on quality and being customer centric.

Customer satisfaction is important for organizations since higher levels could mean better customer retention, customer loyalty and strengthening of the brand, all of which would lead to better financial performance.

Overall, it was noted that customer satisfaction scores were high across the board with a mean customer satisfaction score of 8.4 out of a maximum possible score of 10. The maximum score was 10 whereas the minimum score was 6.

Out of the 37 respondents, 3 reported that their customer satisfaction survey captured less than 10% of their customers a situation which could reflect that the health facilities have not put in place adequate mechanisms for customer feedback. Having all the facilities under study responding that they have internal customer satisfaction surveys is a good indicator that there is a degree of customer mindset in the managers of these health facilities.

Market orientation was found to have a positive association with customer satisfaction, the strongest relationship of the variables under consideration. This shows that the more market oriented a health center is, the higher the customer satisfaction levels results which are consistent with previous research on market orientation and customer satisfaction (Chen & Yongjun, 2008).

5.3 Conclusion

The study finds that market orientation improves customer satisfaction, employee performance and financial performance. The strongest association was between market orientation and customer satisfaction with the weakest being between market orientation and financial performance.

The study also found that the health facilities under study generally had high scores for market orientation, employee performance, financial performance and customer satisfaction. This shows that the health facilities under study are highly market oriented and enjoy good business performance.

We therefore conclude that market orientation affects positively business performance in the Kenyan health sector. We also note that there are other factors that affect business performance in the Kenyan health sector which may potentially be more important and significant than market orientation. As such, these should form basis for future research on market orientation in the Kenyan healthcare sector.

5.4 Recommendations

This study has demonstrated that health facilities are embracing market orientation and with it gaining better customer satisfaction, employee performance and financial performance.

Managers need to explore more on how to create and sustain a market orientation for the purpose of implementing it to improve business performance in healthcare.

It is also recommended to health center managers to adopt market orientation as a strategy to improve customer satisfaction, employee performance and financial performance.

It is also recommended that further research be done to explore the set of behaviors and practices that may best enable a healthcare facility in Kenya establish a market orientation.

5.5 Limitations of the Study

Despite significant findings from the study, generalizability may be hampered due to a small sample size and the fact that it only included two organizations. Small sample size also led to values with a lower confidence level which we placed at 90% confidence.

The study also used subjective measures for financial performance which makes it difficult to compare different healthcare units in terms of effect of market orientation on their business performance. Use of internally generated customer satisfaction scores and employee performance scores could also possibly lead to transmission of scores into the study whose validity and reliability could not be assessed by the researchers.

5.6 Areas for further Research

There is need for a larger study incorporating more health facilities done in Kenya in order to more adequately establish the link between market orientation and business performance in the private health sector in Kenya. This should probably include controlling for other factors that may affect business performance aside from market orientation.

It would also be useful to explore the differences in perceptions of market orientation between managers and marketing executives. Although this study shows a difference, it would be useful to test whether this exists when the research is done on a larger scale.

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APPENDICES

Appendix A: Questionnaire

QUESTIONNAIRE

Thanks for accepting to take part in this survey. This survey is meant to build knowledge on healthcare business in Kenya. Section A requires you to fill in a few details about your job and current employment history.

SECTION A

To what extent do you agree or disagree with the following statements relating to your health center's marketing activities? Please circle the number that best represents your opinion.	<i>Strongly disagree</i>				<i>Strongly Agree</i>
1. In this healthcare facility we meet with customers at least once a year to find out what products or services they will need in the future.	1	2	3	4	5
2. In this business unit, we do a lot of in-house market research.	1	2	3	4	5
3. We are slow to detect changes in our customers' product preferences.	1	2	3	4	5
4. We are slow to detect fundamental shifts in our industry (e.g., competition, technology, regulation).	1	2	3	4	5
5. We periodically review the likely effect of changes in our business environment (e.g., regulation) on customers.	1	2	3	4	5
6. We poll clients at least once a year to assess the quality of our products and services.	1	2	3	4	5
7. We have interdepartmental meetings at least once per quarter to discuss market trends and developments.	1	2	3	4	5

8. Marketing personnel in our health facility spend time discussing customers' future needs with other functional departments.	1	2	3	4	5
9. When something important happens to a major customer or market, the whole business unit quickly knows about it.	1	2	3	4	5
10. When one department finds out something important about competitors, it is slow to alert other departments.	1	2	3	4	5
11. Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis.	1	2	3	4	5
12. It takes us forever to decide how to respond to our competitors' price changes.	1	2	3	4	5
13. For one reason or another, we tend to ignore changes in our customers' product or service needs.	1	2	3	4	5
14. We periodically review our product development efforts to ensure that they are in line with what customers want.	1	2	3	4	5
15. Several departments get together periodically to plan a response to changes taking place in our business environment.	1	2	3	4	5
16. If a major competitor were to launch an intensive campaign targeted at our customers, we would immediately implement a response.	1	2	3	4	5
17. The activities of the different departments in this business unit are well coordinated.	1	2	3	4	5
18. Customer complaints fall on deaf ears in this business unit.	1	2	3	4	5
19. Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion.	1	2	3	4	5

