STRATEGIC ORIENTATION AND FIRM PERFORMANCE OF COMMERCIAL BANKS IN MOMBASA COUNTY, KENYA

Hamisi, J., & Ibrahim, A.

The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com
Vol. 10, Iss.2, pp 545 – 561. May 6, 2023. www.strategicjournals.com, ©Strategic Journals

STRATEGIC ORIENTATION AND FIRM PERFORMANCE OF COMMERCIAL BANKS IN MOMBASA COUNTY, KENYA

[1] Hamisi, J., & [2] Ibrahim, A.

[1] MBA Student, Department of Business and Entrepreneurship, School of Business, Jomo Kenyatta University of Agriculture and Technology, Kenya
[2] Lecturer, School of Business, Jomo Kenyatta University of Agriculture and Technology, Kenya

Accepted: April 28, 2023

ABSTRACT

This study investigated the effect of strategic orientation on performance of commercial banks in Kenya. The study specific objectives are to establish the effect of technology orientation, market orientation, entrepreneurial orientation and learning orientation on performance of commercial banks. The study adopted descriptive survey research design. The target population of the current study was management level staff of tier 1 commercial banks in Kenya. A sample of 79 was chosen by use of Slovins formula. Primary data was collected by use of structured questionnaires. Data was checked for correctness and analysed quantitatively by use of Statistical Package for Social Science (SPSS) version 25 tool. Descriptive analysis was determined by use of mean and standard deviation while regression analysis was determined by model summary, ANOVA and regression coefficients. The study results revealed that the commercial bank uses advanced technologies in new product development as revealed in the study. It is established that the bank uses technology orientation to create brand differentiation from that of competitors. The cost of transactions is determined by the amount transacted and the bank technology orientation has improved its capability to respond to customers' preferences in an effective way. It is concluded that the commercial banks seek intelligence about its competitors in order to improve its service delivery and that the firm has a high degree of co-operation between its different functions/departments. The customer orientation has helped the banks in developing appropriate service strategies that meet customer needs and demands. The study concludes that inter-functional coordination helps the firm to analyze and use information gained in its decision process. The study recommends that commercial banks should evaluate daily operations and be willing to accept new ideas easily. The commercial banks should be always willing to question its current thinking and practices. In addition, the commercial banks should actively encourage employees and customers to give feedback and suggestions for improvements. This would form basis for product improvement hence increased performance.

Key Words: *Technology Orientation, Market Orientation, Entrepreneurial Orientation, Learning Orientation*

CITATION: Hamisi, J., & Ibrahim, A. (2023). Strategic orientation and firm performance of commercial banks in Mombasa County, Kenya**.** *The Strategic Journal of Business & Change Management,* 10 (2), 545–561.

INTRODUCTION

Today's commercial banking settings are characterized by intense rivalry, globalization, increased client demand, and vulnerability to rising credit risks. Smart businesses are figuring out how to adapt to the new expectations and behaviors of consumers in order to gain substantial competitive advantages. Business firms require a variety of ways to combat this intense competition as the business climate gets more turbulent and competitive and as more bank services and financial institutions compete for market share. Therefore, strategic thinking is important for firms to do in order to be competitive (Habib, Bao, Nabi, Dulal, Asha, & Islam, 2021).

In order to meet consumer expectations and protect market share from an expanding number of competitors, the global banking industry is becoming both more strategically focused and technologically advanced. To be better prepared for the future of banking, a lot of focus is being placed on digitizing fundamental business operations and reevaluating organizational structures and internal talent. Financial institutions are participating in strategy orientations in an effort to establish or maintain a competitive edge due to the severity of regional and global competition. It is essential for banks to increase their capacity for innovation because of the rapidly changing environment and frequent sudden changes (Cahn, Liem, Thu, s& Khuong, 2019).

The banking industry has had mixed success globally in the post-crisis period from 2008 to 2010, after which it slowed down significantly with the growth rate of the top 1000 banks globally remaining at an estimated 3%. (Gartner, 2017). As it developed geographically and culturally distinct methods abroad, Citibank in the United States was able to draw on its experience elsewhere. Electronic Trade is adopting a global strategy in which they integrate their European divisions into their corporate structure by buying regionally successful European franchises. This tactic presents significant difficulties for higher management because it calls for combining and utilizing management techniques that differ culturally (Noble, Sinha, & Kumar, 2016). According to Nazar's (2018) research on strategic innovation in commercial banks in Pakistan, performance and the strategic orientation characteristics are positively correlated.

In Africa, the retail banking sector has seen dramatic changes as a result of deregulation and the advancement of communication and information technologies. The emerging market and developing economies, which expanded by 3.7 percent in 2019, are expected to decrease by 3.0 percent in 2020 as a result of COVID-19. Compared to growth of 3.1 percent in 2019, Sub-Saharan Africa is predicted to have a contraction of 3.2 percent in 2020. In 2020, it is anticipated that Nigeria and South Africa, the continent's two biggest growth engines, will experience declines of 8.0 percent and 5.4 percent, respectively. The financial sector is anticipated to be affected by this new phenomena (Cytonn, 2020). According to Akilo and Olaosebikan (2021), strategic orientation has gained popularity among Nigerian commercial banks in recent years as a result of the realization that it is one of the key factors in the success of the banks.

In Kenya, the banking sector has observed new trends in global markets where internet-based banking solutions are being sought, for example, in payment processing with a view to improving customer experience and supporting customer relationship management. The Kenyan financial industry has not been exempt from environmental turmoil, according to the Central Bank of Kenya's (CBK) annual supervisory report. This situation has been made worse by increased technological competition, an increase in operational costs as a result of the economy's sluggish growth, a decrease in the cost of borrowing, bad loans, and interest rate caps, among other factors (CBK, 2020).

In order to stay competitive in the face of the financial turmoil, numerous banks have started combining. 2019 saw the acquisition of Transnational Bank Plc by Access Bank Plc of

Nigeria, the merger of Commercial Bank of Africa Ltd and NIC Bank PLC into NCBA Bank Kenya PLC, and the acquisition of National Bank of Kenya Ltd by KCB Group PLC (Cytonn, 2020). Additionally, most commercial banks have developed and implemented strategic orientation methods to assure flexibility and adaptation in order to provide a durable competitive edge in the face of impending failure. This was inspired by a quest for a system's adaptability, responsiveness, and dependability on the one hand, and low costs on the other made feasible by banks' reconfiguring their service and process functions (Gabow, 2019).

