TOO MUCH OF A GOOD THING? STRATEGIC INNOVATION ORIENTATION, CUSTOMER SATISFACTION AND PERFORMANCE OF LICENSED MICROFINANCE INSTITUTIONS IN KENYA

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Abstract

Microfinance institutions play a crucial role in providing financial services to the low cadre people in society. Strategic Innovation Orientation; product, financial, organisational and marketing innovation orientation, has been used by firms to improve their performance. Strategic innovation orientation is always aimed at exceeding the satisfaction of the customers by meeting their needs. The study aimed to establish the mediating effect of customer satisfaction on the relationship between strategic innovation orientation and performance of Micro Finance Institutions in Kenya. Using Baron and Kenny four steps for the test of mediation, the study found out that customer satisfaction partially mediated the relationship between strategic innovation orientation and performance of Micro Finance Institutions. This shows the significance of customer satisfaction on the performance of MFIs and other institutions.

Keywords: Strategic innovation orientation, Customer satisfaction, Performance

INTRODUCTION

Microfinance institutions remain fundamental in the provision of services to the lower cadre people in society. In Kenya, they have been instrumental despite being affected by various challenges that have led to their negative performance. As a result, they have been unable to meet their customers' needs, as seen in the reduction of the number of customers (CBK Report, 2018). Strategic innovation orientation involves a philosophy that is geared towards having an intent on varied innovation orientations; product, organisational, financial and marketing innovation orientations (Adams, Freitas & Fontana 2019). Strategic innovation orientation has had varied effects on the performance of organisations. It has been linked to customer satisfaction as well. Hoe and Mansori (2018) posited that customer satisfaction is a driver for growth. Improved firm performance is what makes firm resilient in the dynamic economic environment.

Customer satisfaction is an enjoyable complementary feeling based on the use of a given product or service. It is also a sense or attitude towards a given product or service (Jamal & Naseer, 2002). It is the difference between purchase and after purchase utilisation of a product or service (Beerli, Martin, & Quintana 2004). According to Liang and Zhang (2012), the consumer good feel from product or service performance. Customer satisfaction is attained when customer expectations are exceeded.

Customer satisfaction is operationalized as transaction-specific and cumulative satisfaction. Transaction-specific satisfaction is the customer's evaluation of a specific service or product (Olsen & Johnson, 2003), while cumulative satisfaction is based on summative satisfaction, which has often been used (Gupta & Zeithaml, 2006). Customer satisfaction has been an influencer of customer loyalty, leading to increased customers, hence improved performance (Peng & Moghavvemi, 2015).

In addition, Teeroovengadum (2020) conceptualized customer satisfaction as fulfilling the customers' needs, satisfying the customers' needs, and the service offered to be ideal. Customer satisfaction is seen as a product of service quality among firms.

Leveraging on strategic innovation orientation helps maintain the agility and resilience of firms by making them sustainable in the hypercompetitive business environment. Strategic innovation orientation is a means of awareness of new courses of actions to meet customer needs and expectations (Talke, Salomo and Kock 2011). The courses of action can be in product, financial, market or organisational innovation orientations (Kalay & Lynn 2015; Rajapathirana and Hui 2018). Strategic innovation orientation has been used as an explanatory variable and moderator in different studies. The link between strategic innovation orientation and customer satisfaction has not been thoroughly researched. Thus, it is important to research

on the customer satisfaction construct so as to have a deeper understanding of its role in performance.

REVIEW OF LITERATURE

Theoretical Review

Resource Based View

Edith Penrose is the principal proponent of Resource-Based View (RBV) (Penrose, 1959). The theory emphasized the constructs of a firm's resources. Firms resources; tangible and intangible form part of the assets that are key for competitive advantage and performance. The RBV describes a firm as an amalgamation of tangible and intangible assets, resources, or competencies associated with the institution and are difficult to duplicate. Strategic innovation orientation as a capability is anchored on the RBV.

