Effect of Relationship Marketing on the Performance of MSMES in Kenya

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Abstract

The main objective of the study was to examine the effect of relationship marketing on the performance of MSMEs in Kenya. The study was guided by positivism research philosophy. It utilized a descriptive survey design. The study population included 8,526 licensed MSMEs in Tharaka-Nithi County. Stratified sampling and random sampling techniques were employed to arrive at the study sample. Data was collected using questionnaires. Quantitative data was analyzed using both the descriptive statistics and inferential statistics. The descriptive statistics included frequency distributions, mean and measures of dispersion while the inferential statistics were t-test, multiple regression analysis, Karl-Pearson correlation coefficient and F-test. The findings of this study revealed that relationship marketing was strongly and positively correlated to performance of MSMEs. From the descriptive findings, it was also evident that MSME owners/managers that adopted relationship marketing perceived their firms' performance to be growing. Further, the bivariate regression findings suggested that relationship marketing accounted for 48.2% of the variation in performance of MSMEs. The effect of relationship marketing on performance of MSMEs was also positive and significant. The study recommends that MSME owners' in Kenya should embrace relationship marketing as a strategy towards better firm performance. Initiatives such as timely customer feedback, customer involvement and orientation while enhancing firm's reliability and accountability towards the customers are sure to culminate to superior performance.

Key Words: *Relationship Marketing, Performance, MSMEs, Tharaka-Nithi County and Kenya.*

1.1 Introduction

Micro, small and medium enterprises (MSMEs) play crucial roles in the economic well-being of a nation. They create diversified sources of national income, improves a nation's competitiveness and promotes economic development leading to flexibility and resilience of economies. Additionally, MSMEs play a pivotal role of improving social sectors through stimulating large scale employment, development of indigenous skills and technology, promoting entrepreneurship and innovativeness and building an industrial base at different scales (Kormawa, Wohlmuth & Devlin, 2011; Dzisi & Ofosu, 2014; Anyanga & Nyamita, 2016; KNBS,2016; Miles, Lehman & Fillis,2017).

Globally, their catalytic roles have been demonstrated in many countries as the biggest contributors to the gross domestic product. In countries like Japan and China, 60% of GDP comes from small and medium enterprises (SMEs). In the USA, that percentage goes up to 65%. In UAE, SMEs generates 52% of GDP. In countries with a lower income per capita, SMEs have a higher impact on the employment level of about 78% compared to countries with a larger income where the percentage goes down to 59% (The Steering group, 2011).

Regionally, SMEs are estimated to comprise over 90% of African business operations and contributing to over 50% of African employment and GDP (Chodokufa, 2009). In Ghana for instance, the sector accounts for about 70% of industrial employment and well over 50% of the country's GDP (Dzisi & Ofusu, 2014). In Nigeria, the importance and performance contributions of Small and medium scale business as a creator of employment is widely recognized. In 2002, 98% of all businesses in the manufacturing sector were SMEs, providing 76% of the workforce and 48% of all industrial output in terms of value added (Eniola & Entebang, 2015). In South Africa, SMEs are estimated to contribute 56% of private sector employment and 36% of GDP (Neneh & Zyl, 2012).

In Kenya, this sector is currently estimated to be employing 14.9 million people. The value of the MSME's output is estimated at Ksh 3,369.1 billion against a national output of Ksh 9,971.4 billion representing a contribution of 33.8% to GDP in 2015. In regard to gross value added, the MSME are estimated to have contributed 1,613.0 billion compared to Ksh 5,668.2 billion for the whole economy (KNBS, 2016). Additionally, the MSME sector is not only a provider of goods and services but also a driver in promoting competition and innovation while enhancing the enterprise culture which is vital for economic development, industrialization and modernization (KIPPRA, 2013; RoK, 2015). Furthermore, in Kenya, it is now widely recognized that the promotion of the performance of MSME sector is a viable and dynamic strategy for achieving national goals, including employment creation, poverty alleviation and balanced development across sectors and sub-sectors. According to Kiveu (2013), the SME sector in Kenya is critical and strategic in attaining vision 2030 and is central in national strategies for stimulating economic activity, reducing unemployment and poverty. KNBS (2016) underscored the important roles that MSMEs play in Kenya's development process, particularly in the context of generating employment and income opportunities for majority of the people. Indeed, the MSME sector provides employment for substantially more people than does the formal sector.

1.2 Statement of the problem

Despite their fundamental roles, MSMEs in Kenya continue to suffer various setbacks of slowed growth and performance catapulted by unfavourable environmental conditions with an estimated 70% folding up by the third year of operation (WB, 2015). Such conditions include but not limited to competition, rapid technological changes, market liberalization, poor access to markets and capital (Kivevu, 2013; Mwangi & Ngugi, 2014). Additionally, MSMEs are constantly bedeviled by lack of or ineffective marketing with the 2016 micro, small and medium enterprise survey showing that among the licensed businesses, micro (58.3%), small (35.6%) and medium (33.5%) sized establishments do not market or advertise their products/services (KNBS,2016). In the foregoing, MSMEs must continuously seek out for new opportunities that enhance their competitiveness in the highly dynamic market place for superior performance and sustainability. Relationship marketing, aimed at creating relational exchanges that promote customer loyalty has been touted before as a cardinal strategy towards enhanced firm competitiveness and hence performance.