20. When we find that customers would like us to modify a product or service, the departments involved make concerted efforts to do so.	1	2	3	4	5
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SECTION B

1. Do you have internally generated customer satisfaction surveys?

- YES
- NO

If answer in 1 above is Yes, proceed to question 2. If answer is NO, skip to question 4.

2. What percentage of customers give feedback through the customer satisfaction surveys in any given month for the last 6 months?

- 80 – 100
- 60 -79
- 50 – 59
- 30 – 49
- 11 – 29
- Less than 10

3. What is the average score for this health center in terms of customer satisfaction on a scale of 1 to 10 terms for the last 1 year?

In case you have answered questions 2 and 3, kindly skip questions 4 and 5

4. How would you rate customer satisfaction for this health center on a scale of 1 to 10?

.....

5. On an average day in this health center what is the estimated percentage of customers who raise complaints?

6. Do you have a formal employee performance evaluation system?

- YES
- NO

If answer to 6 above is NO, kindly proceed to question 8. If answer is YES, please proceed to question 7.

7. What is the average score for all employees in this health center for the last 1 year?.....
8. In your opinion, what is the average performance score for all employees in this health center last 1 year?

>> How satisfied are you with your health facility's current financial performance in terms of:							
(Please circle)							
<i>(1) Not at all, (2) Hardly at all, (3) A little, (4) A moderate amount, (5) A lot, (6) A great deal, (7) Completely</i>							
Overall profitability?	1	2	3	4	5	6	7
Growth in visits?	1	2	3	4	5	6	7
Profit growth?	1	2	3	4	5	6	7
Return on investment?	1	2	3	4	5	6	7
Market share?	1	2	3	4	5	6	7
Absolute revenue?	1	2	3	4	5	6	7
Growth in revenue?	1	2	3	4	5	6	7
Number of Visits ?	1	2	3	4	5	6	7
Market share growth?	1	2	3	4	5	6	7

SECTION C

1. Which of the following describes your current position/department in the health center? Place an X in the box corresponding to your answer.
 - Health Center Manager
 - Marketing/Sales
 - Other (Specify)
2. How long have you worked in this health center?
 - 0 – 6 months
 - 6 months – 1 year

- 1 – 2 years
- More than 2 years

Thank you for taking part in this survey. If you wish to receive the results of this survey, kindly leave your email address below.

.....



APPENDIX B: PARTICIPANT INFORMED CONSENT FORM

PARTICIPANT INFORMATION AND CONSENT FORM

EFFECT OF MARKET ORIENTATION ON BUSINESS PERFORMANCE: EVIDENCE FROM THE KENYAN HEALTHCARE SECTOR

SECTION 1: INFORMATION SHEET

Investigator: EZRA OMOLO

Institutional affiliation: Strathmore Business School (SBS)

SECTION 2: INFORMATION SHEET–THE STUDY

2.1: Why is this study being carried out?

This study is being carried out as part of the fulfillment of a Master in Healthcare Management at Strathmore University. The study aims to assess the relationship between market orientation and business performance in health facilities in Kenya. Results of this study will inform health care managers in Kenya on whether to apply market orientation as a strategy for stimulating growth.

2.2: Do I have to take part?

No. Taking part in this study is entirely optional and the decision rests only with you. If you decide to take part, you will be asked to complete a questionnaire to get information on marketing practices of your organization and their impact on business performance. You are free to decline to take part in the study from this study at any time without giving any reasons.

2.3: Who is eligible to take part in this study?

- Out Patient Centre Managers or their equivalents.

- Marketing Executives of Health Centers
- Business Development Executives and Sales executives or their equivalents in outpatient centers.

2.4: Who is not eligible to take part in this study?

- Those who do not fit the above criteria
- Those with the foregoing designations in outpatient centers outside Kenya

2.5: What will taking part in this study involve for me?

You will be approached by Ezra Omolo and requested to take part in the study. If you are satisfied that you fully understand the goals behind this study, you will be asked to sign the informed consent form (this form) and then taken through a questionnaire to complete.

2.6: Are there any risks or dangers in taking part in this study?

There are no risks in taking part in this study. All the information you provide will be treated as confidential and will not be used in any way without your express permission.