Studies by Lioukas, Reuer and Zollo (2016) on the effects of information technology capabilities on strategic alliances used RBV as the anchor theory of the study. Further, Donnellan and Rutledge (2019) used RBV as the main theory in establishing the performance of banks through proper alignment of strategies. Therefore, the strategic innovation orientation variable will be anchored on this theory. Edith Penrose is the principal proponent of Resource-Based View (RBV) (Penrose, 1959). The theory emphasized the constructs of a firm's resources. Assets and dynamic capabilities are crucial determinants of competitive advantage and performance. The RBV describes a firm as an amalgamation of tangible and intangible assets, resources, or competencies associated with the institution and are tedious to duplicate. Strategic innovation orientation as a capability is anchored on the RBV.

Unified Theory of Acceptance and Use of Technology

The proponents of the Unified Theory of Acceptance and Use of Technology (UTAUT) or Unified Theory of Consumer Acceptance of Technology (UTCAT) are Venkatesh, Morris, Davis and Davis in 2003. An integration of several models and theories; theory of reasoned action (Fishbein & Ajzen, 1975), the technology acceptance model (Davis,1989), the motivational model (Davis, Bagozzi, & Warshaw, 1992), the theory of planned behaviour (Ajzen, 1991), the combined technology acceptance model and theory of planned behaviour (Taylor & Todd, 1995), the model of personal computer utilization (Thompson, Higgins, & Howell, 1991), the innovation diffusion theory (Moore & Benbasat, 1991; Rogers, 1995), and the social cognitive theory (Bandura, 1986) make up the theory. Most scholars have used the technology acceptance model and pleasure arousal dominance as the two key models.

To understand, explain and predict the adoption of technology by consumer, the technology acceptance model is helpful. It assumes that acceptance of technology is based on consumer attitude, determined by relative advantage, perceived usefulness, and ease of use. These are based on cognition and not affect. The theory has not fully incorporated other aspects like perceived risks and trust and thus a shortcoming in theory (Ghosh, 2019).

The customers' response is based on the Stimulus - Organism –Response (S-O-R) model by Mehrabian and Russell in 1974. The stimulus refers to the environment, while the customer is the organism in the model. The response indicates the change from the customer's perspective. The study by Choi and Kandampully (2019) used this model in the hospitality sector. Customer satisfaction acts as a mediating variable since it is a process (Famiyeh, Asante-Darko &Kwarteng, 2018; Nikou, Selamat, Yusoff &Khiabani 2016).

Mehrabian –Russel (1974) pleasure arousal dominance paradigm of affect posits that all emotional responses are captured in the three domains of affect; pleasure, arousal and dominance. Pleasure arousal dominance has been used widely in marketing to measure response to environmental stimuli. Studies by Wang and Wang (2010) on user acceptance of mobile internet-based technology among Taiwanese adopted UTUAT. The UTUAT has been used to explain the use of technology (Aliaño, Hueros, Franco & Aguaded 2019; Anouze & Alamro, 2019) and customer satisfaction aspects as well.

Theory of Innovation

The theory of innovation was invented by Joseph Schumpeter (Schumpeter, 1934). It propagates that innovation propels a firm towards performance. Innovation types include; product, financial, market or organisational innovation (Nakamori, 2020; Oliva, Semensato, Prioste, Winandy, Bution, Couto and Massaini 2019). According to Chen, Wang and Huang (2020), organisational innovations lead to improved firm performance. Peter Drucker integrated marketing and innovation in furthering the theory of innovation to include both technology and economic fields (Nakamori, 2020).

Research by Cankül, Doğan and Sönmez (2018) on innovation and augmented reality applications in food and beverage companıes used the theory of innovation to explain the usage of augmented reality applications in beverage and food companies. Further, study by Oladimeji, Abosede and Eze (2018) on the effects of service and process innovations on the internationalization of Nigeria deposit money banks used theory of innovation to expound on the techno-economic paradigm. The theory of innovation has been used to pivot explanation on the concept of innovation invaried sectors.

Empirical Review

Research by Chen *et al.* (2020) on the impact of organizational innovation on China's Pearl River Delta firms' performance found that organizational innovation significantly affected the performance, and technological innovation capabilities partially mediated the relationship. However, the study was based on Chinese firms and thus a contextual gap. Further, the study was focused on the organizational innovation perspective only.