Kenya had 41 commercial banks, 1 mortgage financing company, 14 microfinance banks, 9 representative offices of foreign banks, 69 foreign exchange bureaus, 19 money remittance companies, and 3 credit reference bureaus for the fiscal year that concluded on June 30, 2020. (CBK, 2020). The majority of the largest commercial banks have seen performance swings that have nearly resulted in losses. Like other industries, banking is adopting a strategic approach to increase and maintain its market share (Mwaura & K'obonyo, 2018).

The performance of the regional commercial banks as indicated by profitability indicators has not been impressive. For instance, the banks' profit before tax has been declining, with Equity Bank's profit falling 20.3% to Kshs 19.8 billion and KCB's falling 36.9% to Kshs 17.1 billion from Kshs 272 billion in the third quarter of 2019. Cooperative bank saw a 10.2% drop. Kshs10.9 billion in Q3 2019 to Kshs9.8 billion in Q3 2020. NCBA decreased by 65.3%, from Kshs10.9 bn in Q3 2019, to Kshs3.8 bn. Standard Chartered saw a 28.2% fall, from Ksh12.2 billion in Q3 2019, to Ksh6.6 billion. From Kshs 8.7 bn in Q3 2019, Diamond Trust Bank's revenue decreased by 24.0% to Kshs 6.6 bn. ABSA decreased by 58.6%, from Kshs8.2bn in Q3 2019, to Kshs3.4bn. From Kshs5.1bn in Q3 2019 to Kshs3.6bn in Q3 2020, Stanbic Bank had a decline of 30.1%. (Cytonn, 2020).

Statement of the Problem

Several commercial banks have seen performance swings that have nearly resulted in declining customer deposits and shrinking market share (Cytonn, 2020). Like other industries, banking is adopting a strategic approach to increase and maintain its market share (Mwaura & K'obonyo, 2018). Kenya's commercial banks have had a miserable three years in terms of performance. The asset quality of commercial banks declined in the third quarter of 2020, as seen by the Gross NPL ratio, which increased by 2.6% points to 12.4% from 9.8% in the third quarter of 2019. Compared to the 5. year average of 8.5%, this was excessive (Cytonn, 2020). In the fiscal year that concluded on June 30, 2020, banks' profitability decreased by 17.2 percent to KSh 134.1 billion in profit before tax, with expenses rising by 11.9 percent while income increased by 2.9 percent (CBK, 2020). Numerous banks have evolved survival tactics in light of this reality. 2019 saw the acquisition of Transnational Bank Plc by Access Bank Plc of Nigeria, the merger of Commercial Bank of Africa Ltd and NIC Bank PLC into NCBA Bank Kenya PLC, and the acquisition of National Bank of Kenya Ltd by KCB Group PLC.

Extant literature has been researched on banks' performance. The impact of strategic management techniques on the operation of commercial banks in Nairobi was studied by Gabow (2019). Kaptuya (2016) conducted research on the strategic orientation used by Kenya's Geothermal Development Company as a source of competitive advantage. The strategic partnerships have a major impact on the performance of commercial banks, according to Wandia and Ismail's (2018) study, which concentrated on these two topics. In a study on the strategic orientation and performance of small and medium-sized businesses in Nairobi, Raila (2017) found that an entrepreneurial approach had a significant impact on SMEs' success. According to Nganga's (2017) research, there is a significant correlation between strategic approach and performance of Kenyan telecommunications companies. However, the reviewed literature reveals a paucity of empirical studies addressing market, learning, entrepreneurial, and technology orientations in the context of Kenyan commercial banks. A study to examine the impact of strategic orientation on organizational performance of commercial banks in Kenya was required due to the empirical gaps and the current state of commercial banks.

Objectives of the Study

The general objective of the study is to investigate strategic orientation and firm performance of commercial banks in Mombasa County, Kenya. The specific objectives were;

- To determine the effect of technology orientation on firm performance of commercial banks in Mombasa County, Kenya
- To establish the effect of market orientation on firm performance of commercial banks in Mombasa County, Kenya
- To examine the effect of entrepreneurial orientation on firm performance of commercial banks in Mombasa County, Kenya
- To establish the effect of learning orientation on firm performance of commercial banks in Mombasa County, Kenya

The study was guided by the following hypotheses;

- **$H_0$1:** There is no significant effect of technology orientation on firm performance of commercial banks in Mombasa County, Kenya
- **$H_0$2:** There is no significant effect of market orientation on firm performance of commercial banks in Mombasa County, Kenya
- **$H_0$3:** There is no significant effect of entrepreneurial orientation on firm performance of commercial banks in Mombasa County, Kenya
- **$H_0$4:** There is no significant effect of learning orientation on firm performance of commercial banks in Mombasa County, Kenya

LITERATURE REVIEW

Theoretical Review

The Survival Based Theory

Herbert Spencer is credited with creating the idea of a theory of survival. Researchers like Schumpeter in 1934, Alchian in 1950, Harrod in 1939, and Marshall in 1949 were among the first to integrate the concepts of natural selection and evolutionary thought into the field of economics (Khairuddin, 2016). The foundation of the survival-based theory is the idea that businesses must constantly adapt to their competitive environment in order to survive. According to the theory, one of the key consequences of designing a strategy for an organization is finding a better approach to manage the relationship between the conflicting demands of various stakeholders.

It is occasionally necessary for the survival of the organization itself, which is explained in organizational terms by fundamental transformation of dramatic, radical, sporadic, brief, and all-encompassing modification of organization's routine operations covering most of the organization's components (Tushman & Romanelli, 2016). The survival-based perspective on strategic orientation relies on the presumptions that companies must implement strategies that should be focused on operating very efficiently and be able to react quickly to the changing competitive environment in order to live (Khairuddin, 2016).

