CHAPTER II
MARKET ORIENTATION-ANTECEDENTS AND CONSEQUENCES

Theoretically, there are two key research topics that are relevant to the study of market orientation. The first topic examines the conditions required for implementing the marketing concept or antecedents/barriers/predictors of market orientation (Kohli and Jaworski, 1990; Kelly, 1992; Ruekert, 1992; Jaworski and Kohli, 1993; Wood and Bhuian, 1993; Gounaris and Avlonitis, 1997; Avlonitis and Gounaris, 1999; Harris, 1999; Harris and Piercy, 1999; Cervera et al., 2001). The second topic relates to the business success or consequences/outcomes of market orientation (Narver and Slater, 1990; Deshpande, Farley and Webster, 1993; Jaworski and Kohli, 1993; Siguaw, Brown and Widing, 1994). The synthesis model of market orientation in, Figure 1.5, requires identification of the factors that determine the level of market orientation and the business success indicators that are rewarded by market orientation. Thus, this chapter will focus on these two issues. In order to identify these two issues, the chapter will be divided into two different sections. In the first section, there will be an extensive literature review on the antecedents of market orientation and in the second section; the possible consequences of market orientation will be discussed.

SECTION I
ANTECEDENTS/BARRIERS/CONDITIONS OF MARKET ORIENTATION

This section will focus on the antecedents of market orientation and specifically identify the principal types of senior management characteristics, organisational characteristics, interdepartmental
dynamics, and external factors that affect the extent to which a company can successfully achieve market orientation. The aim of this part is to develop, identify and review the principal antecedents/factors that foster or discourage market orientation.

2.1(i) Senior Management Characteristics

The critical role of senior management in fostering a market orientation emerged in numerous studies in the late 1980s and early 1990s (Espy, 1986; Webster, 1988; Kohli and Jaworski, 1990). In general these studies viewed senior management as highly influential on intelligence/information generation, intelligence dissemination or inter-functional coordination, and intelligence responsiveness or taking action where customer emphasis was the centre point in all these studies.

In this connection, Felton (1959) called market orientation an appropriate state of mind and suggested that the only way to attain this state is through the positive intentions of the board of directors, chief executives, and top-echelon executives. Concurring with Felton (1959), Kohli and Jaworski (1990, p. 7) added that, “the commitment of top managers is an essential prerequisite to a market orientation”. In addition to the above authors, Levitt (1969) presented the implementation of the marketing concept. He emphasised the presence of the exact signal from the chief operating officer to the entire organisation regarding its ongoing commitment to the marketing concept.

Similarly, Webster (1988) suggested that, in order to attain market orientation, the chief executive officers (CEOs) must provide clear signals and establish clear values and beliefs regarding serving the customer. Thus, he again argued that market orientation develops with the top management and the responsibility of top management includes
customer oriented values and beliefs. In addition, Hambrick and Mason (1984) stated that chief executive officers (CEOs) and senior managers significantly affect the performance of others as organisational leaders. This was augmented by Chaganti and Sambharya (1987) who claimed that the background commitment and ability of top managers impacted greatly on the orientation of an organisation. Hence, Harris (1996) postulated that the recalcitrant executives are the ones who basically inhibit the development of market orientation. In this connection, Harris and Ogbonna (2001) further concluded that management behaviour is the key barrier to developing a market-oriented culture in an organisation. Thus, they emphasised the importance of positive behaviour of management in improving the levels of market orientation. Therefore, in order to develop market-oriented values and beliefs throughout the organisation, the positive role of top management is unavoidable. Several characteristics of senior management may foster or discourage the formation of a market orientation including top management emphasis, risk aversion, management training, and formal marketing education.

**Top Management Emphasis**

Without a clear signal from top management regarding the importance of being responsive to customer needs, an organisation is not likely to be market-oriented (Levitt, 1969; Webster, 1988). Muffatto and Panizzolo (1995) recommended that, in order to obtain a total participation of the human resources, the top management of the organisation must commit the organisation to customer satisfaction. Payne (1988) contends that market orientation will only occur when management attitude is in favour of marketing. Jaworski and Kohli (1993) asserted that it is only when the top managers express the importance of a commitment towards satisfaction of consumer needs that the rest of the organisation adopts that

Harris (1998) also argued that weak management support was one of the barriers to market orientation and suggested that positive attitudes and actions of management are important in attaining market orientation by an organisation. Slater and Narver (1994b) also identified general guidelines for managers seeking to initiate customer value strategies. They noted that top management must play a facilitative role through the communication of certain guidelines and encourage contributions from employees. In addition, Pulendran et al. (2000) in their recent market orientation study in Australia also identified a significant relationship between top management emphasis and overall market orientation. In this connection, they claimed that this plays a crucial role in the development of market orientation.

Thus, on the basis of the above arguments, it can be concluded that top management’s emphasis on market orientation is critical in order for a company to be a market oriented since the organisation is not likely to be market-oriented unless it gets a clear signal from the top managers about being responsive to customer needs (Levitt, 1969; Webster, 1988). This also echoes Lovelock and Weinberg (1984) who stated that managers who
view marketing as undesirable are less likely to embrace the marketing concept.