Afriyie, Duo, Appiah and Musah (2018) study the nexus between types of innovation; product, financial, market or organisational and marketing performance of SME found out that all four types of innovation were significant on marketing performance of SMEs in Ghana. However, the analysis was by use of partial least squares. In addition, the study used customer satisfaction as one of the indicators of marketing performance; this was a conceptual gap in that the current study uses customer satisfaction as a mediating variable. Further, the study was in the context of Ghanian SMEs, which are different from Kenyan MFIs.

Diaw and Asare (2018) research on the influence of innovation on customer satisfaction and customer retention in the Ghanaian telecommunication industry found that innovation; product, process, marketing, and organisational innovation significantly affected customer satisfaction retention. The study used customer satisfaction as an independent variable, and the context was in the Ghanaian telecommunication industry. The current study will use customer satisfaction as the mediating variable, and the context will be amongst MFIs in Kenya.

Anning-Dorson (2018) Research on customer involvement capability and service firm performance used innovation as a mediator. The study was conducted in Ghana and the United Kingdom. The contextual outcomes were different; customer involvement capability had a positive and direct relationship with service firm performance in Ghana but a negative and direct relationship in the British context. Further, innovation (product and process) mediated the relationship between involvement capability and firm performance. This brings about a conceptual gap since the current study uses innovation as an explanatory variable. The conduct of the study in Ghana and the United Kingdom brings about a contextual gap, thus challenging to validate the findings among MFIs in Kenya.

Danso, Xuhua and Fuseini (2020) research on product and process innovation among hotels in Ghana found out that product and process innovation had a significant effect on the performance of Ghanian hotels. This brings about a conceptual gap that demands analysis of the other variables of innovation; process, financial, organisational and marketing. Further, the study was conducted in Ghana and thus a contextual gap.

Kafetzopoulos and Psomas (2016) researched the nexus between organisational learning, non-technical innovation, and customer satisfaction of Greek SMEs using structural

equation modelling (SEM) established that organisational learning capability influenced the development of organisational innovation and marketing innovation which in turn led to significant customer satisfaction. Therefore, customer satisfaction was conceptualized as a dependent variable in the study. Further, the study was conducted in Greece and thus a contextual gap. Therefore, the current study will be conducted amongst Kenyan MFIs, with customer satisfaction as a mediating variable.

Research by Daragahi (2017) on the influence of innovation; open and closed innovation, on customer satisfaction of Iranian cosmetics producers found out that innovation had a significant effect on customers' satisfaction. Customer satisfaction was measured in terms of product quality, product brand, satisfaction with the sales process and satisfaction with the after-sales service. The current study will use customer satisfaction as the mediating variable, and the context will be amongst MFIs in Kenya.

Ismail, Akhir, Kaliappan and Said (2019) research on the impact of innovation on firm performance in the Malaysian batik industry found out that only product innovation significantly affected the performance. This brings about a conceptual gap that demands analysis of the other variables of innovation; process, financial, organisational and marketing. Further, the study was conducted in Malaysia and thus a contextual gap.

Research by Farooq and Kaur (2021) on innovation orientation's impact on the performance of manufacturing and service firms in India found that innovation orientation had a positive and significant effect, while firm size had a varied moderating effect on the relationship. The current study will use customer satisfaction as the mediating variable, and the context will be amongst MFIs in Kenya.

Pooya, Khorasani and Ghouzhdi, (2020) empirical research on the effect of perceived quality of self-service banking on customer satisfaction among private banks in Mashhad, Iran, using a self-developed structured questionnaire, found out that technology readiness had a significant and positive effect on customer satisfaction through the quality of self-service. Technology readiness is part of the strategic innovation orientation since it focuses the firm towards readiness in innovation. Customer satisfaction was a latent variable that aimed at measuring the emotional influence of services on consumers. The study was conducted on banks that operate differently from micro-finance institutions. Further, the study did not fully conceptualize customer satisfaction.

Research by Aburayya, Marzouqi, Alawadhi, Abdouli, and Taryam (2020) on the effect of employees' customer orientation on customer loyalty through the mediating role of customer satisfaction and service quality among primary health care centres in Dubai found out that customer satisfaction completely mediated the impact of employee's customer orientation on

loyalty. Data analysis was by use of the Structural Equation Modelling (SEM) method with LISREL 9.30. The study was in the health sector's realm, and thus, its application in the finance sector might have different outcomes.

