
MARKET ORIENTATION OF DEPOSIT TAKING SAVINGS AND CREDIT COOPERATIVE SOCIETIES (SACCO'S) IN KENYA.

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ABSTRACT

The objective of this study was to determine the Market Orientation of Deposit taking Savings and Credit Cooperative Societies (DTS's) in Kenya. The population of the study comprised the 184 licensed DTS's. A descriptive cross sectional survey design was used. Primary data was collected using a semi structured questionnaire while secondary data was obtained from the Sacco Societies Regulatory Authority (SASRA), supervision reports. The data collected was analyzed using descriptive statistics.. The study found that to a great extent majority of the SACCOs have a market orientation and this is evidenced by high levels of market intelligence generation and market intelligence dissemination activities. However, it was observed that the level of responsiveness to gathered intelligence was low. The study recommends that Managers of SACCOs give more attention to building their market orientation through training of their staff and fostering sharing of relevant information between departments as being market oriented requires organization wide support to be effective. Similarly, having regular meetings and collecting feedback from customers will ensure that information collected is current and is acted on in a timely manner thus improving the organizations responsiveness.

Key Words: Market Orientation, SACCO's

Introduction

Over the last two decades, changes in the environment have heightened the need for firms in developing countries to adopt more competitive strategies to ensure growth. Specifically, the competitive environment has increasingly become more global, technologically oriented and customer driven. These changes can affect a firms' performance and also cause competitive advantages to be less valuable or become superseded. Consequently firms need to invest in understanding their customers, respond appropriately and rethink their capabilities. Pelham (1997) proposed that a market orientation positions an organization for better performance because top management and other employees both have information on customers' implicit and expressed needs, and competitors' strengths, and a strong motivation to achieve superior customer satisfaction. However, despite several studies documenting the positive association between market orientation and performance in developed economies, this does not necessarily hold true in developing countries consequently necessitating increased research in this area (Appiah-Adu, 1998; Kumar, Jones, Venkatesan & Leonne, 2011; Osuagwu, 2006;).

In 2013, the total SACCO subsector assets in Kenya stood at Kshs. 335 billion, an increase of 35 percent from 2011 and funded mainly from member deposits and equity (SASRA, 2013). Further, an estimated 1.7 million Kenyans, or 9 percent of the country's adult population, rely on SACCO's for financial services (WOCCU, 2014). Despite their wide geographical reach in the country compared to other financial service providers, SACCOs have lost their market share dropping from 13.5 percent in 2009 to 9.1 percent in 2013 (Financial Access Report, 2013). The Financial Access Report (2013) further attributed this loss to two factors, first, is the competition from banks through proactive outreach by offering easy access transactions accounts as well as consumer loans. The second factor is the attrition of the SACCOs market base as a result of retirements in the public sector and preference by younger employees to patronize banks. Additionally, the difference between financial institutions is steadily being eroded by their changing role in the market consequently increasing the sectors competitiveness. The study posits that market knowledge, information and possession of the right capabilities can help SACCOs better understand and assess the opportunities, challenges and risks that the market presents. This will enable effective competition by providing products and services that are perceived by the consumer as being of value and in the long run enhance their performance.

Market Orientation

Market orientation refers to a business approach that focuses on identifying and meeting stated or hidden needs or wants of customers (Kotler & Keller, 2012). Several other definitions of market orientation are cited in existing literature. Shapiro (1989) viewed market orientation as a decision-making process encompassing all the aspects of an organization from information gathering to execution at the functional and divisional level. Kohli and Jaworski (1990) posit that market orientation is the organization wide generation and dissemination of market intelligence pertaining to current and future needs of customers, and the responses to it. On their part, Narver and Slater (1990) regard market orientation as the organizational culture that most effectively and efficiently creates the necessary behaviors' for the creation of superior value for buyers and thus superior performance for business.