This notion can be applied to the financial sector, especially when banks start technical "wars." This thesis is based on the idea that in order to thrive, organizations must constantly adapt to their competitive environment. Since effective technology orientation strategies are essential for a bank to survive in the market, poor market research and development might negatively impact the bank's performance (Khairuddin, 2016). A firm's technical orientation strategy can grow or hinder a firm's competitive advantage since technological orientation must be carried out in conjunction with the environment through research in order to suit

The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

the needs of the customers. The study will make use of the survival-based theory to comprehend technology orientation and its impact on commercial banks' performance.

Dynamic Capability Theory

According to the dynamic capability theory, the capabilities by which firms' resources are acquired and deployed in ways that match the firm's market environment, rather than simple heterogeneity in their resource endowments, are what account for inter-firm performance variance over time because markets are dynamic (Eisenhardt & Martin, 2016; Makadok, 2016). These competencies entail intricately coordinated patterns of abilities and knowledge that, over time, integrate into organizational routines (Grant, 1996) and set them apart from other organizational activities by being done well in comparison to competitors (Bingham, Eisenhardt & Furr, 216).

When the firm can execute new strategies to reflect shifting market conditions by combining and transforming readily available resources in novel and novel ways, capabilities are dynamic (Teece et al., 2016). The literature suggests that while having valuable, uncommon, unique, and non-replaceable resources may be advantageous, firms also need complementary capabilities to be able to use the resources that are currently available in ways that correspond to the market conditions that are currently being faced in order to drive firm performance (Teece, 2016; Helfat, 2015). Market orientation and learning orientation variables are supported by the study.

Strategic Choice Theory

By John Child in 1972, the strategic choice theory had been developed. The theory was first put up as a challenge to the idea that organizations' organizational structures and designs are dictated by their operational situations. The idea explains how decision-making in a fluid political process can be used by leaders or leading groups to influence an organization. According to the strategic choice approach, strategy, structure, and process must match environmental conditions, which may vary over time (Thompson et al, 2016). This emphasis on behavior makes the assumption that organizational actors have the freedom to act as they see fit. The strategic orientation inquiry is supported by the further premise that managerial choices concerning how firms respond to external issues are crucial factors in determining the organizational performance.

The strategic choice theory also asserts that strategy, structure, and process must be compatible with environmental circumstances, which may vary over time. The focus on behavior makes the assumption that organizational actors have the freedom to act as they see fit. Additionally, according to the theory, managerial choices on how organizations respond to external difficulties are crucial factors in determining the performance of the firm, which supports the strategic orientation inquiry. The theory supports entrepreneurial orientation variable.

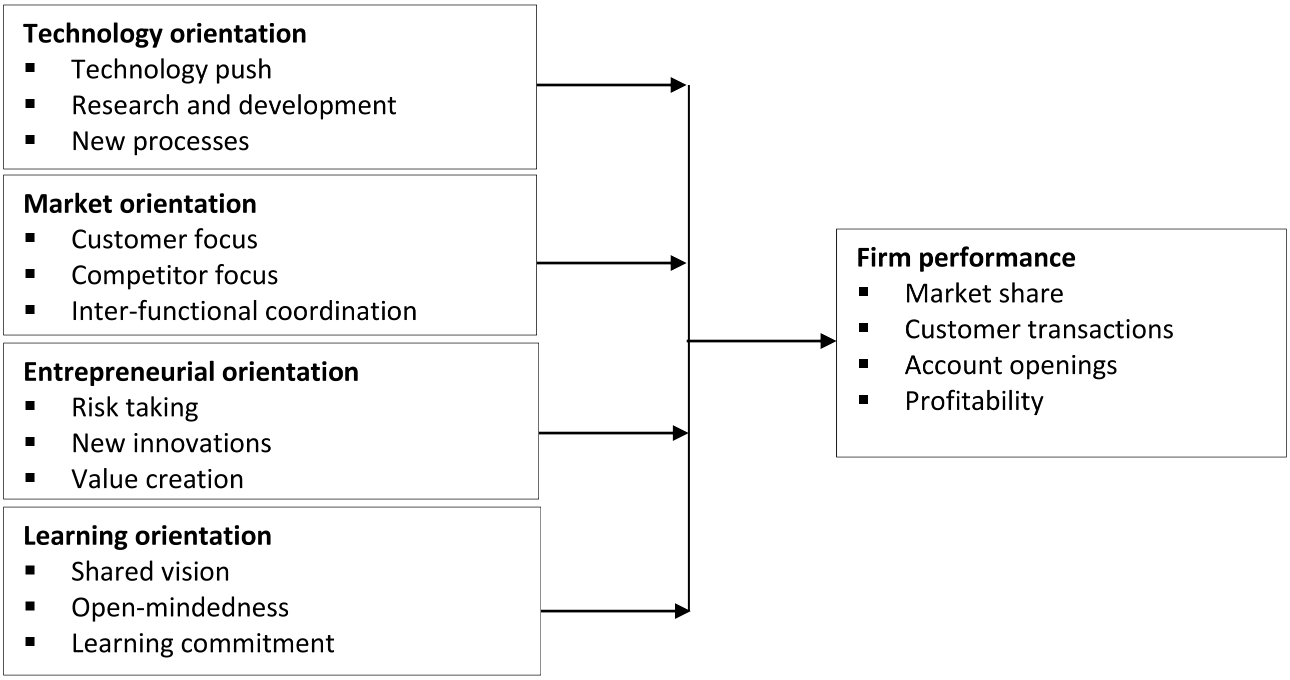
Resource Based View Theory

The RBV theory springed from the major works published by Wernerfelt, Prahalad and Hamel, Barney, and others in the 1980s and 1990s. The idea examines a firm's competitive advantage, and its proponents contend that rather than focusing on the external environment to find sources of competitive advantage, businesses should uncover drivers of competitive advantage on the inside of their organizations (Kiprono & Daniel, 2016). RBV supporters contend that rather than acquiring new resources for every opportunity in the external environment, it is possible to identify and take advantage of opportunities in the external environment by making use of the resources the company already has in a novel way that is compatible with its goals (Rothaermel, 2012).

Two key tenets of the Resource-Based View hypothesis are that resources must be diversified and immobile. The initial presumption in this situation is that each firm's competencies, skills, and other resources are unique. For instance, if the firms had an equal number and mix of resources, they could not devise different strategies to compete with one another because what one firm can do, so can the other, therefore there is no opportunity to gain a competitive advantage.