**Risk Aversion**

Risk averse managers are those who like to take high risks in order to magnify the high rate of return. Thus, they are less likely to emphasise market orientation and give poor attention to customer, information generation and dissemination and responsiveness. In this connection, Wood and Bhuian (1993) stated that, risk averse managers tend to give information generation and dissemination low priority, have moderate track records with regard to market responsiveness, and do not encourage a market orientation. Kohli and Jaworski (1990) argued that, if top managers are risk averse and intolerant of failures, subordinates are less likely to concentrate on gathering, disseminating or responding to intelligence. This has been proved in the study of Jaworski and Kohli (1993) where they identified that risk aversion was negatively associated with the responsiveness element of market orientation. They claimed that market developments entail some amount of risk and, if top managers are unwilling to assume these risks, the organisation is less likely to be responsive to the changing preferences of customers. This actually partly supports the Ansoff (1984) and O’Neill (1989) studies which showed risk aversion is negatively related to a market Orientation of an organisation. This inverse relationship between risk aversion and market orientation was also shown by Avlonitis and Gounaris, 1999. However, Pulendran et al. (2000) in their market orientation study in Australia did not find any significant relationship between market orientation and risk aversion.

Although, Pulendran et al.’s (2000) study was exceptional in not finding any significant relationship between market orientation and risk aversion,
all the studies discussed above found a significant relationship. Therefore, it can be concluded that risk aversion has a significant influence on determining the market orientation of a particular company and it should be considered as an antecedent of market orientation.

**Management Training**

Liu and Davies (1997) asserted that training programs help marketing managers not only to develop the skills of serving customers but also ensure that they serve customers better and differently to their competitors. Further, they claimed that, without a formal training facility within the organisation, a company relies on experience or the recruitment of trained managers from outside and thus works as a barrier to the achievement of market orientation. This outside dependency is a barrier because, hiring from outside is time consuming and in some cases it is hard to find appropriate experienced and trained managers. Thus, the vast majority of modern organisations are involved in some form of training and development activities (Harris and Piercy, 1997).

Management training can lead to the development of a clear, deeply ingrained appreciation of what marketing is and what it can do (Wood and Bhuian, 1993), and it has been shown that there is a positive relationship with market orientation (Young 1981; Wolf, 1984). In this connection, Levinson (1987) argued that senior management with high levels of management training tend to pay more attention to market evolution, environmental changes, and how a company’s resources can be utilised in order to take advantage of each of these factors. Morgan (1990) and Morgan and Piercy (1991) found that lack of training is one of the factors that inhibits marketing. Earlier Wong et al. (1989) stated that limited training is one of the barriers that restricts the development of market orientation.
Subsequently, Ruekert (1992) found management training to be positively associated with organisational market orientation. Concurring with Ruekert (1992), Horng and Chen (1998) argued that overall market orientation could be improved by sending top managers to a marketing training program. Ruekert’s (1992) findings were also complemented by the results of Harris (1998) who found that shopfloor employees who have not been trained or educated about market orientation might impede the development of market orientation at a shopfloor level. Thus, in order to become market-oriented a company should send its employees to undertake a training program as this forces managers to look at the ‘big picture’ (Wood and Bhuian, 1993) and so changes their values and attitudes to support market orientation. Hence, Pulendran et al. (2000) postulated that top management’s actions could foster market-oriented activity through the provision of necessary training and resources.

**Formal Marketing Education**

Formal marketing education is important for a company to become market-oriented and it is commonly believed that marketing knowledge is useful (Gronhaug, 2002). In this connection, Day (1994) emphasised the continuous need to learn about customers and competitors and to exploit such knowledge in order to stay ahead. Slater and Narver (1995) also argued that the acquisition and exploration of knowledge about customers and competitors is important. The question is to how to gather such knowledge. Shanteau (1992) argued that experts perform better than non-experts in recognising and making sense of stimuli and problem solving. Thus, it is important to create experts rather than non-experts and formal marketing education contributes to the creation of such experts.

Wang and Satow (1994) argued that the higher education level of a person
increases the positive sense of self-responsibility and leadership style that may modify management and organisational effectiveness. In addition, Meldrum (1996) postulated that organisations require specialist marketing personnel who will be able to use their knowledge and skills in performing functional marketing activities such as conducting marketing research and disseminating consequent product specifications and in recommending better pricing and promotion strategies. Meldrum’s (1996) argument reflected the findings of Wong et al.’s (1989) market orientation study among British manufacturing firms that identified that lack of appropriate marketing skills was one of the barriers to market orientation. These arguments indicate the need for formal marketing education of employees in an organisation.

Kohli and Jaworski (1990) claimed that the market orientation of an organisation is a function of the formal marketing education of its senior managers. This claim was further tested by Horng and Chen (1998) who found a strong positive relationship between formal marketing education and overall market orientation. Thus, formal marketing education should be considered as an antecedent of market orientation as Harris (2000) argued that the top managers, whose backgrounds do not predispose them towards a market orientation constitutes one of the barriers to market orientation.

2.1(ii) Organisational Characteristics

The next predictor that influences market orientation comprises the organisational characteristics that include centralisation, formalisation, political behaviour of organisational members, and market based reward system. Lear (1963) asserted that a market orientation, while ‘better suited to the customer’, creates complications in terms of structure.
Ruekert (1992) analysed organisational process as a barrier to market orientation and advised that the degree to which an organisation can increase its market orientation is inextricably linked to the organisational structures, systems and processes created to sustain them. Kohli and Jaworski (1990) labelled the organisation-wide characteristics as the organisational system and argued that a set of barriers to a market orientation briefly hinted at in the marketing literature is related to the structural form of organisation.