2.7: Are there any benefits of taking part in this study?

The information will be used to improve healthcare management and marketing practices in the Kenyan health sector.

2.8: What will happen to me if I refuse to take part in this study?

Participation in this study is entirely voluntary. Even if you decide to take part at first but later change your mind, you are free to withdraw at any time without explanation.

2.9: Who will have access to my information during this research?

All research records will be stored in securely locked cabinets. That information may be transcribed into our database but this will be sufficiently encrypted and password protected. Only the people who are

closely concerned with this study will have access to your information. All your information will be kept confidential.

2.10: Who can I contact in case I have further questions?

You can contact me, Ezra O. Omolo, at SBS, or by e-mail ezradhi@gmail.com or by phone 0727627671. You can also contact my supervisor, Dr. James Wanjagi at the Strathmore Business School, Nairobi, or by e-mail jwanjagi@strathmore.edu or by phone 0714277005

If you want to ask someone independent anything about this research please contact:

The Secretary–Strathmore University Institutional Ethics Review Board, P. O. BOX 59857, 00200, Nairobi, email ethicsreview@strathmore.edu Tel number: +254 703 034 375

I, _____, have had the study explained to me. I have understood all that I have read and have had explained to me and had my questions answered satisfactorily. I understand that I can change my mind at any stage.

Please tick the boxes that apply to you;

Participation in the research study

I AGREE to take part in this research

I DON'T AGREE to take part in this research

Storage of information on the completed questionnaire

I AGREE to have my completed questionnaire stored for future data analysis

I DON'T AGREE to have my completed questionnaire stored for future data analysis

Participant's Signature:

Date: ____/____/____

DD / MM / YEAR

Participant's Name:

Time: ____/____

(Please print name)

HR / MN

I, _____ (Name of person taking consent) certify that I have explained the study information to the study participant named above, and that s/he has understood the nature and the purpose of the study and consents to the participation in the study. S/he has been given opportunity to ask questions which have been answered satisfactorily.

Investigator's Signature:

Date: ____/____/____

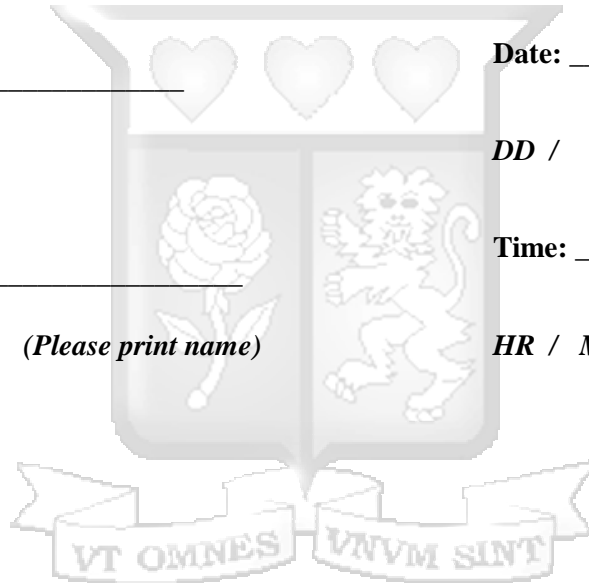
DD / MM / YEAR

Investigator's Name:

Time: ____/____

(Please print name)

HR / MN



APPENDIX C: ETHICAL APPROVAL



APPENDIX D: LETTER OF INTRODUCTION



Strathmore Business School

Monday, 08 May 2017

To whom it may concern

Dear Sir/Madam

INTRODUCTION – OMOLO, EZRA ODHIAMBO

This is to introduce **Omolo, Ezra Odhiambo**, admission number **MBA HCM/45486/15** who is an MBA HCM student at Strathmore Business School. As part of our SBS MBA HCM Master's Program, Ezra is expected to do applied research and to undertake a project. This is in partial fulfilment of the requirements of the Master of Business Administration. He would like to request for appropriate data from your organization to help him finalize his research.

Ezra is undertaking a research project on **'Impact of market orientation on Business Performance: Evidence from the Healthcare sector in Kenya'**. The information obtained from your organization shall be treated confidentially and shall be used for academic purposes only.

Our MBA seeks to establish links with industry, and one of these ways is by directing our research to areas that would be of direct usefulness to industry. We would be glad to share our findings with you after the research, and we trust that you will find them of great interest, if not of practical value to your organization.

We very much appreciate your support and we shall be willing to provide any further information if required.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Gilbert Kokwaro', enclosed within a large, loopy oval shape.

Prof. Gilbert Kokwaro

**Director, Institute of Healthcare Management and
Academic Director, MBA in Healthcare Management**



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