According to the resource-based view theory, organizations that can utilize a varied set of resources are the only ones that can gain a competitive advantage. Second, the RBV makes the assumption that the firm's resources are static and cannot be transferred to another firm. Resources' immobility makes it difficult for businesses to duplicate the resources of rivals, which results in the failure to develop comparable strategies (Müller & Jugdev, 2016). The theory's application to the study leads to the conclusion that a focus on technology can give the bank a competitive edge. The theory support technology innovation variable.

Conceptual Framework



Independent Variables **Dependent Variable**

Figure 1: Conceptual framework

Review of Literature on Variables

Technology Orientation

Technology orientation refers to a company's capacity to build a solid technological foundation and use it to create new goods. Technology orientation refers to a company's ability to respond to and even anticipate the wants and claims of its consumers by using its technical production capabilities and knowledge (Gatignon and Xuereb, 2016). Technology orientation is a business philosophy that operates under the presumption that customers favor technologically advanced goods and services. Additionally, a technology-oriented company will prioritize R&D, acquire new technologies, and continuously improve them. While market orientation seeks to better meet client needs, technology orientation attempts to create and apply cutting-edge, creative technology.

Market Orientation

Being customer- and market-oriented means being able to recognize and meet your customers' needs. Market orientation is a steadfast mindset that focuses on identifying and satisfying customers' wants and preferences through the product mix. In contrast to earlier marketing approaches, which focused on creating selling points for already-existing products, MO works in opposite, attempting to customize things to match consumers' needs (Amirkhani & Fard 2016). Knowing what customers want and need, understanding how to provide those requirements, making them feel valued, and directing all organizational efforts toward institutionalizing this understanding are all examples of market orientation (Kohli & Jaworski, 2016).

Market-oriented businesses always systematically gather data, keep track of competitors, study their strategies, and implement green practices to gain an advantage (Frambach, Prabhu, & Verhallen, 2016). Through the enduring attachment of GSCM techniques, market orientation strengthens marketing advantages. An intangible resource called market orientation helps management understand consumer demand for the environmental product. Companies that are more market-oriented perform better than those that are less market-oriented because they concentrate on tailoring their goods and services to the requirements and expectations of their clients as opposed to companies that are more product-oriented and concentrate on creating goods or services that are then marketed and hopefully sold (Grönroos, 2016).

Entrepreneurial Orientation

Entrepreneurial orientation (EO) is recognized as a crucial success factor for conducting a business, in modern age. On the other hand, deducing new opportunities is mandatory for firms. EO comprises of attributes such as proactivity, innovativeness and risk taking attitude of entrepreneurs (Muenjohn & Armstrong, 2016). The firms are expected to be proactive in comparison to opponents, risk minded and welcoming towards new processes, services and commodities (Hoq & Chauhan, 2017).

Entrepreneurial orientation (EO) is defined as a firm-level strategic orientation that captures an organization's strategy-making practices, managerial philosophies, and firm behaviors that are entrepreneurial in nature. EO is a firm's readiness to accept entrepreneurial practices, policies, and decision-making (Matsuno, Zhu, & Rice, 2016). EO is a technique for developing strategies that is based on entrepreneurial choices and actions. It is the fusion of strategic thinking and entrepreneurship. EO is regarded as a crucial strategic stance for firms, contributing to their success and enabling them to take advantage of possibilities (Jambulingam, Kathuria & Doucette, 2016).

Learning Orientation

Transferring individual market expertise and information to the business so that other departments can use it to perform better is a process known as learning orientation (Sinkula, 2016). The practice of gathering and disseminating knowledge regarding consumer wants, market fluctuations, and adversary operations across all organizational areas is known as learning orientation (Calantone, Cavusgil, & Zhao, 2016). A company's satisfaction level with its assumptions and processes is increased by a learning orientation (Sinkula, 2016). Farrell (2016) investigates how learning behavior serves as the foundation for competitive advantage. Organizations must prioritize learning orientation in their management strategies. For organizations to provide better goods and services than their rivals, learning orientation is crucial for the development of new methods and technology.

According to Sinkula, Baker, and Noordewier (2016), an organization's learning orientation indicates the degree to which it interacts with its internal and external environments. Three characteristics of learning orientation, in their opinion, are: (1) dedication to learning; (2) openness (non-judgmental attitude); and (3) communal or shared vision. To achieve the goals of the firm, all employees must be committed to learning. The workforce inside a business needs to be inspired to provide fresh, original ideas that could improve organizational performance. Continuous review of an organization's functioning is a component of open-mindedness. As information is rapidly evolving these days, it requires quick adoption of new concepts. The organization's vision and goals are shared by all departments as part of the concept of shared vision.

Organizational Performance

The effectiveness and efficiency of the company in attaining its goals while taking into account the limitations imposed by the limited resources determines the performance of the organization (Lebans & Euske, 2016). The actual output or results of an organization are what are measured in relation to its intended outputs, goals, and objectives. Specifically, financial performance, profits, return on assets, return on investment, product market performance, total shareholder return, and economic value added are three aspects of company outcomes that are covered by organizational performance, according to Richard et al. (2016). In recent years, many organizations have tried to manage organizational performance using the balanced scorecard methodology, in which performance is tracked and measured across multiple dimensions, including financial performance, such as shareholder return, customer service, social responsibility, such as corporate citizenship, community outreach, and employee stewardship. Every company is dedicated to the success of the business, hence every organization's strategy should promote business success.

The idea that an organization is the voluntary association of productive resources, such as human, physical, and capital resources, for the purpose of achieving a shared goal is the foundation of the concept of performance (Barney, 2016). Those that provide the assets will only provide them to the organization if they are happy with the value they get back in comparison to other uses for the assets. As a result, the production of value is the essence of performance. The assets will continue to be made available to the organization, and the organization will continue to exist, as long as the value produced by using the contributed assets is equal to or higher than the value anticipated by individuals who contributed the assets. Value creation, as defined by the resource supplier, is therefore the primary criterion for overall performance for every firm.