**Centralisation and Formalisation**

Two structural forms of organisations, centralisation and formalisation, have been investigated in the marketing literature. Centralisation is defined as the nature and degree of delegation of decision-making (Zeffane, 1989; Martin and Glisson, 1989) whereas formalisation refers to the degree to which rules define organisational roles, authority relationships, communication channels, cultural norms, accepted sanctions, and hierarchical procedures (Zeffane, 1989; Smith et al., 1989). Aiken and Hage (1968) clarified centralisation as the delegation of decision-making authority throughout an organisation and the extent of participation by organisational members in decision-making and Hall et al. (1967) explained formalisation as the degree to which rules define roles, authority relations, communications, norms and sanctions and procedures. This explanation by Hall et al. (1967) is reflected by those put forward by Zeffane (1989) and Smith et al. (1989).

Past research had shown that both centralisation and formalisation are inversely related to intelligence generation and intelligence dissemination and are positively related to the responsiveness part of market orientation (Zaltman et al., 1973). Jaworski and Kohli (1993) identified centralisation
to be negatively related to overall market orientation and also to the three components of market orientation including intelligence generation, intelligence dissemination, and intelligence responsiveness. Other authors also found centralisation and formalisation to be negatively related to information utilisation (Hage and Aiken, 1970; Deshpande, 1982; Deshpande and Zaltman, 1982). Earlier, in this connection, Aiken and Hage (1966) claimed that both formalisation and centralization were negatively related to market intelligence generation and dissemination. However, in a later study Glisson and Martin (1980) found market responsiveness to be positively related to both centralisation and formalisation. Pelham and Wilson (1996) indicated a significant relationship between market orientation and organisational structure (positive relationship with decentralisation and negative relationship with formalisation). Avlonitis and Gounaris (1999) found a negative relationship between formalisation and overall market orientation. In a more recent study, Harris (2000) found both centralisation and formalisation to be negatively related to overall market orientation. Despite the significant relationship between market orientation and organisational structure (centralisation and formalisation) in the literature, Pulendran et al. (2000) found no significant relationship between market orientation and formalisation, and centralisation. Similarly, Matsuno et al. (2002) suggested that organisations with a high level of entrepreneurial proclivity generally avoid high levels of organisational formalisation and centralisation. Thus, the study identified no significant relationship between market orientation and formalisation, and centralisation.

Although the recent studies by Pulendran et al. (2000) and Matsuno et al. (2002) did not support a significant relationship between market
orientation and formalisation, and centralisation, all the studies did identify a significant relationship between them and so, on the basis of the literature, it can be said that both the centralisation and formalization of an organisation can influence market orientation. In addition, a formalised system was specifically criticised in the literature as this system may possibly facilitate instrumental utilisation processes; reduce information generation, information dissemination and utilisation of such information by weakening myopic interpretations (Imai et al., 1985; Day, 1991; Menon and Varadarajan, 1992; Moorman, 1995).

**Political Behaviour**

Political behaviour consists of an individual’s attempts to promote self-interest and threaten others interests (Porter, Allen and Angel, 1981). Ralston (1985) had the same opinion but discussed the consequences of political behaviour. He suggested that political behaviour is to seek one’s self-interest and in theory that may be detrimental to an organisation if it becomes excessive. On the other hand, Kohli and Jaworski (1990) argued that political norm structure is an informal system that reflects the extent to which members of an organisation view political behaviour in the organisation as being acceptable. They suggested that a highly politicised system has the potential for engendering interdepartmental conflict that may inhibit market orientation. In practicing political behaviour, organisations differ in the extent to which their members view it as being acceptable or not (Wood and Bhuian, 1993). Thus, this political behaviour should get clear attention since it may result in organisational conflict and ultimately, through over utilisation hamper market orientation. Harris and Piercy (1999) identified a negative association between market orientation and political behaviour of retailing companies. Therefore, in becoming market-oriented an organisation should try to minimise its political behaviour.
Market Based Reward System

A considerable amount of research has been conducted on the relationship between organisational reward systems and subsequent attitudes and behaviour of employees and proved that reward systems are instrumental in shaping such attitudes and behaviour (Anderson and Chambers, 1985; Jaworski, 1988; Siguaw, Brown and Widing, 1994). In this connection Pulendran et al. (2000) suggested that the type of measurement and reward systems adopted by the organisation will determine the extent to which market orientation is adopted. They also proved this statement by identifying a significant relationship between market orientation and the reward system. Earlier, Webster (1988) argued that the key to developing a market-driven, customer oriented business lies in how managers are evaluated and rewarded, e.g. the basic requirement for the development of a market-oriented firm is the creation of market-based measures of performance.

Jaworski and Kohli (1993) found a very strong significant relationship between market based reward systems and market orientation and suggested that organisations’ that reward employees on the basis of factors such as customer satisfaction and building customer relationships tend to be more market-oriented. Hence, Wood and Bhuian (1993, p. 23) added that, “organisations employing this philosophy tend to reward employees based on positive consumer responses to their marketing efforts as opposed to basing rewards strictly on short-term profitability”. In addition, Pulendran et al. (2000) concluded that this type of reward system significantly reduces role conflict and job ambiguity.