Past studies on the on the role marketing on the performance of business enterprises focused on the 4Ps of marketing (Janet & Ngugi, 2014), ignoring the forms of marketing adopted by such enterprises. Other studies (Oboreh *et al*., 2013; Ebitu, 2016) were done in different business environment compared to Kenya. A study by Waithaka *et al*. (2014) targeted traders at Kariokor market in Nairobi. These affect the generalizability of the findings of such studies to other MSMEs. Further, there has been limited research among the Kenyan MSMEs and more specifically within the rural context that has managed to address the effect of relationship marketing on the performance of MSMEs. This study aimed to fill this missing knowledge gap by examining the effect of relationship marketing on performance of MSMEs in Kenya.

1.3 Objective of the Study

The objective of the study was to examine the effect of relationship marketing on the performance of MSMEs in Kenya.

2.0 Theoretical review

This study was guided by Resource-Advantage Theory. The Resource-Advantage theory(R-A theory) emanated from the works of Hunt and Morgan (1996) and posits that sustained superior firm performance occurs when a firm's comparative advantage in resources continues to yield positions of competitive advantage despite the competitive actions of rivals. This theory is an evolutionary disequilibrium provoking process theory of competition in which innovation and organizational learning are endogenous, firms and consumers share imperfect information, and in which entrepreneurship, institutions, and public policy affect economic performance. The intra-industry demand is viewed as significantly heterogeneous with respect to consumers' tastes and preferences, and firms are viewed as combiners of heterogeneous, imperfectly mobile entities that are labeled resources (Hunt, 2012).

For R-A theory, competition is viewed as a process that consists of the constant struggle among firms for comparative advantages in resources that will yield marketplace positions of competitive advantage terminating to superior performance. Once a firm's comparative advantage in resources enables it to achieve superior performance through a position of competitive advantage in some market segments, competitors attempt to neutralize and/or leapfrog the advantaged firm through acquisition, imitation, substitution, or major innovation (Hunt, 2012).

According to R-A theory, resources are defined as the tangible and intangible assets available to the firm that enable it to produce a market offering efficiently and/or effectively for some market segments (Hunt & Arnett,2003). According to Spillan and Parnell (2006), resources can be categorized as financial, physical, legal, human, organizational, knowledge, and relational. Hence, according to R-A theory, firms enter into relationships with other firms and consumers when such relationships contribute to the competitiveness of firms. This is attained when such relationships constitute relational resources by contributing to the firm's ability to efficiently and effectively produce market offerings that have value for served market segments. Based on this theoretical background, it is hypothesized that:

> H_{a1}: *Relationship marketing has a significant positive effect on the performance of*
>
> *MSMEs in Kenya.*

2.1 Conceptual Framework

According to Gronroos (1996), relationship marketing means to identify and establish, maintain, and enhance relationships with customers and other stakeholders, at a profit, and so that the objectives of all parties involved are met through mutual exchange and fulfillment of promises. It is the core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted customers at a profit. Relationship marketing's goal is to provide increased value to the customer while resulting in a lifetime value for the service provider. Therefore, understanding relationship marketing requires distinguishing between the discrete transaction, which has a distinct beginning, short duration, and sharp ending by performance and relational exchange, which traces to previous agreements, is longer in duration thus reflecting an ongoing process. Therefore, relationship marketing refers to all marketing activities directed towards establishing, developing, and maintaining successful relational exchanges (Oboreh, Umukoro & Ayozie, 2013). In modern business world, marketing focus reflect the move away from transactional marketing to relationship marketing.

Establishing, maintaining and enhancing customer relationships through continuous customer feedback, involvement and orientation has always been an important aspect of business. A study by Waithaka *et al.* (2014) established that customer's relationship marketing strategies influence firm performance. In addition, Velnampy and Sivesan (2012) established that customer relationship marketing impact on customer value creation in mobile service providing companies. Customer relationship oriented firms creates, develops and maintains committed, interactive and profitable relationships with selected customers. Relander (2011) argue that the conceptual

foundations of entrepreneurship and relationship marketing are very similar and that they share theoretical linkages such as value, centrality of individual, customer focus and communication.

Therefore, firms that implement relationship marketing strategies must recognize the importance of developing and maintaining long-term mutually rewarding relationships with other firms and/or consumers. Specifically, RM-based strategy emphasizes that to achieve competitive advantage and thereby superior firm performance, firms should identify, develop, and nurture an efficiency/effectiveness-enhancing portfolio of relationships. For this study, relationship marketing was operationalized to include customer feedback, customer involvement and orientation and reliability and accountability. It was hypothesized that these strategies significantly and positively affect the performance of MSMEs in Kenya in relation to customer base, sales and profitability. Figure 1 shows the conceptual framework.
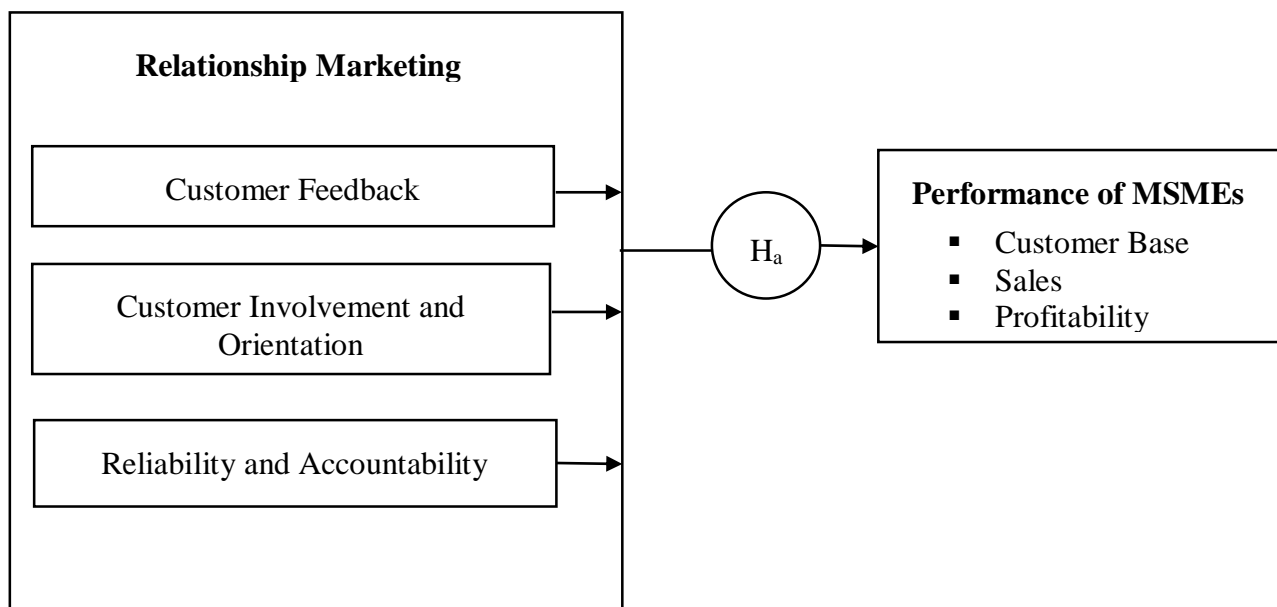