For this study the Kohli and Jaworski conceptualization was adopted since it focuses on the organizations manifestation of a market orientation through its activities. Furthermore, the core of Kohli and Jaworski's definition of a market orientation as highlighted by Cadogan, et al., (1999) is that of information processing. Information processing abilities are critical to an organization first, due to acceleration of change, the explosion of available market data, and the importance of anticipatory action and secondly, as a source of

competitive advantage due to their value in numerous activities, their difficulty to achieve, and the difficulty that competitors have imitating them (Day, 1994)

Market oriented firms must therefore communicate their mission, vision and values in such a way that every employee knows his/her role and in turn be able to change and adapt to new market situations such as increased competition, changing needs and expectations of customers and new technologies. This requires the firm to actively gather and analyze market knowledge and empower their people with it and encourage an organization wide responsibility for market oriented activities. Towards this end the study investigated the level of market orientation exhibited by the SACCOs in Kenya

The Resource Based View

Resources are defined as physical assets, intangible assets and organizational capabilities that are tied semi permanently to the firm (Wernerfelt, 1984). The RBV proposes that competitive advantage stems from a firm's unique assets and distinctive capabilities (Barney, 1991, 2001). Further it assumes that firms can be conceptualized as bundles of resources and that those resources are heterogeneously distributed across firms with resource differences persisting over time (Amit & Schoemaker, 1993; Wernerfelt, 1984). On their part, Baker and Sinkula (2005) contend that the RBV of the firm proposes that firm performance depends on firm specific resources and capabilities. Market orientation is therefore considered a part of the overall firm's resource base. According to the resource based view of the firm, resources (inputs for the production of goods and provision of services) and organizational capabilities (intangible assets that are based on skills, learning, and knowledge in deploying resources) can be sources of competitive advantage.

Market Orientation and Organizational Performance

Many studies have strongly advocated adoption of market orientation in order to achieve competitive advantage. Hunt and Morgan (1995) emphasized that a market orientation could be treated as a firm's resource for gaining sustainable competitive advantage. In this sense it consists of norms for behavior that guide the business in learning quickly from and about different types of needs, and responding in an entrepreneurial manner to deliver superior customer value. Although referring to market driven firms, Weerawardena and O'Cass (2004) argued that market-driven firms are superior in their market sensing and customer linking capabilities, enabling them to outperform their competitors.

The capabilities arising from a market orientation enable the business to identify and exploit discontinuities in the markets it currently serves as well as those that are yet to be explored. Indeed Slater and Narver (1995) concluded that market orientation places the highest priority on the profitable creation and maintenance of superior customer value arguing further that as a form of business culture, a market orientation is difficult for competitors to observe and understand, much less to imitate and, thus, is a competitive advantage.

While studying the effect of market orientation and marketing capabilities on firm performance, Morgan Vorhies and Mason (2009) concluded that market orientation, as a key market-based knowledge asset, and marketing capabilities as important market-relating capabilities, would both seem to be fundamental elements in enabling firms to acquire and deploy resources in ways that reflect their market environment.

METHODOLOGY

The study sought to determine the level/degree of market orientation of participating SACCOs. The respondents were asked to rate the extent to which they agreed with several statements concerning activities their organizations engaged in so as to gauge their level of market orientation. The questions covered three variables that according to Jaworski and Kohli (1993), contributed to a market orientation. The variables contained question items relating to market intelligence gathering activities, market intelligence dissemination activities and responsiveness to the intelligence gathered. These variables were measured using a 5 point rating scale ranging from 1 representing not at all to 5 representing to a very large extent. The SACCOs market orientation score was then computed from the average mean score of all the three variables. The study questionnaire was sent through postal mail to 184 licensed deposit taking SACCOs in Kenya using a mailing list from the regulatory body SASRA. Included with the questionnaire was a letter of introduction and a stamped and addressed mail back envelope. In circumstances where the physical address of the SACCO was known, the drop and pick method was used or stamped mail back envelopes provided for those SACCOs where a repeat visit to pick the questionnaire was not possible due to the distance.

Although the study was intended to be a census survey of the 184 licensed deposit taking SACCOs in Kenya, the survey received a response from 78 SACCOs representing a response rate of 42.4 percent. This response rate was comparable to similar studies using mail survey conducted by Hilman (2014) 24 percent; Mahmoud (2011) 31.83 percent; and Julian (2010) 19.38 percent. Hager et al. (2003) in a review on response rates for mail surveys observed that surveys of organizations typically receive substantially lower return rates than surveys of individuals, with 15% return rates sometimes reaching a level of acceptability for organizational surveys.

Descriptive Statistics on SACCOs

The study sought to understand the profiles of the represented SACCOs using descriptive statistics. The SACCOs were assessed in terms of number of years in service, number of members, Category and size by assets. Frequencies and means were then used to evaluate each attribute.

