RELATIVE IMPORTANCE OF MARKET ORIENTATION AND BUSINESS PERFORMANCE AT SEPAH BANK BRANCHES IN ARDABIL

Davar Gadimi
Department of Management, Science and research, Branch, Islamic Azad University, Ardabil, Iran
Dr.Mohammad Hasanzadeh
Faculty Member in University of Mohaghegh Ardabili, Ardabil, Iran
Dr.Mohammad Bashokoh Ajirloo
Faculty Member in University of Mohaghegh Ardabili, Ardabil, Iran

Abstract

The main purpose of this study is surveying the relative importance of Market orientation dimensions on business performance. We determined the amount of the sample size with the used of Cochran sampling method which the statistical sample is 108 of employees at Sepah bank branches in Ardabil which have been selected through the simple random sampling method. To gathering of data, we used two questionnaires. All the reliability and validity of measures has examined. K.S test shows that all variables are normal distribution. We used Relative Importance method to analyze the research hypothesis. Findings show that all three hypotheses have confirmed. So, we can say market orientation dimensions are not equally important in explanation of business performance. Also, in the dependent variable (customer performance), coordination task has the highest priority with 42.3 percent, and in the market performance, Competitor Orientation has the highest priority with 24.7 percent, and finally, in the financial performance, Coordination Task has the highest priority with 61.8 percent. In the evaluation of market orientation relative importance in business performance; customer performance has the highest priority among other dimensions of market orientation in Sepah bank.

Key words: *market orientation, Business performance, Customer orientation, Competitor orientation, Inter Functional Coordination*

INTRODUCTION

In recent years, there has been a resurgence of interest in the value construct among both practitioners and marketing researchers. This holds especially true in business markets where customers rely on the products and services they buy from their suppliers to improve their

own market offering and to increase the overall profitability of their firm (Ulaga, 2001). Successful businesses that exist in a competitive industry environment know all too well about the need to gain and maintain sustainable points of differentiation in the form of a superior customer value proposition. They also understand the nature of customer value proposition – that it is not a single undertaking as a customer's experiences, preferences wants and needs, fluctuate, evolve and change over time. Needs and wants of customers are always changing and recognizing these changes is necessary for firms' success. On the other hand, competitors aim at attracting more customers and in this way they will do their best efforts. Change of conditions and prevailing market conditions, including technological changes, effect firms' success in market, too. Recognizing and anticipating these factors and presenting suitable ways to encounter them play a key role in target markets' success. Hence, market orientation and attention to customers 'needs are primary features of new marketing. (Narver and Slater, 1990, p26)

Researches in 1987-1990 show a positive relationship between market orientation and organizational performance. (Lusch, R.F. and Laczniak, G.R.1987, p7). More researches in this field showed that market orientation will make a lot of social and Psychological benefits for organization employees and also by respecting employees and making them participate in organizational decision-making will bring positive attitudes to employees' minds. (Kohli, A. and Jaworski, B.J., 1990, p14). The main purpose of this study is surveying the relative importance of Market orientation dimensions on business performance.

THEORETICAL BACKGROUND

1-Market Orientation

Market orientation is an aspect of organizational culture that is believed to have far-reaching effects on the firm. According to Deshpande and Webster (1989), the most relevant aspect of organizational culture from a marketing perspective is the marketing concept, which includes "a fundamental shared set of beliefs and values that puts the customer in the center of the firm's thinking about strategy and operations" (Deshpande et al., 1993; Deshpande and Webster, 1989). The marketing concept is generally considered to be made up of the following three pillars (Sin et al., 2003):

- customer philosophy—identification and satisfaction of the wants and needs of customers;
- goal attainment—achievement of an organization's goals while satisfying customer needs; and
- integrated marketing organization— integration of all functional areas of the organization to attain corporate goals by satisfying the wants and needs of customers.

Though the marketing concept is central to the marketing literature, very little research has been done in terms of creating a valid measurement scale and testing the construct empirically (Tse et al., 2003).