Sthapit and Bajracharya (2019) research on e-banking services in Kathmandu among business students using the Technology Acceptance Model (TAM) found out that customer perception is critical in acceptance of utilisation of e-banking services. The study was conducted among students and thus contextual gap. The current study will adopt e-banking services as part of the online banking indicator for financial innovation. The theory of UTUAT will be adopted in the current study as well.

Hadi, Aslam and Gulzar (2019) study on mediating effect of customer satisfaction on the relationship between sustainable service quality and customer loyalty among the Pakistan cellphone industry found out that customer satisfaction fully mediated the relationship. Customer satisfaction was conceptualized as compensation of customers when their cellphones failed to function. This customer satisfaction led to customer loyalty, as highlighted by the Apostle Model.

Ayodele and Oginni (2019) research on the effect of product innovation on customer satisfaction of the Nigerian service market found that product innovation significantly affected customer satisfaction. Customer satisfaction was operationalized as meeting the customer expectations and surpassing their needs. The study used UTUAT theory as the foundation theory for customer satisfaction. The current study will adopt the UTUAT theory.

A study by Nwachukwu (2018) on the impact of service, process, and marketing innovations on customer satisfaction in microfinance bank in Nigeria established that service, process, and marketing innovations positively and significantly affected customer satisfaction. Customer satisfaction was conceptualized as a dependent variable in the study. Further, the study was conducted in Nigeria and thus a contextual gap. The current study will be conducted amongst Kenyan MFIs, with customer satisfaction as a mediating variable. Methodologically the study was based on one MFI only and thus difficult in drawing valid conclusions.

Research by Peng and Moghavvemi (2015) on service quality and customer satisfaction, trust, and loyalty among Malaysian banks found out that customer satisfaction positively and significantly impacted customer loyalty. The study was in Malaysia's banking sector, which is highly competitive, unlike MFIs in Kenya, which are not highly competitive.

Malik and Ahsan (2019) research on the relationship between co-creation and customers' satisfaction among Pakistan banks' customers using structural equation modelling for analysis found out that customer satisfaction was positive and significantly affected by co-creation. Therefore, customer satisfaction was conceptualized as a dependent variable in the study. Further, the study was conducted in Pakistan and thus a contextual gap. Therefore, the

current study will be conducted amongst Kenyan MFIs, with customer satisfaction as a mediating variable.

Famiyeh, Asante-Darko and Kwarteng (2018) research on service quality, customer satisfaction, and loyalty in Ghana's banking sector found that customer satisfaction positively and significantly affected customer loyalty. Customer satisfaction was operationalized as overall feeling and level of satisfaction with the banking services provided. The study was in the banking sector in Ghana, which is highly competitive, unlike MFIs in Kenya, which are not highly competitive.

Research by Moudud-Ul-Huq (2021) on the influence of innovation and mobile banking on customer satisfaction among banking customers in Bangladesh found that innovation and mobile banking had a positive and significant effect on customer satisfaction. Further, innovation had a positive effect on mobile banking that led to customer satisfaction. The study used the partial least squares technique for data analysis. In addition, the study used customer satisfaction as a dependent variable, while the current study will use customer satisfaction as the mediating variable, and the context will be amongst MFIs in Kenya.

An exploratory survey by Firdous and Farooqi (2017) on the impact of internet banking service quality on customer satisfaction among Indian banks using regression analysis established that internet banking service quality dimensions significantly impact the customer satisfaction of internet banking customers. Therefore, customer satisfaction was conceptualized as a dependent variable in the study. Further, the study was conducted among Indian banks with an established network for e-banking than MFIs, thus creating a contextual gap. Therefore, the current study will be conducted amongst Kenyan MFIs, with customer satisfaction as a mediating variable.

Shaikh, Mirani, Khuwaja, Kalhoro and Soomro (2020) research on mediating effect of customer satisfaction on brand image and customer loyalty found that customer satisfaction mediates the relationship. The data was analysed using SPSS and Analysis of Moments Structure (AMOS-21). Diagnostic tests were conducted. The study was conducted in the Larkana district in Pakistan.