Respondents by Category

SACCO's are divided into various categories which are determined by the rooting of their common bond. The common bond may be due to having the same employer, close geographical location, similar economic activity, similar religious belief, or belonging to one social organization. The distribution of respondents by category is presented in Table 1.

Table 1 Distribution of SACCOs by Category

	Frequency	Percent
Government based	20	25.6
Farmer based	23	29.5
Teacher based	13	16.7
Private firm based	22	28.2
Total	78	100.0

Source: Primary data

Table 1 shows that 29.5 percent of the respondents were from farmer based SACCOs followed by 28.2 percent who were from the private firms. The least represented category was teacher based SACCOs which had a representation of 16.7 percent. This shows that all the sectors as provided by the regulatory body SASRA were represented. Due to increased competitive pressure and the need to open new opportunities for growth SACCOs have been rebranding and opening up the common bond meaning they can attract membership from other sectors. These categories are therefore likely to change in the future (SASRA, 2013).

Distribution of Respondents by Number of Members

SACCOs are member driven, thus membership is significant because it is a determinant of the economic viability of the SACCO. The distribution of respondents by membership is summarized in Table 2

Table 2 Distribution of Respondents by Membership

Number of Members	Frequency	Percent
0 to 15,000	10	12.8
15,001 to 30,000	22	28.2
30,001 to 45,000	12	15.4
45,000 to 60,000	6	7.7
60,001 and above	28	35.9
Total	78	100.0

Source: Primary data

The results in Table 2 imply that majority of the SACCOs are relatively large in terms of membership.

Distribution of Respondents by Age

Age was measured by the number of years the SACCO had been in service. Age of an organization is likely to have implications on its performance. Indeed, one of the central needs of all organizations is adapting to change, both internal and external. Organizations that not only survive but prosper in a changing environment are likely to achieve increasing visibility and legitimacy within their communities (RAND Cooperation, 2015). The pertinent data on age of the SACCO is contained in Table 3

Table 3 Number of years SACCO has been in Service

Years in service	Frequency	Percent
0-10 years	2	2.6
11-20 years	12	15.4
21-30 years	23	30.8
31-40 years	26	33.3
Above 40 years	14	17.9
Total	78	100.0

Source: Primary data

The results in Table 3 show that 2.6 percent of the respondents had been in service for less than ten years. The largest proportion of the respondents had been in service for more than 30 years, they collectively formed 51.2 percent of the respondents. While a combined total of 82 percent of the respondents had been operational for over 20 years. This reflects the SACCOs ability endure the changes in the environment.

Distribution of Respondents by Size.

Size was measured using total assets which were considered a good indicator of the variability within the SACCO subsector. Those SACCOs with a large asset base are expected to perform better than those with a small asset base. The results are summarized in Table 4

Table 4 Distribution of Respondents by Asset size

	Asset size	Frequency	Percent
Small size	Below 1 billion	36	46.2
Medium size	>1 < 4 billion	27	34.6
Large size	Above 4 billion	9	11.5
Total		78	100.0

Source: Primary data

The results in Table 4 show that 46.2 percent of the respondents comprised of SACCOs with an asset base valued at below 1 billion while large sized SACCOs were 11.5 percent of the respondents. This distribution is consistent with the market share distribution observed by SASRA whereby fifteen SACCOs are categorized as large compared to forty one and seventy nine categorized as medium and small sized SACCOs respectively (SASRA, 2013). However the large SACCOs though few account for over 50 percent of the assets and deposits of the licensed deposit taking SACCOs (SASRA, 2013).

Distribution of Respondents by Asset Size and Total Growth

The size of assets that an organization has is expected to be reflective of its performance. Data on asset size and total growth in turnover, deposits and loans was obtained from secondary data and the findings are cross tabulated in Table 5.

Table 5 Distribution of Respondents by Asset Size and Percentage Growth

Size by Assets	Total growth in(turnover, deposits and loans)						Total
	below 0	0-5 percent	6-10 percent	11-15 percent	16-20 percent	21 percent and above	
<1billion	8	3	7	7	3	2	30
>1billion<4billion	3	2	6	7	4	3	25
>4billion	0	1	1	3	3	1	9
Total	11	6	14	17	10	6	64

Source: Primary data

As shown in Table 5 majority of the SACCOs 17 / (26.6) percent grew by between 11 to 15 percent between the years 2011 to 2013. Conversely, 17.2 percent recorded negative growth. A large proportion (73%) of the negative growth was recorded by SACCOs with a small asset base.