Figure 1: Conceptual Framework

2.2 Empirical Review

Oboreh *et al.* (2013) studied relationship marketing as an effective strategy by IGBO managed SMEs in Nigeria. The specific objectives of their study were (1) to examine the extent of acceptance, adoption and usage of the relationship marketing concept, and strategies (2) to find out if the size of the Igbo SMEs and a well-defined and comprehensive mission statement is related to the degree of the implementation of the relationship marketing concept, and strategies and (3) to examine if the level of education and experience of the owner manager/CEOs of the Igbo SMEs had any positive influence on the implementation of the relationship marketing concept and strategies by the firm. The study focused on 50 SMEs, in seven states of Nigeria; Ogun, Lagos,

Abia, Edo, Delta, Bayelsa and Rivers. Data was analyzed using regression analysis at 5% level of significance. The findings of this study revealed that the Igbo operated SMEs, whether small, medium or large, had accepted that one sure way of survival is to accept, use and adopt the relationship marketing concept and strategies. The managers of these SMEs especially the literate ones were aware of the principles, practice and philosophy of the relationship marketing concept, and with the increasing competition, the rate of acceptance, usage, adoption and implementation of the RM concept is fast gaining traction.

Ebitu (2016) studied marketing strategies and the performance of small and medium enterprises in Akwa Ibom state, Nigeria. The study adopted the survey method. 240 questionnaires were issued to SMEs in the three senatorial districts of the State. This formed the sample of the study. The data obtained was analyzed using pearson product moment correlation. The study revealed that there is a significant impact of product quality strategy and relationship marketing strategy on the profitability and increased market share of SMEs in Akwa Ibom State. The study recommended that SMEs should invest in product quality through innovation to enhance the firm's profitability. Also, the customers should be valued and treated as kings as cordial relationship between firm and customers results in the increase of the organizations market base the reason for superior firm performance.

3.0 Methodology

The study was guided by positivism research philosophy. It utilized a descriptive survey design. This design was considered relevant for this study for it was seeking to depict the participants in an accurate way by finding out the 'what is 'the effect of relationship marketing on the performance of MSMEs in Kenya. The study also drew quantitative data for analysis and interpretation. Descriptive survey design is also ideal when using a questionnaire for data collection. This is because they contain predetermined categories of responses that respondents can select from. This allows for statistically inferable data. The study population included 8,526 licensed MSMEs in Tharaka-Nithi County. Stratified sampling and random sampling techniques were employed to arrive at the study sample. The sample size was adopted from Krejcie and Morgan (1970) sample size table developed using the sample size formula for a finite population;

$S = \chi 2$ NP $(1{-}P) \div d$ 2 $(N{-}1) + \chi 2$P $(1{-}P)$.

S = required sample size, N = the population size.

$\chi 2$= the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05).

Thus, the required sample size (S) for this study was 368 MSMEs owners/managers based on the provided population size of N=8526, at confidence level of 95% and precision level of 5% with a response distribution of 50% (p and q). Data was collected using questionnaires. The study adopted the hand delivery and collection method. Aliyu and Rosli (2014) opines that the hand delivery and collection method saves time, ensure clarification of doubts and misunderstood concepts and produce a high response rate. Further, it is considered appropriate due to its outstanding benefits

of the entire completed questionnaire can be collected within a short period of time; one can be on hand to give additional explanation on items that may require clarification by the respondents and lastly, it creates an opportunity to persuade the respondents to take part in the survey and give their sincere opinions where resistance may be noticed in line with the submissions of Sekaran and Bougie (2010). To ensure reliability of the study, a pilot study was carried with 37 questionnaires followed by the computation of the Chronbach's alpha coefficient for each of the variables. The proposed pilot test falls within the rule of thumb as proposed by Mugenda and Mugenda (2003) that 10% of the sample should constitute the pilot test. For content validity, the researcher solicited for expert opinion from the university supervisors, peers and professionals in the industry.

3.1 Data processing and analysis

For completeness and consistency, the collected data was processed via editing and coding before presenting same for analysis. Qualitative data was analyzed using content analysis and interpreted through identification of main themes.

Quantitative data was analyzed using both the descriptive and inferential statistics. The descriptive statistics included frequency distributions mean and measures of dispersion while the inferential statistics were t-test, multiple regression analysis, Karl-Pearson correlation coefficient and F-test.