El-Garaihy, Mobarak and Albahussain (2014) study the effect of corporate social responsibility practices on competitive advantage among Saudi Arabian industrial corporates using customer satisfaction and reputation as mediating variables established that customer satisfaction and reputation are mediated the nexus between corporate social responsibility practices and competitive advantage. Customer satisfaction was conceptualized as a mediating variable in the study. Further, the study was conducted in Saudi Arabian industrial corporates,

which are more established than MFIs, and thus a contextual gap. The current study will be conducted amongst Kenyan MFIs, with customer satisfaction as a mediating variable.

Research by Oladimeji *et al.* (2018) on the effects of service and process innovations on the internationalization of Nigeria deposit money banks found out that service and process innovations significantly affected the internationalization of Nigeria deposit money banks. The study was conducted in Nigeria, and thus a contextual gap. The study adopted the theory of innovation by Schumpeter, and the same theory will be adopted in the current study, which will be conducted amongst MFIs in Kenya.

Kanwal and Yousaf (2019) study on the effect of service innovation on customer satisfaction among Pakistani commercial banks established that the effect of service innovation on customer satisfaction was positive and significant. The study used brand equity as the moderating variable while customer value creation was the mediating variable of the nexus between service innovation and customer satisfaction. Brand equity moderated the relationship, while customer value creation partially mediated the relationship. The study adopted signalling theory and expectation disconfirmation theory. Customer satisfaction was conceptualized as a dependent variable in the study. Further, the study was conducted in Pakistan commercial banks that are more established than MFIs, there is a contextual gap. The current study will be conducted amongst Kenyan MFIs, with customer satisfaction as a mediating variable.

Hallencreutz and Parmler (2021) longitudinal study on the drivers for customer satisfaction using a partial least square structural equation modelling analysis established that service quality has replaced product quality in the current economic times among Swedish firms. The current study will be conducted amongst MFIs in Kenya, with customer satisfaction as a mediating variable.

Research by Joshy, Peterkumar and Vakayil (2020) on the impact of service quality on customer satisfaction among insurance companies in India found out that service quality significantly affects customer satisfaction. Customer satisfaction was used as a dependent variable in the study, while in the current study, it will be used as a mediating variable. To further understand the role of customer satisfaction, the study hypothesizes that;

H_{01}: *There is no significant mediating effect of customer satisfaction on the relationship between strategic innovation orientation and performance of MFIs in Kenya*.

RESEARCH METHODOLOGY

The study adopted a positivist philosophy and used both descriptive and explanatory research design were used. The target population comprised 13 MFIs and 352 respondents sampled using a proportionate stratified and simple random sampling technique. Semi-

structured self-administered questionnaires were used to collect both quantitative and qualitative primary data. The questionnaire was self-designed. Secondary data was collected from document review of AMFI published reports, financial reports published by MFIs, Customer Survey index Reports, Employee Survey index Reports, and CBK reports on MFIs. The collected data was based on both financial and non-financial measures. Data was analysed using Baron and Kenny four steps for test of mediation. The presentation was in the form of tables and narrative forms. Besides, ethical issues were adhered to.

FINDINGS AND DISCUSSIONS

This section presents results of hypothesis testing based on there is no significant mediating effect of customer satisfaction on the relationship between strategic innovation orientation and performance of MFIs in Kenya. The study used Baron and Kenny four steps for test of mediation. In the mediation test, a composite for dependent variables (MFI Performance) and independent variable (Strategic Innovation Orientation) were computed.

Step 1: Strategic Innovation Orientation Predicting Performance of MFIs

In this first step, the study sought to establish whether strategic innovation orientation significantly predicted performance of MFIs.