Although information on the external environment is obviously vital to sound managerial decision-making, the relevant external environment not only consists of customers, but competitors as well. In fact, Day and Wensley (1988) suggest that in addition to customer characteristics, the number and power of competitors could strongly affect the focus of the intelligence gathering activity.

Perhaps Kotler (1977) offered the first significant mention of a competitor focus with respect to the marketing concept. According to Kotler (1977), an effective marketing organization focuses on the external environment, which is said to include both customers and competitors. Kohli and Jaworski (1990) echo this point by describing market orientation as the ability of an organization to generate, disseminate, and use superior information about both customers and competitors. In other words, only recently has empirical research been conducted in this area: behavioral approach by Kohli and Jaworski in 1990; and cultural approach by Narver and Slater in 1990.

1-1Customer orientation

Customer orientation is defined as the sufficient understanding of one's potential target buyers to be able to create superior value for them continuously (Narver and Slater, 1990). It is the set of behaviors associated with acquiring, disseminating, and processing customer information and with effectively reacting, responding, and supporting customer feedback (Kohli, Jaworski, and Kumar, 1993). Also, market orientation refers to an organization's activities that are involved in the understanding of buyers' entire value chain, the acquisition of information about buyers in the target market, and the dissemination of this information throughout the entire organization (Powpaka, 2006). It definitely involves a focus on customers by identifying, analyzing, understanding, and answering their needs, demands, and expectations, and generating, creating and increasing their satisfaction, acceptance, and reliability. Organizations with stronger customer orientation positively foster more value related to market tracking and offer greater value to their customers. Accordingly, customer-oriented organizations tend to obtain information about current and latent customers' needs, understand the expressed desires, needs, and demands of the customers in their served markets and develop products and services that satisfy those desires.

A seller generates value for buyer only through two methods: by increasing buyers' interests with regard to costs and by decreasing buyers' costs with regard to interests (Narver and Slater, 1990). In this case, Narver and Slater (1990) define customer-orientation as follow: an organizational culture which creates certain behaviors effectively and efficiently to generate more value for buyers (Gotteland and Boule, 2006).

1-2 Competitor orientation

Competitor orientation means that a seller knows short term strengths and weaknesses as well as long term strategies and capabilities of its major and potential competitors (Narver and Slater, 1990). Competitor-oriented companies look for determining their weaknesses and strengths. They revise regularly their capabilities to others in terms of skills and knowledge based on people, technical and physical systems, managerial systems, organizational

structures, values and cultural norms (Bircall and Tovstiga, 2005). Competitor-orientation breeds innovation and new products (Augusto and Colho, 2009).

1-3 Inter Functional Coordination

As mentioned earlier, the last component of market orientation is inter functional coordination. It refers to demonstrating willingness by members of different functional areas of an organization to communicate, think, and work together to achieve their objectives, effectiveness, competitive advantage, and performance (Woodside, 2005). It comprises the organization-wide coordinated effort of a organization to create superior value for customers. Also, inter functional coordination is defined as the coordinated utilization of a organization's resources in creating superior value for target and potential customers (Narver and Slater, 1990). It represents the integration of all functions in a organization to satisfy and serve customer needs, wants, and demand (Zhao and Cavusgil, 2006). With better inter functional coordination; organizations likely incorporate it to enhance their advantages and competitiveness. Achieving effective inter functional coordination requires an alignment of the functional areas' incentives and the creation of inter functional dependency.

2-Business Performance

Although performance can have a variety of meanings (e.g., short- or long-term, financial or organizational benefits), it is broadly viewed from two perspectives in the previous literature. First, there is the subjective concept, which is primarily concerned with the performance of organizations relative to that of their competitors (Golden, 1992). The second view is the objective concept, which is based on absolute measures of performance (Chakravarthy, 1986).Alfred Pelham used 3 criteria in order to measure organizational performance in his studies:

Organizational effectiveness (relative quality of success in presenting new products, organizational ability to retain customers), market share and growth (sale level, sales growth, relative market share) and profitability (capital retention rate and profit margin).Alfred Pelham's Model is used in most past studies on the relationship between market orientation and organizational performance. Also we use that model in the present study in order to measure organizational performance.