2.1(iii) Interdepartmental Dynamics

Interdepartmental dynamics are the formal and informal interactions and
relationships among an organisation’s departments (Kohli and Jaworski, 1990). The critical dynamics are interdepartmental conflict and connectedness.

**Interdepartmental Conflict**

Several researchers have suggested that the implementation of market orientation is greatly influenced by interdepartmental conflict (Levitt, 1969; Lusch and Laczniak, 1987). In this connection, Wong et al. (1989) described the lack of cooperation and coordination between functional units as one of the most common barriers to market orientation. Ruekert (1992) suggested that this lack of cooperation creates frustration among the members of the organisation, especially when individuals perceive that the other party is not behaving in a fair manner. Earlier research also suggested that the organisational conflict among the employees results in reducing inter-functional performance (Weinrauch and Anderson, 1982; Dutton and Walton, 1966). Similarly, Felton (1959) and Levitt (1969) detected interdepartmental conflict as being dysfunctional since it acts as a barrier to market orientation.

Jaworski and Kohli (1993) suggested that interdepartmental conflict reduces the market orientation of an organisation, mainly affecting intelligence dissemination and responsiveness of the organisation. Ruekert and Walker (1987) also claimed that interdepartmental conflict inhibits communication across the departments of an organisation. Harris and Piercy (1999) identified a negative association between conflictual behaviour within an organisation and the extent of market orientation. Their findings suggested that conflictual behaviour strongly and negatively correlated with market orientation and it inhibits the ability of an organisation to coordinate Activities and focus on market dynamics.
This was also supported by the findings of Pulendran et al. (2000) who identified interdepartmental conflict as a barrier to overall market orientation. They also suggested that high levels of conflict could create barriers between departments, affecting the flow of communication and the exchange of information. Thus, interdepartmental conflict should be considered as an antecedent of market orientation and an organisation should try to reduce it in becoming more market-oriented.

**Interdepartmental Connectedness**

Interdepartmental connectedness is the degree of formal and informal direct contact among employees across departments of an organisation (Kohli and Jaworski, 1990). The importance of this variable facilitating market orientation is supported by the evaluation literature (Cronbach and Associates, 1981). This was also documented by Deshpande and Zaltman (1982) who identified interdepartmental connectedness to be significant and positively related to intelligence dissemination and responsiveness. They also suggested that connectedness enables adequate amounts of intelligence to be generated and at the same time allows its appropriate usage.

Blake and Mouton (1964); Lawrence and Lorsch (1967); and Ruekert and Walker (1987) proclaimed interdepartmental connectedness as the perception of an organisation that links different departments and functions in achieving the overall objective of that organisation. Jaworski and Kohli (1993) claimed that interdepartmental connectedness fosters interdependency within the organisation and encourages employees to act in a concerted manner in the processes of knowledge generation and knowledge utilisation. They also purported that interdepartmental connectedness plays a positive role in determining the market orientation
components (intelligence dissemination and responsiveness to market intelligence).

Harris and Piercy’s (1999) research on barriers to market orientation in retailing companies demonstrated a positive relationship between the organisation’s interdepartmental communication and the level of market orientation. The study also suggested that more frequent communication is likely to enable the dissemination of collected market intelligence and facilitate a timely market focused response. Earlier, Wong et al. (1989) claimed that an improper inter-functional coordination system is a barrier to market orientation, as it determines the extent of market orientation of a specific company.

In a recent study of market orientation in Australia Pulendran et al. (2000) found interdepartmental connectedness contributing significantly to the higher levels of market orientation and suggested that this increases the ability of firms to act in a consistent and concerted manner towards their customers.

Most recently, Ignacio et al. (2002) augmented the importance of interdepartmental connectedness by mentioning that the internal integration and coordination must be a faithful illustration of the organisation’s members’ predisposition. Further, they suggested that interdepartmental connectedness develops group of activities which satisfy the target market. Thus, the leading management of an organisation should ensure that each one of the organisational participants recognises the need for integration and coordination as organisational values. Ignacio et al. (2002) further suggested that coordination must be accomplished in order to combine interests and eliminate barriers to accomplishing the mission of the company. Thus, the presence of
appropriate interdepartmental coordination is critical for any organisation in becoming market-oriented and it should be considered as one of the influential factors, because it fosters the level of market orientation of a company.

2.1(iv) External Factors

Kohli and Jaworski (1990); Narver and Slater (1990); Jaworski and Kohli (1993); and Slater and Narver (1994b) empirically tested the environmental factors as exogenous variables or moderating variables in order to identify the market orientation and consequences relationship. In only a few studies have the macro-environmental conditions been hypothesised as an antecedent of market orientation (Cervera et al., 2001; Avlonitis and Gounaris, 1999). Faherty (1985) asserted that the external environment in which organisations operate is highly complex and more volatile. Thus, these external environmental factors are perhaps even more influential in determining the level of market orientation (Wood and Bhuian, 1993). Hence, Au and Tse (1995) argued that market turbulence, technological turbulence, degree of competition, and the general economy all interact in a complex manner that can have an enormous impact on the relationship between market orientation and company performance. Therefore, competition, market turbulence, technology, and the general economy of a country can be considered as the main external factors, which can be claimed to be influential in determining the level of market orientation.