Empirical Review

A study on the impact of production methods and technological orientation on the performance of the manufacturing industries in Nigeria was conducted by Madu (2016). The aim of the study was to determine how Nigeria's manufacturing industry performed in relation to production methods and technology orientation. The study used a descriptive survey design to look at eleven manufacturing sectors spread across Nigeria's Kaduna, Kano, and Jigawa States. To ascertain the connection between production methods and company performance, regression analysis was performed. The study's results showed a significant positive relationship between technical orientation, performance, and production methods.

A study on the impact of technology orientation on the performance of Islamic and conventional banks in Kenya was conducted by Osore (2018). A mixed-methods research technique based on descriptive, non-experimental, and causal methodologies was used in this study. This study took into account a census that sought to identify all 43 commercial banks that were operating in Kenya as of December 31, 2016. Commercial banks also include Islamic banks, which provide goods and services that adhere to Shari'ah. The primary data gathering tool for this study was a questionnaire. Using both descriptive and inferential statistics, processed data was examined. According to the results, technological orientation positively and significantly affects both conventional and Islamic banking performance in Kenya.

Kimani (2019) looked into how the performance of clearing and forwarding SMEs in Kenya was affected by strategic orientation. The study used a descriptive research design, which made it possible to extrapolate the findings to a larger population. All 450 clearing and forwarding SMEs in Nairobi, Kenya made up the study population. The 450 clearing and forwarding SMEs in Nairobi, Kenya, comprised the entire sample size for the study, which used a census sampling technique. The researcher created a questionnaire based on the precise study objectives, and 10 respondents served as a pilot group to test it. The Statistical Package for Social Sciences (SPSS) tool version 24 was used to do both descriptive and inferential analyses on the data. The findings showed that innovation within the companies has assisted organizations in gaining a lasting competitive advantage through proactivity, allowing the firms to better seize opportunities than rivals.

The impact of strategic management techniques on the operation of commercial banks in Nairobi was studied by Gabow (2019). To carry out the research approach, the study used a descriptive research design. Kenya Commercial Bank employees made up the population of interest. In the study, a stratified sampling strategy was adopted. To assess the validity and dependability of the data collection techniques, both primary and secondary data were employed, and a pilot study was conducted. With the aid of descriptive and inferential statistics, the collected data was examined. The outcomes showed that strategic control and intent had a big impact on performance.

Mwaura (2018) looked into the performance and strategy orientation of Kenyan medium-sized manufacturing companies. A descriptive cross-sectional research design was chosen to accomplish this study's goal. All 179 of Kenya's medium Manufacturing Firms with registered status made up the study's target group. A sample of 54 businesses was selected at random from the general population. A semi-structured questionnaire was utilized to obtain the study's primary data. A drop and pick-later strategy was used to get the data from the sampled managers. Descriptive statistics and regression analysis were used to analyze the data. The survey also showed that businesses maintain open lines of communication with customers and gather data on each customer's preferences for distribution.

Nganga (2017) looked into how strategic orientation affected the performance of Kenyan telecommunications companies. Cross-sectional descriptive research design was employed in the study. The target population consisted of all legally operating and registered telecommunications companies. In-depth information was gathered via questionnaires. Tables were created and descriptive techniques were used to examine the acquired data. The findings of the study demonstrated that strategic orientation has a favorable impact on the performance of telecommunications enterprises.

A study on the strategic orientation and effectiveness of small and medium-sized businesses in Nairobi was conducted by Raila (2017). The research design for the study was descriptive. The study targeted SMEs operating inside Nairobi CBD and used simple random sampling technique to generate a sample of 416 Small and Medium Enterprises. Questionnaires that were semi-structured were used to collect the data. With the aid of descriptive and inferential statistics, the collected data was examined. The study's conclusions showed that SMEs' entrepreneurial orientation has a significant impact on their success.

METHODOLOGY

The survey was descriptive in nature for the study. The operations managers of Mombasa's Tier 1 banks were the study's target group. There were 44 primary financial institutions in Kenya that were registered, according to the CBK bank supervision report from 2019. However, the study's attention was drawn to Mombasa-based Tier 1 commercial banks this is because they are the main drivers of the industry and economy at large. The operations managers of eight Tier 1 commercial banks with operations in Mombasa served as the sampling frame for this study. A sample size of 79 was determined using Slovin's formula.

Close ended questionnaires with a format based on the research objectives were used to gather the primary data. Data analysis is a method for classifying and arranging data to obtain conclusions that the researcher must interpret (Kothari & Garg, 2014). Descriptive statistics and inferential statistics, which was computed by multiple regression and correlation analysis, were the data analysis approaches that was used in the study. Statistical Package for Social Sciences (SPSS) version 25 was the tool the researcher uses to collect data. In order to make it simple for the description and interpretation of the research findings, the analyzed data was given in frequency distribution tables. The following linear regression model was adopted:

$Y= \beta_\theta + \beta_1X_1+\beta_2X_2+\beta_3X_3+ \beta_4X_4+\varepsilon$

Where:

Y= Firm performance

$\boldsymbol{\beta_\theta}$ = constant term

$\boldsymbol{\beta_1}$-$\boldsymbol{\beta_4}$ are the coefficient function of the independent variables,

$\mathbf{X_1}$= Technology orientation

$\mathbf{X_2}$= Market orientation

$\mathbf{X_3}$= Entrepreneurial orientation

$\mathbf{X_4}$= Learning orientation

ε= Error term

FINDINGS AND DISCUSSION

Descriptive Statistics

The main objective of the study was to assess how strategic orientation affects performance of commercial banks. Responses were measured using a 5-point Likert scale in order to determine their willingness to implement their strategic orientation aspects. A rating of 1 indicates a strong disagreement, while a rating of 5 indicates a strong agreement. The following subsections discuss the results.

Technology Orientation

Responses were required regarding the extent to which selected technology orientation aspects have been adopted by the commercial banks. The results were shown in table 1.