Descriptive Statistics on Market Orientation

Market intelligence generation assesses the organizations practice of information gathering activities. The findings are presented in Table 6

Table 6 Mean Scores and Standard Deviations of Market Intelligence Generation

	Market Intelligence Generation	N	Mean Score	Std. Deviation	Cv %
1	We meet with customers at least once a year to find out what products/services they will need in the future	78	4.09	0.84	21
2	We carry out in-house market research on our customers and also use externally sourced data	78	4.00	1.45	36
3	We survey customers at least once a year to assess the quality of our products/services	78	4.53	0.908	20
4	We often engage with those who can influence our clients uptake of products /services	78	3.87	0.998	26
5	Intelligence on our competitors is generated independently by several departments	78	4.51	0.802	18
6	We periodically review the likely effect of changes in our business environment (e.g., regulations) on customers	78	4.6	0.671	15
	Overall Score	78	4.26	0.454	10

Source: Primary Data

The results indicate that reviewing the effect of changes in the environment on customers (Mean score = 4.6), surveying customers to assess quality of products or services (Mean score = 4.53) and generating intelligence independently (Mean score = 4.51) were key areas of focus for majority of the organizations. The highest dispersion in responses (36%) was observed in item 2 where firms declared whether they carried out in house research on their customers. This implied that in-house research was rarely carried out by a number of SACCOs yet was of importance to others. The comparatively lower rating (Mean score = 3.87) regarding the practice of engaging with those who influence uptake of our products or services may be reflective of the reliance on the common bond to encourage product uptake. The overall mean score = 4.26 with Cv=10 indicates that majority of the SACCOs had a high market intelligence generation rating.

Market intelligence dissemination activities reflect the organizations efforts at sharing out information gathered within key departments. Respondents were asked to whether their organizations engaged in activities that promoted market intelligence dissemination. The pertinent results are presented in Table 7

Table 7: Mean Scores and Standard Deviations of Market Intelligence Dissemination

	Market Intelligence Dissemination	N	Mean Score	Std. Deviation	Cv %
1	We have interdepartmental meetings at least once a quarter to discuss market trends and developments	78	4.73	0.475	10
2	Marketing personnel allocate time for discussing customers' future needs with other functional departments	78	4.68	0.57	12
3	We periodically circulate documents (e.g., reports, newsletters) that provide information on our customers to other department	78	4.62	0.649	14
4	When something important happens to a major customer or market, various functional departments know about it in a short time	78	4.71	0.459	10
5	Data on customer satisfaction is disseminated on a regular basis	78	4.54	0.678	15
6	When one department finds out something important about competitors, it is slow to alert other departments	78	3.49	0.734	21
7	For one reason or another, we tend to ignore changes in our customers' product/service needs	78	3.64	0.805	22
8	Overall Score	78	4.34	0.370	8

Source: Primary Data

The results in Table 7 show that the highest ranked item in intelligence dissemination was item 1 regarding whether the SACCO held departmental meetings regularly to discuss market trends which had a mean score = 4.73. This was followed and related with item 4 which focused on the organizations ability to share information on major changes to other departments in a short time. These two items reflected the organizations efforts at disseminating information rapidly. These activities were further supplemented by circulation of useful documents on customers to other departments which was reflected in item 3 (Mean score = 4.62) and item 5 (Mean score = 4.54). This variable therefore demonstrated the overall departmental connectedness that existed within these organizations which can be observed in the relatively low dispersion in the respondents' views across the board. This is also supported by the high rating observed in the overall mean score on market intelligence dissemination = 4.267

Responsiveness to market intelligence assessed the organizations ability to exploit the information gathered. It assessed the relative speed with which information received was acted upon relative to competitors and the organizations monitoring of competitor activity. The results are displayed in Table 8

Table 8 Mean Scores and Standard Deviations of Responsiveness to Market Intelligence