3-Market Orientation and Business Performance

In the past decade, a steady stream of research has focused on the impact of market orientation on organization performance. In this regard, there are two opposite views. On the positive side scholars like Keith (1960), Levitt (1975), Kotler (1991), Rogers (1985) and Day (1994), all subscribe to the belief that market orientation is the key to successful business performance.

On the other hand, a number of authors have questioned the link between market orientation and business performance. For example, Kaldor (1971) suggested that the marketing concept is an inadequate prescription of marketing strategy because customers do not always know

what is needed. Furthermore, critics such as Gerken (1990) have pointed out that it is unrealistic to be market oriented because organizations are no longer able to keep up with erratic and constantly changing demand and market developments. Bennett and Cooper (1979) have noted that the ability of customers to verbalize what they need is limited by their knowledge. Hence, marketers sometimes need to anticipate future needs and wants of consumers to be successful. Indeed, Bennett and Cooper (1979) and Hayes and Abernathy (1980) argue that market orientation induces businesses into being interested in short-term and intermediate customer needs, which can be detrimental to innovation and the long-term success of a company.

Studies using samples from US companies (Jaworski and Kohli, 1993; Narver and Slater, 1990; Pelham, 1997; Raju et al., 1995) found support for a positive link between market orientation and business performance however, mixed findings are reported from non-US studies. Emerging management paradigms are emphasizing a stakeholder perspective (Atkinson et al., 1997). Therefore to evaluate the performance impact of marketing it is necessary to consider the impact on multiple stakeholder groups. Business performance was consequently defined for this study on the basis of the MMPF - Multi-Model Performance Framework (Weerakoon, 1996). The MMPF model consist of four dimensions including employee motivation, market performance, productivity performance and societal impact, and covers the satisfaction of stakeholders such as customers, investors, employees, suppliers and society.

RESEARCH HYPOTHESES

In this paper we have three main hypothesis. The statistical way of analysis of hypotheses is two ways, H_1 is acceptance of hypothesis and H_0 is rejecting of hypothesis.

- Market orientation dimensions are not equally important in explanation of customer performance
- Market orientation dimensions are not equally important in explanation of market performance
- Market orientation dimensions are not equally important in explanation of financial performance

METHOD

In this correlation research, we determined the amount of the sample size with the used of Cochran sampling method which the statistical sample is 108 of employees at Sepah bank branches in Ardabil which have been selected through the simple random sampling method. To gathering of data, we used two questionnaires. All the reliability and validity of measures has examined. Questionnaires reliability was estimated by calculating Cronbach's Alpha via SPSS software that is shown in the table 1.

Table 1.Results of questionnaires reliability

Variables	Cronbach's Alpha
Customer orientation	0.819
Competitor orientation	0.817
Coordination task	0.923
The total market orientation	0.900
Customer performance	0.853
Market performance	0.933
Financial Performance	0.823

K.S test shows that all variables are normal distribution. We used Relative Importance method to analyze the research hypothesis.

RESULTS

Regression analyses are typically conducted to capture people's decision policy. However, when inter-correlation among predictors exists (as is the case in this study), regression coefficients have long been judged inadequate to indicate the relative importance of a predictor because the impact of one predictor cannot be considered when holding the other predictors constant (Budescu, 1993; Hoffman, 1962). Currently, there are two preferred methods for determining a predictor's relative importance: Budescu's dominance analysis and Johnson's (2000, 2001) relative weights. According to Johnson and LeBreton (2004), both indices take a predictor's direct effect and its effect when combined with other predictors into account, and both yield importance weights that represent the proportionate contribution each predictor makes to R2. When they are used for analyzing the same data, both indices produce virtually the same results. Here, we computed Johnson's relative weights per rater (expressed as proportions of R2) because they are easier to compute than Budescu's dominance analysis.