Table 1: Technology Orientation

	Mean	Std deviation
The bank uses advanced technologies in new product development	4.17	.231
The bank technology orientation has improved its capability to respond to customers' preferences in an effective way	4.23	.536
The bank uses technology orientation for differentiation from competitors	4.02	.444
The cost of transactions is determined by the amount transacted	4.26	.703

The results in Table 1 showed that respondents agreed that the bank uses advanced technologies in new product development and that the cost of transactions is determined by the amount transacted as indicated by a mean of 4.17 and mean of 4.23 respectively. Respondents also agreed that the bank technology orientation has improved its capability to respond to customers' preferences in an effective way (mean=4.02) and that the bank uses technology orientation to create brand differentiation from that of competitors (mean=4.26).

Market Orientation

Responses were required regarding the extent to which selected market orientation aspects have been adopted by the commercial banks. The results are shown in Table 2.

Table 2: Market Orientation

	Mean	Std. Deviation
The organization seeks intelligence about its competitors in order to improve its service delivery	4.41	.817
The firm has a high degree of co-operation between its different functions/departments	2.15	.634
Inter-functional coordination helps the firm to analyze and use information gained in its decision process	4.26	.509
Customer orientation has helped the firm in developing appropriate service strategies that meet customer needs and demands	3.01	.822

The results in Table 2 showed that respondents agreed that the organization seeks intelligence about its competitors in order to improve its service delivery and that the firm has a high degree of co-operation between its different functions/departments as indicated by a mean of 4.41 and mean of 4.26 respectively. Respondents agreed that inter-functional coordination helps the firm to analyze and use information gained in its decision process (mean=2.15). Respondents were in agreement to the statement that customer orientation has helped the firm in developing appropriate service strategies that meet customer needs and demands (mean=4.01).

Entrepreneurial Orientation

Responses were required regarding the extent to which selected entrepreneurial orientation aspects have been adopted by the commercial banks. The results are shown in Table 3.

Table 3: Entrepreneurial Orientation

	Mean	Std. Deviation
Innovation has helped the organization in earning a sustainable competitive advantage	4.13	.882
Risk-taking has helped the firm to realize a niche market that it has specialized in	4.20	.887
The owners/ managers of the firm identify opportunities for creating value for the firm	4.82	.883
The firm integrates entrepreneurship and strategic thinking	4.89	.881

The results in Table 3 showed that respondents agreed that innovation has helped the organization in earning a sustainable competitive advantage and that risk-taking has helped the firm to realize a niche market that it has specialized in as indicated by a mean of 4.13 and mean of 4.20 respectively. Respondents also agreed that the owners/ managers of the firm identify opportunities for creating value for the firm (mean=4.82) and that the firm integrates entrepreneurship and strategic thinking (mean=4.89).

Learning Orientation

Responses were required regarding the extent to which selected learning orientation aspects have been adopted by the commercial banks. The results are shown in Table 4.

Table 4: Learning Orientation

	Mean	Std. Deviation
The organization actively encourages employees and customers to give feedback and suggestions for improvements	3.66	.753
The firm has a common mental model of its future state that provides the basis for its actions	4.66	.748
The firm evaluates its daily operations and the accepts new ideas easily	4.52	.741
The firm is always willing to question its current thinking and practices	3.64	.756

The results in Table 4 revealed that respondents agreed that the organization actively encourages employees and customers to give feedback and suggestions for improvements and that the firm has a common mental model of its future state that provides the basis for its actions as indicated by a mean of 3.66 and mean of 4.66 respectively. Respondents also agreed that the firm evaluates its daily operations and the accepts new ideas easily (mean=4.52) and that the firm is always willing to question its current thinking and practices (mean=3.64).

Regression Analysis

The data was used to regress firm performance on technology orientation, market orientation, entrepreneurial orientation and learning orientation. The results of regression analysis are presented as follows.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.695[a]	.484	.431	2.118540

a. Predictors: (Constant), Technology orientation, Market orientation, Entrepreneurial orientation, Learning orientation

The regression results in Table 5, showed a moderate regression between strategic orientation and firm performance. In the model summary, the R^2 is 0.484 indicating that predictors explain 48.4% change in firm performance.

Table 6: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2268.117	4	517.098	14.106	.000[b]
	Residual	2419.406	66	36.657		
	Total	4687.623	70			

a. Dependent Variable: Firm performance

b. Predictors: (Constant), Technology orientation, Market orientation, Entrepreneurial orientation, Learning orientation

From the ANOVA results in Table 6, it was established that the significance value in testing the reliability of the model was obtained as 0.000 which is less than 0.05, the critical value at 95% significance level. Therefore the model is statistically significant in predicting the relationship between the study variables.

Table 7: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	11.519	4.061		2.836	.000
Technology orientation	.438	.199	.175	2.201	.035
Market orientation	.175	.059	.127	2.966	.020
Entrepreneurial orientation	.519	.216	.483	2.403	.042
Learning orientation	.407	.122	.175	3.336	.000

a. Dependent Variable: Firm performance

The derived regression coefficients of the model are:

$$Y = 11.519 + .438X_1 + .175X_2 + .519X_3 + .407X_4$$

The regression results showed that independent variables had significant value below 0.05 meaning that they were all significant. From the results, it showed that holding all factors constant at zero, the change in firm performance would be 15.012. Further, the regression results showed that a unit change in technology orientation would lead to an increase in firm performance by 0.438. A unit change in market orientation would lead to 0.175 unit change in firm performance. Further, a unit change in entrepreneurial orientation would lead to 0.519 unit change in firm performance and finally, a unit change in learning orientation would lead to an increase in firm performance by 0.407.

Discussion of Key Findings

The regression coefficients served as the foundation for fulfilling the study's goals. This was achieved by considering the P-values that are associated with the relevant regression coefficients and t-values. The initial goal of the study was to find out how technology orientation affects Kenyan commercial banks' organizational performance. The regression results for career planning was $\beta 1=0.438$, $t=2.201$, and $p<0.05$ showing that there was a favorably significant relationship between technology orientation and firm performance. A unit change in technology orientation would lead to an increase in firm performance by 0.438., according to the study's findings. The null hypothesis that technology orientation has no significant effect on firm performance is rejected since the p-value is less than 0.05.

The second goal was to determine how market orientation affects firm performance. According to the regression analysis's findings ($\beta 2 = 0.175$, $t=2.966$, $p<0.05$), market orientation significantly impacted firm performance. According to the study, unit change in market orientation would lead to 0.175 unit change in firm performance. The null hypothesis that market orientation has no significant effect on firm performance is rejected since the p-value is less than 0.05.