Competition

The competitive environment refers to any group or organisation that competes for the attention, resources, or loyalty of a target group (Wood and Bhuian, 1993). The success of an organisation depends on how well it
understands its competitors and to what extent it monitors strategies and tactics of its rivals (Simkin and Cheng, 1997). In this connection, Wong and Saunders (1996) suggested that, in order to gain competitive advantage, a company should design offers that satisfy targeted customer needs better than competitors. Hence, Aaker (1995) argued that it is necessary to gain a clear understanding of the abilities and strategies and current and future activities of competitors through the collection of information about them.

Earlier, Kotler and Anderson (1991) identified four major types of competitors in order to serve the target market: ‘desire competitors’ (the competitors that are involved in serving the immediate desires that consumers might want to satisfy), ‘generic competitors’ (competitors that are involved in satisfying the generic or basic needs of customers), ‘service form competitors’ (competitors that are involved in selling their services), and ‘enterprise competitors’ (enterprises that satisfy a consumer’s particular desire). In order to be sustained in the market place, an organisation should recognise these competitors. Organisations that recognise competition and perceive it to be more threatening in achieving their goals have a greater tendency to evaluate it (Schwartz, 1989). Thus, it can be said that the greater the perceived competition, the greater the tendency to adopt a market orientation (Wood and Bhuian, 1993).

Research findings have suggested that a competitive environment could play a moderating role in the relationship between market orientation and performance (Jaworski and Kohli, 1993). However, their study did not support the hypothesized moderating effects for the other variables. Similarly, Avlonitis and Gounaris (1999) in a study that considered competitive intensity as market factor found a strong positive relationship between competition and market orientation.
Houston (1986) and Kohli and Jaworski (1990) stated that, in the absence of competition, a company might perform well since customers are stuck to that company even if the company is not market-oriented. At the same time Jaworski and Kohli (1993) established a reverse argument mentioning that in the case of high competition, customers have many alternatives to choose from and an organisation that is not market-oriented is likely to lose customers. Therefore, organisations in highly competitive environments focus more on learning about competitors, which is a key aspect of market orientation (Han et al., 1998). Thus, competitors’ steps should be followed and competitive actions should be taken in becoming more market-oriented and for keeping the customers with the company. Since, the nature of competition of an organisation determines whether that organisation is market-oriented or not, this should be considered as an antecedent in determining the level of market orientation.

**Market Turbulence**

Jaworski and Kohli (1993) defined market turbulence as the rate of change in the composition of customers and their preferences. The salient role of market turbulence in the development of market orientation has been documented in several studies (Felton, 1959; Levitt, 1960; Kotler, 1977). Levitt (1960) augmented this by arguing that the company does not have to develop a market orientation if it operates in a familiar, stable and predictable market. However a problem arises when markets do not remain stable or predictable all the time and thus a company should take more effort to cope with this instability and unpredictability (e.g. the company should become market-oriented), ‘while those who fail to do, simply die’ (Day, 1990).
Jaworski and Kohli (1993) asserted that organisations that operate in the more turbulent markets are likely to have to modify their products and services continually in order to satisfactorily cater to customers’ changing preferences. Therefore, they again suggested that the businesses operating in more turbulent markets are likely to have a greater need to be market-oriented. Similarly, reporting experience in developing market economies Lusch and Laczniak (1987) suggested that market turbulence in developing economies requires organisations to modify their products and services on a continuous basis. This was supported by Davis et al. (1991) who identified that environmental turbulence is positively related to a firm’s level of market orientation. They further suggested that market turbulence requires an organisation to take action on the basis of the customers’ preferences and thus it increases the level of market orientation.

In addition, Pulendran et al. (2000) argued that it is imperative that organisations are highly market-oriented in conditions of market turbulence. And, in such conditions, management must undertake market-oriented activity whilst maintaining the flexibility to shift resources and adapt to potentially variable market trends. Thus, they also suggested that a focus must be placed on listening and responding to customer needs and a failure to adapt will render an organisation competitively unstable. Savitt’s (2001) exploratory study on understanding marketing development in a country that is currently recovering from the effect of the socialist system, also suggested the effects of those put forward by Pulendran et al. (2000). Appiah-Adu (1997) augmented this by arguing that the influence of market orientation on performance depends on the level of market turbulence. Thus, market turbulence should be considered as an influential factor in determining the level of market orientation.
Technology

Technology is being presented as something new as it drives change at an ever-increasing rate (Chaharbaghi and Willis, 2000) and the correct manufacturing technologies can provide the organisation with considerable operational and competitive benefits (Australian Manufacturing Council, 1990; Sohal, 1995). Grewal and Tansuhaj (2001) argued that both the pace and degree of innovations and changes in technology induce technological uncertainty. Hence, Kohli and Jaworski (1990) argued that market orientation might not be as important as it is in technologically stable industries. They therefore, claimed that organisations often use technological orientation as an alternative means to market orientation in building sustainable competitive advantage.

Glazer (1991) suggested that firms in high-technology markets tend to allocate greater resources to technology in order to manage the uncertainty created by technological changes, even though a balance between market orientation and emphasis on technological orientation is possible. Earlier, Kohli and Jaworski (1990) noted that it is not that a market orientation is not unimportant in technologically turbulent industries, but rather that it is less important. In this connection, Grewal and Tansuhaj (2001) provided a similar opinion mentioning that the emphasis on technological orientation, as a means of competing, should reduce the importance of market orientation.