Table 3, Market Orientation dimensions relative importance / weight to influence customer performance with using Johnson model

Market Orientation dimensions	Net weight of each variable	relative weight of each variable with 100% (R^2 ÷Net weight of each variable)
Customer Orientation(X1)	0.067	27.5%
Competitor Orientation(X2)	0.074	30.2%
Coordination Task(X3)	0.103	42.3%

Total	R2 = 0.244	100%

The results show that dimensions of market orientation explained 0.244 present of customer performance changes. Coordination Task has the highest priority and the Customer Orientation dimension has the lowest priority. Customer Orientation dimension have 27.5 present, Competitor Orientation dimension have 30.2 present and Coordination Task dimension have 42.3 present relative weight.

Table 4, Market Orientation dimensions relative importance / weight to influence market performance with using Johnson model

Market Orientation dimensions	Net weight of each variable	relative weight of each variable with 100% (R^2 ÷Net weight of each variable)
Customer Orientation(X1)	0.036	24.7%
Competitor Orientation(X2)	0.078	54%
Coordination Task(X3)	0.031	21.3%
Total	R2 = 0.146	100%

The results show that dimensions of market orientation explained 0.146 present of Market performance changes. Competitor Orientation has the highest priority and the Coordination Task dimension has the lowest priority. Customer Orientation dimension have 24.7 present, Competitor Orientation dimension have 54 present and Coordination Task dimension have 21.3 present relative weight.

Table 5, Market Orientation dimensions relative importance / weight to influence financial performance with using Johnson model

Market Orientation dimensions	Net weight of each variable	relative weight of each variable with 100% (R^2 ÷Net weight of each variable)
Customer Orientation(X1)	0.010	18.9%
Competitor Orientation(X2)	0.011	19.3%
Coordination Task(X3)	0.035	61.8%
Total	R2 = 0.056	100%

The results show that dimensions of market orientation explained 0.056 present of financial performance changes. Coordination Task has the highest priority and the Customer Orientation dimension has the lowest priority. Customer Orientation dimension have 18.9 present, Competitor Orientation dimension have 19.3 present and Coordination Task dimension have 61.8 present relative weight.

CONCLUSION AND SUGGESTIONS

This study has done to evaluation of relative importance of market orientation and business performance at Sepah bank branches in Ardabil. Findings show that all three hypotheses have confirmed. So, we can say market orientation dimensions are not equally important in explanation of business performance. Also, in the dependent variable (customer performance), coordination task has the highest priority with 42.3 percent, and in the market performance, Competitor Orientation has the highest priority with 24.7 percent, and finally, in the financial performance, Coordination Task has the highest priority with 61.8 percent.

In the evaluation of market orientation relative importance in business performance; customer performance has the highest priority among other dimensions of market orientation in Sepah bank.

According to the research results, we suggest:

- In order to increase market orientation level, Bank should recognize its customers' needs better than competitors. If Sepah Bank is able to recognize more quickly which services customers need and then it could satisfy those needs, surely it will gain much more market share and profits.
- If the Sepah Bank is unaware of competitors' activities, it will not progress in the market increasing changes; hence it is recommended that, in order to enhance competitor orientation aspect, organizations should efficiently and accurately consider the competitors and check their actions.
- Sepah Bank branches should collect an overall policy in order to make inter-functional coordination and coordinated use of organizational sources. The sections of organization should overlap each other's actions by recognizing each other's Pros and Cons.

References

Atkinson, A.A., et al, 1997. A stakeholder approach to strategic performance measurement. *Sloan Management Review.* Vol. 38, No. 3, pp. 25-37.

Bennett, R.C., Cooper, R.G., 1979. Beyond the marketing concept. *Business Horizon.* Vol. 22, No. 5, pp.238-46.

Chakravarthy, B. S. (1986). Measuring strategic performance. Strategic Management Journal, 7: 437-458.

Day. G.S., 1994. The capabilities of market-driven organizations. *Journal of Marketing*. Vol.58, pp. 37-52.