	Responsiveness to Market Intelligence	N	Mean score	Std. Deviation	Cv %
1	It takes us forever to decide how to respond to competitor price changes	78	3.69	0.744	20
2	For various reasons, we tend to ignore changes in our customers' product/service needs	78	3.63	0.686	19
3	We periodically review our product/service development efforts to ensure that they are in line with what customers want.	78	3.54	0.618	17
4	If a major competitor were to launch an intensive campaign targeted at our customers, we would implement an immediate response.	78	3.72	0.754	20
5	Customer complaints fall on deaf ears in this business unit	78	3.95	0.754	19
6	Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion	78	4.76	0.488	10
	Overall Score	78	3.88	0.4297	11

Source: Primary Data

The results in Table 8 show that the highest mean score in responsiveness to intelligence was obtained from Item 6 which assessed the respondents ability to implement their marketing plans derived from the information gathered in a timely version (Mean Score = 4.76) . These findings imply that majority of the firms made an effort to implement whatever strategies and plans that were proposed, on time.

The overall mean scores of the market orientation variables is displayed in Table 9

Table 9 Overall Mean scores and Standard deviations of the Market Orientation variables

	Market Orientation	N	Mean Score	Std. Deviation	Cv %
1	Market Intelligence generation	78	4.26	0.454	10
2	Market Intelligence dissemination	78	4.34	0.370	8
3	Responsiveness to Market Intelligence	78	3.88	0.429	11
	Overall Score	78	4.16	0.290	6.9

Source: Primary Data

From Table 9 It is observed that responsiveness to intelligence recorded the lowest mean scores amongst the variables measuring market orientation at mean score = 3.88 indicating that the deployment of a market orientation was a limiting factor. The highest mean score =4.34 was observed in market intelligence dissemination activities which demonstrates that these activities are largely carried out by most of the respondent SACCOs. In order to determine the magnitude and direction of the relationships between the market orientation variables a correlation analysis was carried out and is presented in Table 10

Table 10: Correlation matrix of Market Orientation variables

		1	2	3	
1	Market Intelligence Generation	Pearson Correlation	1		
		Sig. (2-tailed)			
2	Market Intelligence Dissemination	Pearson Correlation	.038	1	
		Sig. (2-tailed)	.757		
3	Responsiveness to Market Intelligence	Pearson Correlation	.273*	.090	1
		Sig. (2-tailed)	.024	.463	
*. Correlation is significant at the 0.05 level (2-tailed).					

Source: Primary Data

From Table 10 we observe a positive correlation between all the variables with a moderate but significant correlation being between market intelligence generation and responsiveness to market intelligence at $r = 0.273$ and $p = 0.024$. The low correlation between market intelligence generation and its dissemination indicates that the two variables measure distinctly different activities.

Discussion of Results

The study established that majority of the SACCOs are relatively large in terms of membership although there was a negative correlation between membership and number of years in service. This provided evidence that younger SACCOs had more members than older SACCOs. In addition, results showed that older SACCOs seemed to perform worse than younger or newer SACCOs. Policy makers need to assess the impact of opening of the common bond on the sustenance of older SACCOs.

The results on overall degree of market orientation (Mean score = 4.16 CV 6.9) shows that to a great extent majority of the SACCOs have a market orientation as evidenced by their carrying out most of the activities that indicate this orientation. The presence of a market orientation was evidenced by a high concentration of market intelligence generation and market intelligence dissemination characteristics in majority of the firms. Responsiveness to market intelligence was practiced less with firms tending to not be sure on how they would react to competition.

The study findings suggest that SACCOs willing to outperform competitors can do so by adopting a market orientation. More importantly, they need to continuously monitor and improve on their market intelligence dissemination activities as these provide an important link between their market intelligence generation and responsiveness to intelligence generated.

Recommendations

It is recommended that Managers of SACCOs give more attention to building their market orientation through training of their staff and fostering sharing of relevant information between departments as being market oriented requires organization wide support to be effective. Having regular meetings and collecting feedback from customers will ensure that information collected is current and is acted on in a timely manner thus improving the organizations responsiveness. Policy makers need to assess the impact of opening of the common bond on the sustenance of older SACCOs. Similarly, policies that protect and strengthen SACCOs as intermediaries need to be put in place taking into consideration the threats to this sector from micro finance institutions, mobile phone service providers and other relevant financial institutions.

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