Hayes and Wheelwright (1984) purported that the firms in markets characterised by high technological uncertainty compete more on the basis of technology than on the basis of market orientation, compared with the firms in markets characterised by low technological uncertainty. Hence, technological turbulence should be identified as an antecedent in determining the level of market orientation of an organisation.
General Economy

Economic conditions of a country have an impact on spending power and behaviour of the customers of that country. Hence, Kohli and Jaworski (1990) argued that a strong economy is characterised by strong demand and so an organisation may be able to get away with a minimal amount of market orientation. They even suggested that, in a weak economy, customers are likely to be very value conscious and organisations must be more in tune with, and responsive to, customer needs in order to offer good value for money.

Slater and Narver (1994b) investigated the moderating role of the strength of the economy on the relationship between market orientation development and company performance and suggested that the companies that operate in weak economies with stable or decreasing markets are more likely to adopt market orientation than the companies that operate in strong economies. Thus, it is justifiable to consider the general economy of the country when determining the level of market orientation.

On the basis of the above studies, it can be concluded that the conditions that are required for implementing the marketing concept are the factors that foster or discourage market orientation. These conditions/factors are basically the antecedents/barriers/predictors/determinants of market orientation. These are called antecedents because they determine the level of a market orientation of an organisation. Therefore, a company should consider these antecedents in order to become market-oriented. Antecedents that have been identified in the literature review include the following groups of factors: senior management characteristics including top management emphasis, risk aversion, management training, and formal marketing education; organisational characteristics including
centralisation, formalisation, political behaviour, and market based reward system; interdepartmental dynamics including interdepartmental conflict and connectedness; and external environmental factors including competition, market turbulence, technological turbulence, and general economy. Pulendran et al. (2000) suggested that additional studies needed to be undertaken including investigation of a more complete set of antecedents that influence the market orientation of an organisation. Thus, in this study of market orientation, all these market orientation antecedents were considered.

SECTION II
CONSEQUENCES OF MARKET ORIENTATION

The aim of this section is to identify the possible consequences of market orientation and to clarify the relationship between market orientation and its consequences. There are at least three different types of consequences of market orientation that have been identified from the market orientation literature including business performance, employees’ organisational commitment and esprit de corps, and customer satisfaction and repeat customer (Kohli and Jaworski, 1990; Jaworski and Kohli, 1993). Raju et al. (1995) purported that an increase in market orientation is expected to result in higher performance in business because it facilitates clarity of focus and vision in an organisation’s strategy and generates pride in belonging to an organisation that results in higher employee morale and greater organisational commitment. The further consequence is customer satisfaction that indicates repeat purchases and draws new customers to the business.

Although, many studies have investigated the relationship between market orientation and economic performance (business performance),
very few of them have identified the relationship between market orientation and non-economic performance (employees and customer response).

Armstrong and Baron (1998) stated that defining performance is the prerequisite of measuring or managing it. Hence, Otley (1999) argued that performance might be defined in terms of doing the work, as well as in terms of the results achieved. Fitzgerald and Moon (1996) postulated that performance is a multidimensional construct, the measurement of which varies, depending on a variety of factors that comprise it. In this connection, Rogers (1994) argued that performance should be defined as the outcomes of work because they provide the strongest linkage to the strategic goals of the organisation, customer satisfaction, and economic contribution. Matsuno and Mentzer (2000) suggested that performance should be viewed not only as economic performance (business performance) but also as non-economic performance (customer satisfaction, customer retention, social acceptance, corporate image, and employee satisfaction). Earlier, Jaworski and Kohli (1993) considered employees’ organisational commitment and esprit de corps as non-economic performance.

Economic performance of an organisation can be defined as the function of some financial indicators such as return on investment, profit, market share, sales volume, revenues, product quality, and overall financial position, while non-economic performance is the function of other outcomes of an organisation rather than financial indicators such as customer satisfaction, customer loyalty, employees’ organisational commitment and esprit de corps, company image and social acceptance (Narver and Slater, 1990; Jaworski and Kohli, 1993; Matsuno and Mentzer, 2000).
2.2(i) Economic Performance(Profitability) of Business

A significant number of studies of market orientation have focused on the relationship between the market orientation and business performance and it has been widely assumed for many years that market orientation is linked to better company performance (Dawes, 2000). Dawes (2000) also noted that the theoretical basis for this expected link was elucidated earlier by McKitterick (1957) who highlighted that, in a competitive environment, organisations must be highly cognisant and responsive to customer needs, otherwise rivals will devise products more attuned to those needs and capture their business. Narver and Slater (1990) augmented this view, debating that strong market orientation within a business will enhance the effort to offer superior value to the buyers which will lead to an advantage over competitors and to better profitability. Okoroafo and Russow (1993) argued that sound marketing practice is an important contributor to performance in economic reform economies. Walker and Ruekert (1987) added to this by saying that organisation performance can be measured on a variety of dimensions, and no single business approach can be expected to have the same effect on all dimensions.