3.2 Statistical Model and Hypothesis Testing

To test the independent variable against the dependent variable (performance of MSMEs), t-test was used. For majority of business and management studies, researchers are satisfied to estimate the population's characteristics to be within plus or minus 3% to 5% of its true values (Saunders et al., 2012). Accordingly, for this study, the desired level of precision was +/– 5% and a confidence level of 95%. The decision level was, reject null hypothesis if $P<0.05$ and fail to reject if $P>0.05$. Karl Person correlation coefficient was used to test the level and direction of correlation between the independent variable and dependent variable. A bivariate regression analysis model was applied to determine the effect of relationship marketing (independent variable) on the performance of MSMEs (dependent variable) in Kenya. The regression model was conceptualized as follows;-

$Y = \beta_0 + \beta_1 X_1 + \varepsilon$

Where: Y =MSMEs Performance

X1 = Relationship marketing

β_0 = Constant

β_1 = Regression coefficient

ε = Error term

3.3 Operationalization and Measurement of Variables

This study employed perceptual measures of MSMEs' performance, with the conceptualized constructs being perceived increase in profitability, sales volume and customer base. This agrees with other numerous previous studies (Brouthers, Nakos, Hadjimarcou, & Brouthers, 2009; Kumar, & Singh, 2014; Mpunga, 2016). Perceptual measures are considered appropriate when firms are reluctant or unable to give "hard" financial data and when objective financial data is not available for all the elements under study and or variations exist in accounting practices across the elements hindering the reconciliation of differences (Nauwelaerts, 2016). This correlates with a

study by Gichuki *et al*. (2014) which ascertained that lack of proper records keeping is a key challenge facing MSMEs in Kenya. The independent variable was the relationship marketing strategies operationalized as customer feedback, customer involvement and orientation and reliability and accountability.

4.0 Research Findings

4.1 Reliability and Validity Test Results Analysis

Before conducting any analysis, the data was measured for internal consistency (reliability) using Cronbach's alpha. The Cronbach's alpha is used when there are multiple Likert questions in a survey or questionnaire is used as the data collection tool as was the case for this study. Based on the reliability statistics, it was evident that the survey questions had excellent internal consistency for all the Likert questions with $\alpha > 0.7$. Results are presented in Table 1.

Table 1: Reliability test for Relationship Marketing

Code		Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
RMS1	A good and positive relationship with customers promotes customers loyalty	.857	.968
RMS2	Timely client feedback helps a firm attract and retain customers	.878	.967
RMS3	A firm that provides timely feedback to its clients is likely to improve its profitability	.864	.967
RMS4	The more the business firm focuses on customer involvement and orientation, the more it is likely for them to achieve a larger customer base	.838	.968
RMS5	Timely response to customer queries promotes a firm's sales volumes	.846	.968
RMS6	Those business firms that engage their clients as co-creators in the development /introduction of new products/services are more likely to achieve higher sales volumes	.826	.969
RMS7	Being more customers' orientated ultimately improves a firms profitability	.861	.968
RMS8	Customers are likely to buy more from business firms that have proven to be more accountable and reliable than others	.836	.968
RMS9	Business firms that promote the core values of reliability and accountability are likely to be more profitable than others	.862	.967
RMS10	As business firms become more reliable and accountable, their sales volume ultimately increase	.826	.969
RMS11	As business firms become more reliable and accountable, their sales volume ultimately increase	.884	.967

4.2 Demographic Information

The highest number of respondents, 47.4% were from Meru South Sub County, followed by Maara 38.7%, Tharaka South 9.6% and Tharaka North 4.3%. These results tally with Tharaka-Nithi County Integrated Development Plan (2013) where the sub counties of Meru South and Maara are classified as the largest commercial sub-counties. Chuka town in Meru South is the largest with a projected population of 50,203 residents in 2017 followed by Chogoria town in Maara with a projected population of 36,521 in 2017. Marimanti, located in Tharaka South is the only urban centre in Tharaka with a projected population of 9,857 in 2017. All these towns serve as Sub County headquarters and this has immensely contributed to their fast growth. Of the respondents, 53.3% were female while the male counterparts accounted for 46.7%. Approximately 15.2% of the respondents were between 18 and 25 years, 39.1% were between 26 and 35, 25.5% were aged between 36 and 45 while 20.2% were above 45 years. Further, 93.4% had attained some level of formal education. This information is summarized in Table 2.

Table 2: Descriptive Statistics on Respondents' Demographic Information

Main Factor	Factor Level	Frequency	Percent
Sub-County	Chuka	143	47.4
	Maara	117	38.7
	Tharaka -South	29	9.6
	Tharaka-North	13	4.3
Gender	Male	141	46.7
	Female	161	53.3
Age Bracket	18 to 25 years	46	15.2
	26 to 35 years	118	39.1
	36 to 45 years	77	25.5
	Above 45 years	61	20.2
Marital Status	Single	93	30.8
	Married	160	53.0
	Divorced	16	5.3
	Widowed	33	10.9
Level of Education	None	20	6.6
	Primary	65	21.5
	Secondary	108	35.8
	College/Tertiary	59	19.5
	University	50	16.6