Deshpande R, farely. J. U and Webster. Jr (1989), *"Organizational culture and marketing: defining the research agenda"*, Journal of Marketing, Vol. 53, PP. 3-15

Deshpande, R, Farley, J. U. and Webster, F. Jr (1993*)," Corporate culture, customer orientation, and innovativeness in japanes firms: a quadrad analysis"*, Journal of Marketing, Vol. 57, PP. 23-73

Gerken, G., 1990. Farewell to marketing. Düsseldorf; Econ.

Golden, B. R. (1992). SBU strategy and performance: the moderating effects of corporate SBU relationship. *Strategic Management Journal*. 13, 145-158.

Gotteland D. and Boulé J-M, 2006. The market orientation - new product performance relationship: redefining the moderating role of environmental conditions, International Journal of Research in Marketing, 23-2: 171-185.

Hayes, R.H., Abernathy W.J., 1980. Managing our way to economic decline. *Harvard Business Review*, Vol.58, pp. 67-77.

Jaworski, B. J., & Kohli, A. K. (1996), "*Market Orientation: review, refinement and roadmap"*, Journal of Market Focused Management, Vol 1, 119-135.

Jaworski, B.J., Kohli, A.K., 1993. Market orientation: antecedents and consequences, *Journal of Marketing*, Vol. 57, pp. 53-70.

Kaldor, A.G., 1971. Imperative Marketing, *Journal of Marketing*, Vol.35, pp. 19-25.

Keith, R.J., 1960. The marketing revolution. *Journal of Marketing*, Vol. 24, pp. 35-38.

Kholi, Ajay and Bernard J. Jaworski. 1990. "Market-Orientation: The Construct, Research Propositions, and Managerial Implications." Journal of Marketing 54 (April): 1-18.

Kotler, P., 1991. Marketing Management- Analysis, Planning, Implementation and Control. 7th ed., Prentice-Hall, Englewood Cliffs, NJ.

Kotler, Phillip. 1977. "From Sales Obsession to Marketing Effectiveness." Harvard Business Review 55 (November/December): 67-75.

Levitt, T., 1975. Marketing myopia. *Harvard Business Review*, pp. 45-56.

Lusch, R. F. and Laczniak, G. R. (1987) "*The evolving marketing concept, competitive intensity and organizational performance"*, Journal of the Academy of Marketing Sciences, 15(3), PP. 1-11.

Narver, J. and Slater, S. (1990). "The Effect of Market Orientation on Business Profitability", *Journal of Marketing*, 54, 4, 20-35.

Pelham, A.M., 1997. Mediating influences on the relationship between market orientation and orientation and business performance: A comparative study of firms in Mainland China and Hong Kong. European Journal of Marketing, 37(5/6), pp. 910– 936.

Powpaka, Samart (Sam), 2006, How Market Orientation Affects Female Service Employees in Thailand. *Journal of Business Research*, vol.59, pp.54-61

Raju, P.S., et al, 1995. Market orientation and performance in hospital industry. *Journal of Health Care Marketing*, Vol. 15, No. 4, pp. 34-41.

Rogers, F.G., 1985. Insight into the world's most successful marketing organization. New York.

Sin, L. Y. M., Tse, A. C. B., Yau, O. H. M., Chow, R., & Lee, J. S. Y. (2003). Market profitability in small industrial firms. *Journal of Marketing Theory Practice,* Vol.5, No. 3, pp. 55-76.

Ulaga Wolfgang. (2001).Customer Value in Business Markets: An Agenda for Inquiry. Industrial Marketing Management. Elsevier Science Inc. 30, 315–319 (2001)

Weerakoon, T.S., 1996. Organizational performance- a stakeholder concept. *International Research Conference on Quality Management Proceeding*, pp. 80-90.

Zhao, Yushan, and Tamer Cavusgil (2006) ―The effect of supplier's market orientation on manufacturer's trust‖ *Industrial Marketing Management*, 35 (4) 405-414.