In this connection, Narver and Slater (1990) used subjective measures investigating the market orientation and performance relationship among 140 strategic business units of a major corporation’s forest product division (commodity and non-commodity business) and found a significant positive relationship between market orientation and return on investment (ROI). Hence, they proposed a potential explanation that the market orientation-performance relationship might be contingent on some industry situations in which firms operate, such as commodity versus non-commodity and/or competitive versus non-competitive. The study
suggested further research for testing the relationship of market orientation to additional performance measures that may affect long-term profitability such as customer retention, new product success, and sales growth. Slater and Narver (1994a) also investigated the relationship between market orientation and return on assets, sales growth, and new product success among 107 Strategic business units (SBUs) in two corporations in USA and found a positive relationship. This study used subjective measures of performance and suggested that objective measures of performance be used for future research.

Slater and Narver (2000) tested their earlier findings (Narver and Slater, 1990) of the positive relationship between market orientation and business profitability. For this purpose data were collected from 53 single-business corporations of SBUs of multibusiness corporations in three Western cities. Despite the relatively small sample, they conducted a stepwise regression analysis and found market orientation and business profitability positively and significantly related. This further supports their earlier findings.

Pelham and Wilson (1996) also conducted a market orientation study based on Narver and Slater (1990) among 68 small firms in the USA. The study was drawn to create links between market environment, strategy, business position variables (marketing/sales effectiveness and growth/share), and profitability. The study suggested a positive and significant relationship between market orientation and sales growth/market share, product quality, and profitability. In this connection, Pelham (2000) concluded that the Pelham and Wilson’s (1996) model of performance augmented the earlier market orientation models that considered both antecedents and consequences as variables.
Ngai and Ellis (1998) conducted a market orientation and business performance study in Hong Kong among 73 textiles and garment companies, based on the culturally based behavioural approach taken by Narver and Slater (1990). Their study used a multiple linear regression analysis to test the relationship between market orientation and business performance and found a positive relationship between the market orientation of respondent firms and their performance (sales growth/market share growth and long term profitability). Hence, Kotler and Armstrong (1996) argued that the positive relationship between performance and market orientation supports a long-held proposition, which states that the attainment of organisational goals is determined by satisfying the needs of customers more effectively than rivals.

Ruekert (1992) conducted a market orientation study among five SBUs in one company, where he focused on a strategic perspective and found a positive relationship between market orientation and sales growth, and profitability. On the other hand, Jaworski and Kohli (1993) conducted a market orientation study on the basis of intelligence perspective developed by Kohli and Jaworski (1990) where they used two different samples containing 222 companies for the first sample and 230 companies for the second. Their study used a multiple regression analysis and identified a positive and significant relationship between market orientation and market share, return on equity (ROE), and overall performance in the presence of moderating environmental variables.

At the same time, Diamantopoulos and Hart (1993) conducted a study among 87 companies in the UK and found an association between market orientation and sales growth, and profits relative to industry average. Similarly, Pitt et al. (1996) in their study among 161 UK service firms and 200 Maltese firms of various industries adapted the MARKOR
(market orientation) scale developed by Kohli et al. (1993). Here, they identified a positive relationship between market orientation and return on current equity (ROCE), sales growth, and subjective impressions.

Raju et al. (1995) conducted a market orientation study among 176 hospitals in the USA using the MARKOR scale developed by Kohli et al. (1993). The objective of the study was to understand clearly the relationship between market orientation and return on investment (ROI), service quality and morality. The performance factors were taken one at a time and regressed against the market orientation factors, and stepwise regression was performed using each performance factor as the dependent variable and market orientation factors as independent variables. The results indicated that market orientation has a significant effect on each of the performance dimensions. However, the study suggested that the market orientation-performance relationship in several industries should be explored in order to examine any inter-industry variances.

Selnes et al. (1996) conducted a study to examine the way in which a country context affects the level of organisational antecedents that drive a market orientation including focus on top management, interdepartmental relations and organisational systems. The study also examined two other areas; level of market orientation and the strength of linkage between market orientation and its antecedents and consequences. Using a multiple-informant survey design, the study collected data from SBUs in USA and in Scandinavia (Denmark, Norway, and Sweden). The findings suggested similar results in both cultures (USA and Scandinavia) that showed a significant linkage between market orientation and its antecedents and overall performance.

Caruana et al. (1998) further adapted the MARKOR scale developed by Kohli et al. (1993) in order to identify the relationship between market-oriented universities and their performance. The study used multiple
regression analysis and identified a strong, statistically significant relationship between market orientation and overall performance. The study also suggested that the responsiveness dimension of market orientation appeared to be more critical to overall performance, while the collection of information and its dissemination are necessary preliminary steps and it is responsiveness to this information that provides the possibility of meeting market needs that in turn results in an improvement in overall performance. The study further argued that future research must be carried out for the development of useful measures of performance, especially in the non-business sector, where measures, such as return on capital employed (ROCE) and return on sales (ROS), are inadequate.

Homburg and Pflesser (2000) in their study of market orientation adapted the MARKOR scale developed by Kohli et al. (1993) and the performance scale from Irving (1995). The study identified a significant positive effect of market-oriented behaviour on market performance. In this connection they argued that a high level of market dynamism makes a market-oriented culture even more important and provides a little more depth to marketing academics’ understanding of market orientation’s performance outcomes.