4.3 Business Background Information

The business background information revealed that most of the respondents (42.4%) were engaged in wholesale/retail trade, 23.8% were in the service industry, 18.5% were in the restaurant/hotel business, 9.9% were involved in craft, 4.3% in education/training and the remaining 1% focused on agricultural activities (Figure 2). The results resonate with the national survey, KNBS (2016), which postulated that a majority of the Kenyan MSMEs are engaged in the wholesale/retail trade. Additionally, Tharaka-Nithi is a rural County and thus it is evident that agriculture is still practiced for subsistence purposes other than as enterprise.
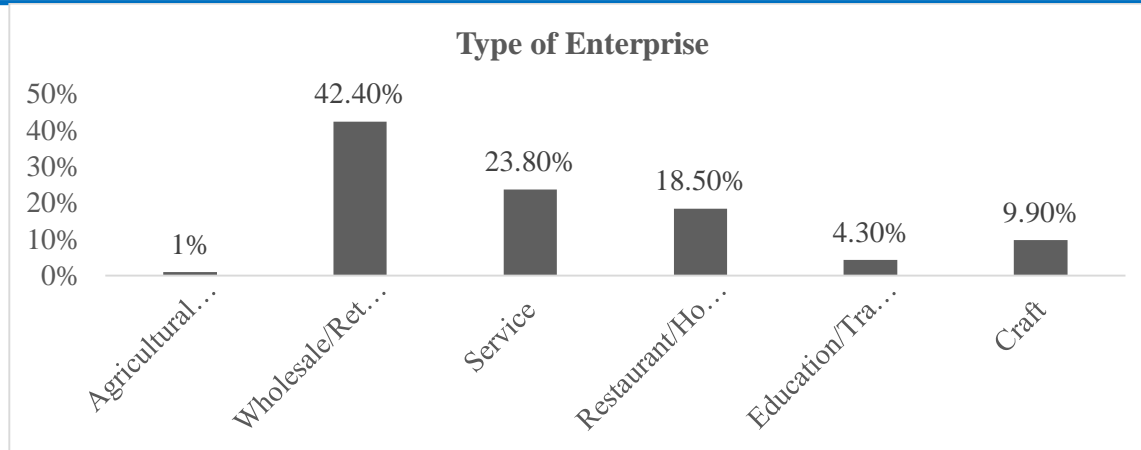
Figure 2: Type of Enterprise

Further, most of the participants (57%) were sole proprietors, while partnerships accounted for 38.1% of the sample population and only 5% claimed to have limited companies as depicted by Figure 3.
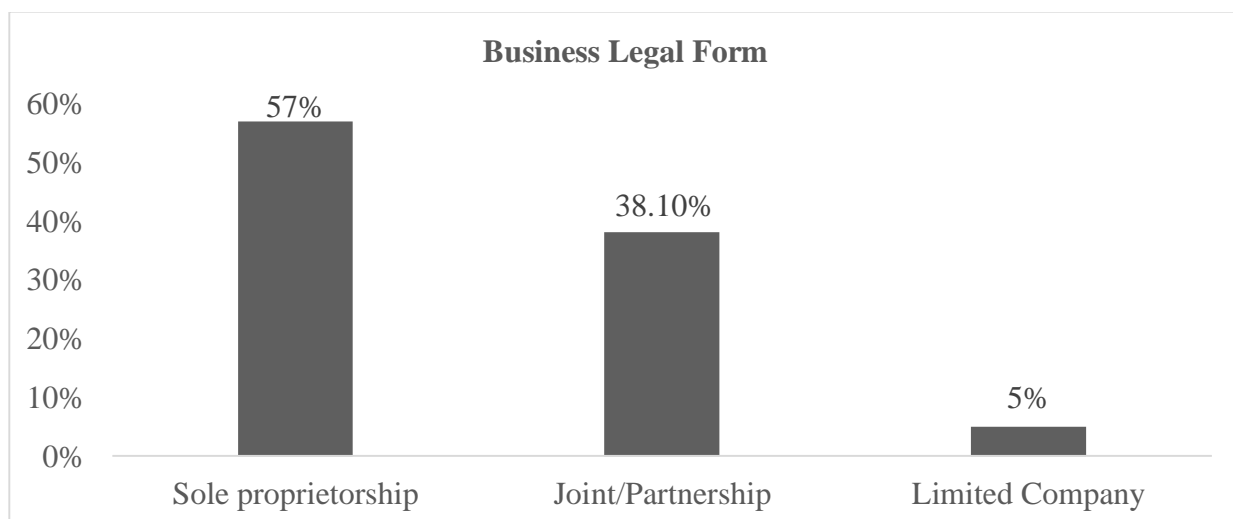

Figure 3: Business legal Form

Table 3 provides a detailed examination of the business background information. From the results, it is evident that most of the respondents had their business in operation between 1 and 5 years (53%), 28.1% for over 5 years and 18.9% for less than 1 year. The largest proportion of participants (70.2%) begun the business themselves while the remaining 29.8% begun with other employees. As at the time of the study, almost half of the participants (57%) worked alone in their business and 43% had other employees in the business, an indicator of business growth. Most of the daily sales of the sampled businesses ranged below Ksh 10,000 (40.1%), 30.5% between 10,000 and 20,000, 12.3% between 20,000 and 30,000 and 4.3% above 50,000. Majority of the businesses had a level of profitability below KSh 10,000 (67.2%) while very few made it above the KSh 50,000 mark (1.3%). Finally, most of the firms could be said to be experiencing a growth spurt as shown

by 70.9% of the respondents, 15.9% were breaking even and the remaining 13.2% perceived that the performance of their enterprises was declining.