Table 1 Step One: Test for Mediation

		B	Std. Error	Beta	t	Sig.
Coefficients	(Constant)	6.4	1.749		3.658	0.000
	Strategic Innovation Orientation	5.547	0.459	0.667	12.076	0.000
ANOVA		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	4605.813	1	4605.813	145.827	.000b
	Residual	5748.312	182	31.584		
	Total	10354.13	183			
Model Summary	R	0.667				
	R Square	0.445				
	Adjusted R Square	0.442				
	Std. Error of the Estimate	5.61998				

a. Dependent Variable: MFI Performance

b. Predictors: (Constant), Strategic Innovation Orientation

The results presented in Table 1 show that strategic innovation orientation had a coefficient β=5.547, p-value =0.000<0.05. The finding indicates that strategic innovation orientation and performance of MFIs has a significant relationship. The model was also statistically significant as shown by f-statistics =145.827, p-value= 0.000<0.05. The purpose of this first step was to test whether there existed a significant relationship to be mediated. Therefore, the first step for mediation testing was achieved. This resonnates well with study by Ismail *et al.* (2019) who linked innovation directly to performance amongst Malaysian batik industry.

Step 2: Strategic Innovation Orientation predicting Customer satisfaction of MFIs

In the second step, a regression analysis was conducted to test whether independent variables (strategic innovation orientation) significantly predicted the mediating variable (customer satisfaction). The relationship between independent variables (strategic innovation orientation) and the mediating variable (customer satisfaction) must be significant to achieve complete mediation.

Table 2 Step Two: Test for Mediation

		B	Std. Error	Beta	T	Sig.
Coefficients	(Constant)	1.244	0.369		3.376	0.001
	Strategic Innovation Orientation	0.658	0.097	0.45	6.798	0.000
		Sum of Squares	df	Mean Square	F	Sig.
ANOVA	Regression	64.82	1	64.82	46.216	.000b
	Residual	255.262	182	1.403		
	Total	320.082	183			
Model Summary	R	.450a				
	R Square	0.203				
	Adjusted R Square	0.198				
	Std. Error of the Estimate	1.18429				

a Dependent Variable: Customer Satisfaction

b Predictors: (Constant), Strategic Innovation Orientation

The results presented in Table 2 show that strategic innovation orientation had a coefficient β=0.658, p-value =0.000<0.05. The finding indicates that strategic innovation orientation and the mediating variable, customer satisfaction, have a significant relationship. The model was also statistically significant as shown by f-statistics =46.216, p-value= 0.000. Therefore, the second step for mediation testing was achieved since strategic innovation orientation significantly predicted the mediating variable; customer satisfaction.

Step 3: Customer satisfaction Predicting Performance of MFIs

In the third step, a regression model was conducted to test whether the mediating variable (customer satisfaction). This relationship must be insignificant for complete mediation while significant for partially mediation.

Table 3 Step Three: Test for Mediation

		B	Std. Error	Beta	t	Sig.
Coefficients	(Constant)	5.798	1.512		3.835	0.000
	Customer Satisfaction	2.263	0.387	0.398	5.851	0.000
		Sum of Squares	Df	Mean Square	F	Sig.
ANOVAa	Regression	1639.33	1	1639.33	34.236	.000
	Residual	8714.795	182	47.883		
	Total	10354.13	183			
Model Summary	R	.398a				
	R Square	0.158				
	Adjusted R Square	0.154				
	Std. Error of the Estimate	6.91979				

a Dependent Variable: MFI Performance

b Predictors: (Constant), Customer Satisfaction

The results presented in Table 3 show that customer satisfaction had a coefficient β=2.263, p-value =0.000<0.05. The finding indicates that customer satisfaction (mediating variable) and Performance of MFI have a significant relationship. The model was also statistically significant as shown by f-statistics =34.236, p-value= 0.000. Since the coefficient for customer satisfaction was significant, the criteria for partial mediation was achieved.

Step 4: Strategic Innovation Orientation and Customer Satisfaction Predicting Performance of MFIs

The final step for test for mediation involved conducting regression analysis with strategic innovation orientation (independent variable) and customer satisfaction (mediating variable) as predictors of performance of MFI.