Finding the effect of entrepreneurial orientation on firm performance was the third research goal. According to $\beta 3 = 0.519$, $t=2.403$, and $p<0.05$, the regression analysis results showed a substantial positive relationship between entrepreneurial orientation and firm performance. According to the findings, an increase in entrepreneurial orientation will improve firm performance by 0.519 units. The null hypothesis that entrepreneurial orientation has no significant effect on firm performance is rejected since the p-value is less than 0.05.

The study also aimed to determine how learning orientation affects firm performance. According to regression analysis, learning orientation and firm performance have a significant positive connection ($\beta 4 = 0.407$, $t=3.336$, and $p<0.05$), which means that adding one more learning orientation would result in an increase in firm performance of 0.407. The null hypothesis that learning orientation has no significant effect on firm performance is rejected since the p-value is less than 0.05.

CONCLUSSIONS AND RECOMMENDATIONS

The study concluded that technology orientation has significant and positive effect on commercial bank's performance. The commercial bank uses advanced technologies in new product development as revealed in the study. It is concluded that the bank uses technology orientation to create brand differentiation from that of competitors. The cost of transactions is determined by the amount transacted and the bank technology orientation has improved its capability to respond to customers' preferences in an effective way.

The study concluded that market orientation has significant and positive effect on commercial bank's performance. Further, it is concluded that the commercial banks seek intelligence about its competitors in order to improve its service delivery and that the firm has a high degree of co-operation between its different functions/departments. the customer orientation has helped the banks in developing appropriate service strategies that meet customer needs and demands. The study concludes that inter-functional coordination helps the firm to analyze and use information gained in its decision process.

The study concluded that entrepreneurial orientation has significant and positive effect on commercial bank's performance. The bank owners/ managers identify opportunities for creating value for the firm and that the bank integrates entrepreneurship and strategic thinking. The study comes to the conclusion that innovation has helped the organization in earning a sustainable competitive advantage and that risk-taking has helped the firm to realize a niche market that it has specialized.

The study concluded that learning orientation has significant and positive effect on commercial bank's performance. Also the commercial banks evaluate daily operations and accepts new ideas easily and that the banks are always willing to question its current thinking and practices. The study comes to the conclusion that the banks actively encourages employees and customers to give feedback and suggestions for improvements and that the firm has a common mental model of its future state that provides the basis for its actions.

The study recommended that commercial bank should utilize cutting-edge technologies which should be deployed to new product development. The commercial banks should take advantage of technology orientation to create brand differentiation from that of competitors as it was revealed to improve its capability to respond to customers' preferences in an effective way.

According to the survey, it is recommended that the commercial banks should seek intelligence about competitors in order to improve service delivery. The commercial banks should embrace high degree of co-operation between its different functions/departments and emulate customer orientation as it was found to help the banks in developing appropriate service strategies that meet customer needs and demands.

The study recommended that the management of bank management should identify opportunities for creating value for the bank and this could be made possible through integrating entrepreneurship and strategic thinking. The study recommends that banks should innovate as this would help banks earn a sustainable competitive advantage.

The study recommended that commercial banks should evaluate daily operations and be willing to accept new ideas easily. The commercial banks should be always willing to question its current thinking and practices. In addition, the commercial banks should actively encourage employees and customers to give feedback and suggestions for improvements. This would form basis for product improvement hence increased performance.

Suggestions for Further Research

The scope of this study was restricted to firm performance and strategic orientation in the setting of commercial banks. Nonetheless, the researcher advises that further research be done on other strategic orientation aspects that can affect both organizational performance and the strategic performance of commercial banks because only 48.4% of the results were explained by the independent variables in this study. Additional research could concentrate on different industries, as SACCOs and insurance companies.

REFERENCES

Akilo, A. & Olaosebikan, T. W. (2021), Effect of strategic orientation on employee performance in private universities in Nigeria. Available at SSRN: https://ssrn.com/abstract=3836569 or http://dx.doi.org/10.2139/ssrn.3836569.

Barney, J. B. (2016). Firm resources and sustained competitive advantage. *Journal of Management* 17(1): 99–120.

Bingham, C. B., Eisenhardt, K. M., & Furr, N. R. (2016). What makes a process a capability? Heuristics, strategy, and effective capture of opportunities. *Strategic Entrepreneurship Journal* 1(1–2): 27–47.

Calantone, R. J., Cavusgil, S. T., & Zhao, Y., (2016), "Learning orientation, firm innovation capability, and firm performance," *Industrial Marketing Management*, 31: 515-524

Canh, N. T., Liem, N. T., Thu, P. A., & Khuong, N. V. (2019), The Impact of Innovation on the Firm Performance and Corporate Social Responsibility of Vietnamese Manufacturing Firms, *Sustainability MDPI*, 11(13), Pp. 1-14.

Central Bank of Kenya supervisory report (2019) *Bank Supervision Annual Report*. Central Bank of Kenya, Nairobi.

Central Bank of Kenya (2020), *Annual Report and Financial Statements 2019/2020.* Retrieved from https://www.centralbank.go.ke/uploads/cbk_annual_reports.pdf on 5th May 2021.

Cooper, D. R., & Schindler, P. S. (2014). *Business research methods,* (12th, edition). McGraw-Hill Publishing, Co. Ltd. New Delhi-India.

Cytonn (2020), *Kenya commercial banks performance Q3 report & Cytonn weekly.* Retrieved from https://cytonn.com/uploads/downloads/kenya-banks-q32020-report-cytonn-weekly-50-2020.pdf. On 1st May 2021.

Eisenhardt, K. M., & Martin, J. A. (2016). Dynamic capabilities: what are they? *Strategic Management Journal,* October–November Special Issue 21: 1105–1121.

Eshlaghy, A. T. & Maatofi, A. (2016). Learning Orientation, Innovation and Performance: Evidence from Small-Sized Business Firms in Iran. *European Journal of Social Sciences*, 19(1), 114-122.

Farrell, M. A., (2016), "Developing a Market-Oriented Learning Organization," *Australian Journal of Management,* 25(2): 201-223.