Table 3: Descriptive Statistics on Businesses' background Information

Main Factor	Factor Level	Frequency	Percent
Years in Operation	Less than 1 year	57	18.9
	1-5 years	160	53.0
	Over 5 years	85	28.1
Other Employees at Commencement	Myself only	212	70.2
	Other	90	29.8
Current Other Employees	Myself only	172	57.0
	Other	130	43.0
Estimated Daily Sales (Ksh)	Below 10,000	121	40.1
	10,001-20,000	92	30.5
	20,001-30,000	37	12.3
	30,001-40,000	18	6.0
	40,001-50,000	21	7.0
	Above 50,000	13	4.3
Estimated Daily profits (Ksh)	Below 10,000	203	67.2
	10,001-20,000	52	17.2
	20,001-30,000	18	6.0
	30,001-40,000	15	5.0
	40,001-50,000	10	3.3
	Above 50,000	4	1.3
Perceived Firm performance over the last 3 years	Growing	214	70.9
	Breaking-even	48	15.9
	Declining	40	13.2

4.4 Statistical Tests

4.4.1 Linearity Test

In this study, the linearity test was done both graphically by use of scatter plots and statistically by use of ANOVA output tables. As illustrated in Table 4, the linearity test results for relationship marketing were significant F values (F=333.831, P=0.000<0.05). This means that there was a linear relationship between relationship marketing and performance. The test for deviation from linearity (nonlinear) for relationship marketing, was insignificant F values (F=1.3 P=0.059>0.05) an indication that there were no nonlinear relationships in addition to the linear components.

Table 4: ANOVA Results of the Linearity Test

			Sum of Squares	df	Mean Square	F	Sig.
Performance * Relationship Marketing	Between Groups	(Combined)	261.325	172	1.519	3.233	0.000
		Linearity	156.886	1	156.886	333.831	0.000
		Deviation from Linearity	104.439	171	0.611	1.3	0.059
	Within Groups		60.624	129	0.47		
	Total		321.949	301			

Further, a visual examination of the scatter plots as shown in Figures 4 suggests a positive linear relationship between relationship marketing and performance of the MSMEs. This implied that the higher the relationship marketing the higher the performance of the MSMEs. Therefore, the level of influence of the hypothesized relationship marketing could statistically be determined by performing a linear regression analysis.
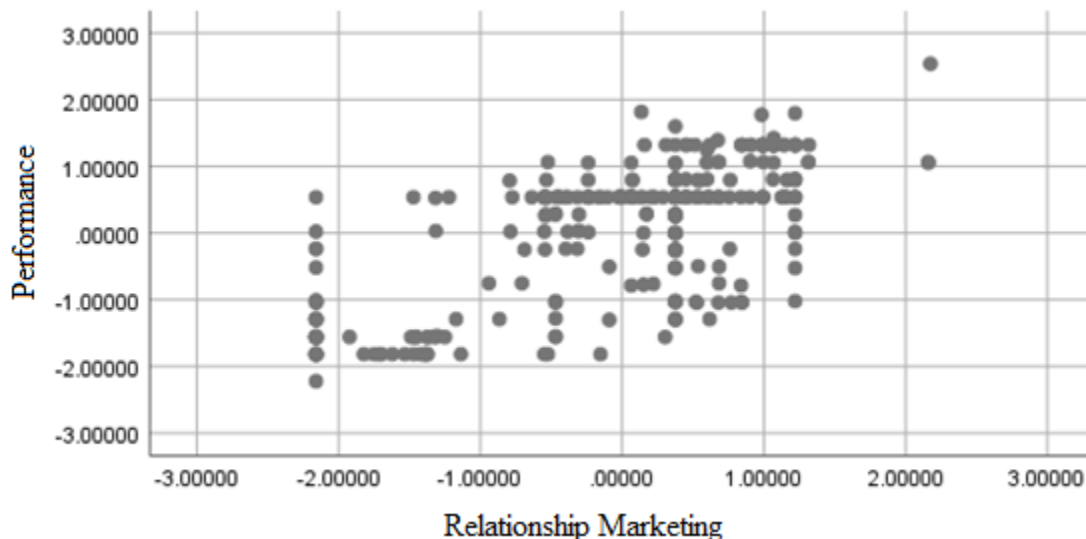

Figure 4: Linearity Test on Relationship Marketing

4.5 Relationship Marketing and Performance of MSMEs

In the current world of business, there has been a paradigm shift from the traditional 'transactional exchanges' to 'relational exchanges'. According to Grönroos (1996, 2000), relationship marketing is concerned with the development of long-term relationships with customers and other stakeholders, for profitable gains, so that the objectives of all parties are met. The major aim of relationship marketing is therefore, to achieve customer loyalty so that mutually profitably and long-term relationships are developed and maintained with customers for superior performance. The respondents to this study were asked if they deployed relationship marketing to their businesses. The results are as shown in Table 5.

Table 5: Frequency Distribution on the Use of Relationship Marketing

Deployed relationship marketing strategies	Frequency	Percent
Yes	187	61.9
No	115	38.1
Total	302	100.0

The respondents that agreed to be utilizing relationship marketing in their firms were further asked to highlight if they perceived their firms' performance to be growing, merely breaking even or declining in the last three years. On cross tabulating these results (see Table 6), it was evident that 70.59% of the respondents who deployed relationship marketing perceived their firms' performance to be growing, 15.51% were just merely breaking even and 13.9% were declining. Thus, it can be argued that firms that adopted the relationship marketing strategy performed better as compared to those which did not.

Table 6: Use of Relationship Marketing and perceived Performance of MSMEs

		Do you deploy relationship marketing strategies to your business?			
Factor		Yes	%	No	Total
Which of the status below best describes your firm performance in the last three(3) years	Growing	132	70.59%	82	214
	Breaking - even	29	15.51%	19	48
	Declining	26	13.90%	14	40
Total		**187**	**100.00%**	**115**	**302**

Additionally, the respondents were given a set of statements regarding the effect of relationship marketing strategies of timely customer feedback, continuous client involvement and orientation and enhanced accountability and reliability on the performance of their firms and asked to rate them on a scale of 1 to 5, where 1 was strongly disagree and 5 was strongly agree.