Table 4 Step Four: Test for Mediation

		B	Std. Error	Beta	t	Sig.
Coefficients	(Constant)	7.267	1.789		4.063	0.000
	Strategic Innovation Orientation	5.088	0.51	0.612	9.973	0.000
	Customer Satisfaction	0.697	0.349	0.123	1.998	0.047
		Sum of Squares	Df	Mean Square	F	Sig.
ANOVA	Regression	4729.907	2	2364.954	76.11	.000
	Residual	5624.218	181	31.073		
	Total	10354.13	183			
Model Summary	R	.676a				
	R Square	0.457				
	Adjusted R Square	0.451				
	Std. Error of the Estimate	5.57432				

a Dependent Variable: MFI Performance

b Predictors: (Constant), Customer Satisfaction, Strategic Innovation Orientation

The results in Table 4 show that strategic innovation orientation had a coefficient β=5.088, p=0.000<0.05, while customer satisfaction had a coefficient β=0.697, p=0.047<0.05. Thus, since strategic innovation orientation and customer satisfaction were all significant in the final model, partial mediation was achieved. The study, therefore, failed to reject the null hypothesis; customer satisfaction has no significant mediating effect on the relationship between strategic innovation orientation and performance of MFIs in Kenya.

The study reinforces the S-O-R model in understanding the mediating effect of customer satisfaction, as postulated by Mehrabian and Russell in 1974. Furthermore, this study corroborates with the study by Fida, Ahmed, Al-Balushi and Singh (2020) on the impact of service quality on customer loyalty and customer satisfaction in Islamic banks in the Sultanate

of Oman, who established that customer satisfaction mediated the relationship between service quality and customer loyalty.

In addition, the study resonates well with research by Aburayya *et al.* (2020), who found out that customer satisfaction fully mediated the impact of employee's customer orientation on loyalty. Besides, Hadi *et al.* (2019) established that customer satisfaction fully mediated the relationship between sustainable service quality and customer loyalty among the Pakistan cellphone industry.

CONCLUSION

This study sought to establish the mediating effect of customer satisfaction on the nexus between strategic innovation orientation and performance of MFIs in Kenya. From the empirical findings, customer satisfaction had a significant partial mediation effect on the relationship between strategic innovation orientation and performance; financial and non-financial, of MFIs in Kenya. The study therefore established that customer satisfaction as a mediator contributes to the improved performance of MFIs in Kenya.

POLICY RECOMMENDATIONS

MFIs remain powerhouses for economic development thus the study recommends that MFIs need to focus on customer satisfaction as this will enable improved performance. Customers have earlier been seen as passive recipients of products and services at the end of value chain. Leveraging on customers' needs leads to improved firm performance since customers are financial and intellectual assets for firms. Managers need to make pragmatic decisions that focus on customer satisfaction as the customers are the evaluators of the institutions and the centre of gravity for firm sustainability. The mission statements by firms should be customer focused.

Training institutions need to train firm management on addressing customer needs and satisfaction as this is a fleeting opportunity that needs to be timely seized. The introduction of value co-creation between managers of firms and customers remains fundamental for business success. The indicators of customer satisfaction index need to be well understood by firm management. The operational and strategic managers need to have a common philosophy in addressing the customer needs through a well thought out locus of control.

The Government should come up with policies that protect the customers in any sector. Further, association or regulatory bodies need to develop organisational specific regulations that address the contemporary issues affecting the organisations and the customers who are the centre of gravity for development. The research will in addition, help the strategic and

operational managers focus on the factors that dominate customers' satisfaction as this will dovetail to customer loyalty and retention.

Focus by firms on both financial and non-financial performance measures needs to be encouraged as this offers a holistic understanding of performance as propagated by the Balanced Score Card paradigm. This also helps managers in allocating resources in the firms. The inclination towards the theory of innovation by the strtaegic and operational managers needs to be encouraged as it obliterates the static equilibrium in the market and thus focus on new methods of satisfying the customers.

LIMITATIONS AND FUTURE RESEARCH

The current study was conducted in the realm of MFIs and thus limitation in scope. This affects generalisation of the study findings to sectors. Future studies can be conducted in other realms like aviation, maritime, transport, health, hospitality etc and in different countries so as to improve on the field of strategic management.

Further, customer satisfaction is an attitude whose measure is personalised. This calls for more studies on the socioemotional skills in the market as it deepens the understanding of the customers behaviour. There are other variables that can affect customer satisfaction like religion and gender and these can be researched on for an in-depth understanding of the customer satisfaction variable.

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