Frambach, R.T.; Prabhu, J.; Verhallen, T.M. (2016), The Influence of Business Strategy on New Product Activity: The Role of Market Orientation. Int. J. Res. Mark., 20, 377–397.

Gabow, O. S. (2019). *Strategic management practices and performance of Kenya Commercial Bank in Nairobi.* Unpublished Thesis, University of Nairobi, Kenya.

Habib, M. A., Bao, Y., Nabi, N., Dulal, M., Asha, A. A., & Islam, M. (2021), Impact of Strategic Orientations on the Implementation of Green Supply Chain Management Practices and Sustainable Firm Performance. *Sustainability 2021,* 13, 340. https://doi.org/10.3390/su13010340

Hakala, H. (2018). Strategic orientation in management literature: Three approached to understanding the interaction between market, technology, entrepreneurial, and learning orientations. *International Journal of Management Reviews,* 13(2), pp. 199-217.

Helfat, C. E. (2015). Know-how and asset complementarity and dynamic capability accumulation: the case of R&D. *Strategic Management Journal* 18(5): 339–360.

Hoq, M. (2017). Innovativeness: Its antecedents and impact on SME business performance. *International Journal of Business and Management*, 4(11), 100–110.

Jambulingam, T., Kathuria, R. & Doucette, W. R. (2016). Entrepreneurial orientation as a basis for classification within a service industry: the case of the retail pharmacy industry. *Journal of operations management*, 23(1), 23-42.

Kaptuya, C. S. (2017), *The role of strategic innovation as a source of competitive advantage at Geothermal Development Company in Kenya.* Unpublished MBA Project, School of Business, University of Nairobi, Kenya.

Kimani (2019), *Effect of strategic orientation on performance of Clearing and Forwarding SMEs in Kenya.* Unpublished MBA Project, School of Business, United States International University, Kenya.

Kohli, A. K., & Jaworski, B. J., (2016), "Market orientation: the construct, research propositions, and managerial implications," *The Journal of Marketing*, 54: 1-18

Kothari, C. R., & Garg, G. (2014). *Research Methodology: Methods and Techniques*. New Delhi: New Age International Publishers.

Lumpkin, G. T. & Dess, G. G. (2016). Linking two dimensions of entrepreneurial orientation to firm performance: The moderating role of environment and industry life cycle. *Journal of business venturing*, 16(5), 429-451.

Laverie, D., Madhavaram, S. & McDonald, E. R. (2016). Developing a Learning Orientation: The Role of Team-Based Active Learning. Marketing Education Review, 18(3), 37-51.

Madu, I. (2016). Production Techniques and Technological Orientation on the Performance of Manufacturing Industries in Nigeria. *International Business and Management.* Vol. 13(1): 29-35.

Makadok, R. (2016). Toward a synthesis of the resource-based and dynamic-capability views of rent creation. *Strategic Management Journal* 22(5): 387–401.

Matsuno, K., Zhu, Z. & Rice, M. P. (2016). Innovation process and outcomes for large Japanese firms: Roles of entrepreneurial proclivity and customer equity. *Journal of Product Innovation Management*, 31(5), 1106-1124.

Mwaura, A. W. & K'Obonyo, P. (2018), Strategy orientation and performance of medium manufacturing firms in Kenya. *International Academic Journal of Human Resource and Business Administration,* 3(2), pp. 550-568.

Nganga, Z. (2017), *Influence of strategic orientation on performance of Telecommunication firms in Kenya.* Unpublished Thesis, University of Nairobi, Kenya.

Noble, C. H., Sinha, R. K., & Kumar, A. (2016), Market orientation and Alternative strategic orientations: A longitudinal assessment of performance implications. *Journal of Marketing,* 66(4), pp. 25-39.

Nybakk, E. (2016). Learning Orientation, Innovativeness and Financial Performance in Traditional Manufacturing Firms: A Higher-Order Structural Equation Model. *International Journal of Innovation Management*, 16(5), 1-28.

Osore, S. A. (2018), Influence of technological orientation on performance of Conventional and Islamic banking in Kenya. *Journal of Business and Strategic Management,* 5(1): 1- 14.

Pearce, C. L. & Ensley, M. D. (2016). A Reciprocal and Longitudinal Investigation of the Innovation Process: The Central Role of Shared Vision in Product and Process Innovation Teams (PPITS). *Journal of Organizational Behavior*, 25, 259-278.

Raila, J. O. (2017), *Strategic orientation and performance of Small and Medium Enterprises in Nairobi Central Business District.* An Unpublished MBA Thesis. University of Nairobi, Kenya.

Sarker, S. & Palit, M. (2015) Strategic Orientation and Performance of Small and Medium Enterprises in Bangladesh. *International Journal of Entrepreneurship and Small Business*, 24, 572-586. http://dx.doi.org/10.1504/IJESB.2015.068643

Saunders, M., Lewis, P., & Thornhill, A. (2016). *Research methods for business students*. 7th ed. Harlow, Essex, Pearson Education Limited.

Sinkula, J. M., (2016), "Market Information Processing and Organizational Learning", *Journal of Marketing*, 58(1): 35-45

Sinkula, J. M., Baker, W. E., & Noordewier, T., (2016), “A Framework for Market-Based Organizational Learning: Linking Values, Knowledge and Behavior,” *Journal of the Academy of Marketing Science*, 25(4): 305-318.

Sok, P., Snell, L., Lee, W. J., & Sok, K. M. (2017). Linking entrepreneurial orientation and small service firm performance through marketing resources and marketing capability: A moderated mediation model. *Journal of Service Theory and Practice*, 27(1), 231-249.

Swink, M. (2016). Completing projects on-time: how project acceleration affects new product development. *Journal of Engineering and Technology Management*, 20(4), 319-344.

Teece D.J, Pisano G, & Shuen A. (2016). Dynamic capabilities and strategic management. *Strategic Management Journal* 18(7): 509–535.

Wandia, W. M. & Ismail, N. (2018), Effects of strategic alliances on performance of commercial banks in Kenya: A case of Kenya Commercial Bank. *International Journal of Business Management & Finance 1*(58): 986-1001, 2018