The results as presented in Table 7 indicated that entrepreneurs that are careful to promote clients' relationships through timely feedback are more likely to improve their customer base and retention (78.0%), sales volume (71.0%) and profitability (75.0 %). Similarly, the results showed that enterprises that are more customer oriented, involving them in products/services decisions are likely to record better performance in regard to client retention(79.0%),profitability(80.0%) and sales volume(82.0%) as opposed to those who didn't. Further, accountability and reliability of the firms towards their customers was likely to improve client attraction and retention, profitability and sales volumes by 79.0%, 77.0% and 82.0% respectively.

In sum total, the results (82.0%) revealed that cultivating relationship marketing by SMEs is likely to improve business performance through increased sales volumes, client base and profitability. Moreover, all the resulting means of above 3.5 signified low variability in respondents' opinion in all the variables measuring relationship marketing and performance of MSMEs. The resulting

standard deviations of less than half the means ascertained that the differences of responses given was insignificant. The overall rating had a mean of 4.30 and standard deviation of 1.390 which indicates that majority of the respondents agreed or strongly agreed with the statements relating to effect of relationship marketing on the performance of their firms.

Table 7: Relationship Marketing and performance of MSMEs

Code	Relationship Marketing Strategy	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Deviation
RMS1	A good and positive relationship with customers promotes customers loyalty	10	4	8	50	28	4.20	1.317
RMS2	Timely client feedback helps a firm attract and retain customers	6	7	16	48	23	4.10	1.367
RMS3	A firm that provides timely feedback to its clients is likely to improve its profitability	8	6	9	50	25	4.19	1.383
RMS4	The more the business firm focuses on customer involvement and orientation, the more it is likely for them to achieve a larger customer base	5	7	10	45	34	4.36	1.325
RMS5	Timely response to customer queries promotes a firm's sales volumes	2	5	10	41	41	4.56	1.372
RMS6	Those business firms that engage their clients as co-creators in the development /introduction of new products/services are more likely to achieve higher sales volumes	9	6	11	39	36	4.50	1.397
RMS7	Being more customers' orientated ultimately improves a firms profitability	2	7	11	56	24	4.46	1.358
RMS8	Customers are likely to buy more from business firms that have proven to be more accountable and reliable than others	1	9	11	43	36	3.45	1.350
RMS9	Business firms that promote the core values of reliability and accountability are likely to be more profitable than others	5	6	12	51	26	4.55	1.726
RMS10	As business firms become more reliable and accountable, their sales volume ultimately increase	1	7	10	40	42	4.45	1.352
RMS11	Cultivating relationship marketing is likely to improve business performance through increased sales volumes, client base and profitability	1	6	10	55	27	4.48	1.345
Overall							4.30	1.390

KEY: SA-Strongly Agree; A-Agree; N-Neutral; D-Disagree; SD-Strongly Disagree

4.5.1 Factor Analysis on Relationship Marketing Strategy

Principal composite analysis was carried out on the data to describe variability among the observed and check for any correlated elements with the aim of reducing data that was found redundant. Sample adequacy was determined by use of Kaiser-Meyer-Olkin Measure of sampling adequacy (KMO) per every independent variable with a decision level accept if KMO >0.7(Cerny & Kaiser,1977). Indicators of relationship marketing variable scored factor loadings (Table 8) of more than 0.5 and were therefore retained for further analysis. The sample was adequate since Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) attained 0.961 which was above the threshold of 0.7. The relationship marketing factor constructed was able to explain 77.376 % >70% of the total variance in relationship marketing hence the statements exhaustively explained the variation in the factor.

Table 8: Factor Analysis on Relationship Marketing

Relationship Marketing Strategy	Factor Loading
A good and positive relationship with customers promotes customers loyalty	0.884
Timely client feedback helps a firm attract and retain customers	0.902
A firm that provides timely feedback to its clients is likely to improve its profitability	0.890
The more the business firm focuses on customer involvement and orientation, the more it is likely for them to achieve a larger customer base	0.866
Timely response to customer queries promotes a firm's sales volumes	0.874
Those business firms that engage their clients as co-creators in the development /introduction of new products/services are more likely to achieve higher sales volumes	0.856
Being more customers' orientated ultimately improves a firms profitability	0.887
Customers are likely to buy more from business firms that have proven to be more accountable and reliable than others	0.864
Business firms that promote the core values of reliability and accountability are likely to be more profitable than others	0.887
As business firms become more reliable and accountable, their sales volume ultimately increase	0.857
Cultivating relationship marketing is likely to improve business performance through increased sales volumes, client base and profitability	0.906

KMO=0.961 ;Bartletts p<0.05; Total variance extracted=77.376%

4.5.2 Hypothesis Testing

This study hypothesized that Relationship marketing has a significant positive effect on the performance of MSMEs in Kenya. Pearson's Product Moment Correlation test was run to establish whether relationship marketing had any correlation with the performance of MSMEs in Kenya. As shown in Table 9, there was a strong positive correlation between relationship marketing and performance of MSMEs in Kenya with a correlation coefficient of 0.698. The hypothesis was tested at a 0.05 significance level. The p-value results at 0.000 < 0.05 established a high significant relationship between variables. This implied that an increase in relationship marketing by the firms led to positive increase in their performance.

Table 9: Pearson's Correlation Coefficient between Relationship Marketing and Performance of MSMEs in Kenya

		Performance	Relationship Marketing
Performance	Pearson Correlation	1.000	.698*
	Sig. (2-tailed)		.000
	N	302	302
Relationship Marketing	Pearson Correlation	.698*	1.000
	Sig. (2-tailed)	.000	
	N	302	302

*. Correlation is significant at the 0.05 level (2-tailed).

Similarly, the R square value of the relationship marketing variable was 0.487 as indicated in Table 10. This means that 48.7% of the variation in performance can be explained by changes in relationship marketing leaving 51.3% unexplained (error term). This ascertains that relationship marketing has a strong effect on performance of MSMEs.

Table 10: Relationship Marketing Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.698ᵃ	.487	.486	.74176265

a. Predictors: (Constant), Relationship Marketing

Further, the ANOVA test results in Table 11 show a p-value at 0.000 which is less than alpha, 0.05. Therefore, the model of relationship marketing and performance of MSMEs was overally significant.

Table 11: ANOVA Regression Results between Relationship Marketing and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	156.886	1	156.886	285.137	.000ᵇ
	Residual	165.064	300	.550		
	Total	321.949	301			

a. Dependent Variable: Performance
b. Predictors: (Constant), Relationship Marketing

Table 12 indicates that the regression weight for relationship marketing was positive and significant (β= 0.696, p < .05, Sig 000) with the model summarized as Y=0.095+0.696X1. Since, β_1 =0.696, it can be concluded that one unit increase in relationship marketing increases performance by 0.696 units other factors held constant. In addition p-value of relationship marketing at 0.000<0.05 inferred that relationship marketing individually had a positive and significant effect on the performance of MSMEs in Kenya. Thus, the statistical hypothesis H_{a1}:

Relationship marketing has a significant positive effect on performance of MSMEs in Kenya was not rejected.

Table 12: Coefficients of Relationship Marketing and Performance of MSMEs

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.095	.043		2.223	.027
	Relationship Marketing	.696	.041	.698	16.886	.000

a. Dependent Variable: Performance

4.6 Discussion of results on the Effect of Relationship marketing on Performance of MSMEs

The results in Table 12 indicate that relationship marketing has a positive and significant effect on the performance of MSMEs in Kenya. (β= 0.696, p=0.000 < .05). This means that for every unit increase in relationship marketing, there is a corresponding increase in performance by 0.696 units other factors held constant. The Pearson product moment correlation coefficient reveals a strong positive and significant correlation between relationship marketing and performance of MSMEs (r = 0.698, p-value =0.000<0.05) as shown in Table 9. Thus, the study failed to reject the statistical hypothesis H_{a1}: Relationship marketing has a significant positive effect on performance of MSMEs in Kenya.

These results are consistent with previous studies done in the area of relationship marketing and performance of business firms. Oboreh *et al.* (2013) studied relationship marketing as an effective strategy by IGBO managed SMEs in Nigeria. The findings of their study revealed that the Igbo operated SMEs, whether small, medium or large, had accepted that one sure way of survival and superior performance was to accept, use and adopt the relationship marketing concept and strategies.

Similarly, the study findings of a significant positive effect of relationship marketing on performance of MSMEs in Kenya confirms the assertion by Ebitu (2016) who studied marketing strategies and the performance of small and medium enterprises in Akwa Ibom state, Nigeria. The study concluded that there was a significant impact of product quality strategy and relationship marketing strategy on the profitability and increased market share of SMEs in Akwa Ibom State. Additionally, the results agree with those of Waithaka *et al.* (2014) who established that customers' relationship marketing strategies positively influence firm performance. Velnampy and Sivesan (2012) established that customer relationship marketing impact on customer value creation in mobile service providing companies in Sri Lanka.

These study findings also support the arguments of Resource-Advantage theory (R-A theory) as postulated by Hunt and Morgan (1996). For R-A theory, competition is viewed as a process that consists of the constant struggle among firms for comparative advantages in resources that will yield marketplace positions of competitive advantage terminating to superior performance. Hence, according to R-A theory, firms enter into relationships with other firms and consumers when such

relationships contribute to the competitiveness of firms. This is attained when such relationships constitute relational resources that contribute to the firm's ability to efficiently and effectively produce market offerings that have value for served market segments leading to superior performance. This study therefore confirms that MSMEs that are able to leverage relationship marketing strategies as relational resources, are much more likely to report superior performance as compared to those who do not.

5.0 Summary, Conclusions and Recommendations

5.1 Summary of Findings

The findings of this study revealed that relationship marketing was strongly and positively correlated to performance of MSMEs. From the descriptive findings, it was also evident that MSME owners/managers that adopted relationship marketing perceived their firms' performance to be growing. Further, the bivariate regression findings suggested that relationship marketing accounted for 48.2% of the variation in performance of MSMEs. The effect of relationship marketing on performance of MSMEs was also positive and significant.

5.2 Conclusion

The study concluded that adoption of relationship marketing yields better performance for MSMEs in Kenya. Therefore, cultivating a relational approach to marketing through intentional customer feedback, involvement and orientation and promoting reliability and accountability, culminates to enhanced customer loyalty so that mutually profitably and long-term relationships are developed and maintained with customers. Therefore, customer relationship oriented firms create, develop and maintain committed, interactive and profitable relationships with customers for superior performance gains.

5.3 Recommendation

The study also recommends that MSME owners' in Kenya should embrace relationship marketing as a strategy towards better firm performance. Initiatives such as timely customer feedback, customer involvement and orientation while enhancing firm's reliability and accountability towards the customers are sure to culminate to superior performance.

5.4 Areas for Further Research

As described in the methodology section, this study only focused on Tharaka Nithi County. However, there are many MSMEs in other counties in Kenya which could be facing similar challenges like those faced by the MSMEs in Tharaka Nithi County. Therefore, future researchers could focus on other Counties in Kenya.

Secondly, the study adopted cross-sectional research design approach which was limited to point-in-time assessment. Therefore, future research could be conducted using longitudinal research approach so as to identify the most effective relationship marketing strategy in promoting the performance of MSMEs in Kenya.

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