Baker and Sinkula (1999) in their study on market orientation also used the MARKOR scale (Kohli et al., 1993) in order to operationalise the market orientation elements. They also used Jaworski and Kohli’s (1993) two-item scale for measuring overall performance and Day’s (1977) scale item for measuring market share. Again, Baker and Sinkula (1999) used a new scale for new product success that was built on the basis of Moorman’s (1995) and Moorman and Miner’s (1997) work in the area of new product performance, timeliness, and creativity. The study by Baker and Sinkula (1999) used self-explicated measures of performance similar
to Dess and Robinson (1984). These measures were chosen because of consistent evidence that subjective and objective measures of performance are highly correlated. In order to identify the market orientation-performance relationship, they used regression analysis and found a strong significant relationship between market orientation and overall performance, market share, and new product success. Hence, the findings of Baker and Sinkula’s (1999) study are consistent with other research in this area (Narver and Slater, 1990; Jaworski and Kohli, 1993; Kohli et al., 1993; Sinkula et al., 1997).

Pulendran et al. (2000), using the scales of Jaworski and Kohli (1993) checked the moderating effect of market turbulence, competitive intensity, and technological turbulence and identified the relationship between market orientation and profitability arguing that superior profitability can be achieved by undertaking market-oriented activity. In this connection, they suggested further research to determine how market orientation relates to aspects of performance such as self-assessment performance measures, quantitative performance measures, job satisfaction, organisational satisfaction, organisational commitment, role clarity, and self esteem measures.

Based on Jaworski and Kohli’s (1993) market orientation scales, Grewal and Tansuhaj (2001) conducted a study in Thailand in which they identified the role of market orientation and strategic flexibility on building organisational capabilities for managing the economic crisis. They suggested that the adverse effect of market orientation on a firm’s performance after a crisis is moderated by demand and technological uncertainty and enhanced by competitive intensity. The study also highlighted two important arguments: first, further refinement of Kohli et al.’s (1993) MARKOR measure was needed; and second, after a crisis
they found that market orientation influences are only useful for managing economic crises in environments characterised by high levels of either demand or technological uncertainty.

Pelham (1997a) conducted a study in which he utilised eight of the nine measures of market orientation adapted from Narver and Slater’s (1990) market orientation instrument and one from that of Jaworski and Kohli (1993). In this study, performance measures were based on those used by Gupta and Govindarajan (1983) and Covin, Prescott, and Slevin (1990). The study tested the direct link between market orientation and profitability in a saturated model and identified an insignificant relationship between market orientation and profitability.

Pelham (1997a) argued that a possible explanation for the lack of a clear relationship between market orientation and profitability is that it is a more complex relationship than tested for in previous studies. Chakravarthy (1986) found that excellent firms could not be identified by a single measure of profitability and thus, in order to explore the market orientation-performance link effectively, it is necessary to appropriately operationalise both constructs. However, Pelham (1997a) claimed that firms seeking to enhance market-oriented behaviours should see the most immediate consequences in more effective new product development, improved relative product quality, and improved customer retention. Pelham (1997a) suggested that future studies should investigate the measures and dimensions of market orientation and the relationship of market orientation and performance in large and small consumer goods manufacturing firms, service firms, and retail firms.

Pelham (1997b) conducted another study on market orientation and performance among 160 small industrial manufacturing firms using
market orientation measures developed by Narver and Slater (1990) and Jaworski and Kohli (1993). The study used return on equity, gross profit margin, and return on investment in order to measure the overall profitability and found a strong market-orientation performance relationship. Pelham (1997b) suggested that further studies should be undertaken to identify the market orientation-performance relationship across a quadrant for large industrial firms and among consumer goods manufacturing companies and service/retail firms.

Recently, Pelham (2000) conducted another study among 160 small and medium sized manufacturing firms. The study used a market orientation scale adapted from both Narver and Slater (1990) and Jaworski and Kohli (1993). The findings of the study suggested that total market orientation was significantly correlated with marketing/sales effectiveness, growth/share and profitability. Hence, Pelham (2000) claimed that the results of this study are consistent with other market orientation studies including Pelham and Wilson’s (1995; 1996), especially for the higher associations of market orientation and performance variables relative to strategy and industry involvement.

Appiah-Adu (1997) conducted a market orientation and performance study in the UK that examined whether the market orientation-performance link established in large firm studies also holds for firms in the small business sector. The possible effects of market growth, competitive industry, and market and technological turbulence on any identified relationship were investigated. Pelham’s (1993) and Pelham and Wilson’s (1996) market orientation scales were adapted for use in this study because of their applicability to small business. Regression analysis was conducted in order to identify the market orientation-performance link. Findings suggested a positive and significant impact of
market orientation upon small business performance. The significant and positive impact of market orientation on new product success identified in the study is consistent with the findings of studies undertaken by Pelham and Wilson (1996) for US small business; Slater and Narver (1994a) for SBUs of large US organisations; and Atuahene-Gima (1995) for large Australian firms. In addition, the significant and positive effect of market orientation on sales growth reported by Appiah-Adu (1997) is consistent with the findings of Slater and Narver (1994a) but inconsistent with those of Greenley (1995b) and Pelham and Wilson (1996). Further, identification of a significant and positive effect on the profitability levels (ROI) of small firms is consistent with the findings of Pelham and Wilson (1996) but inconsistent with those of Greenley (1995b). Later, Appiah-Adu and Sing (1998) conducted another study among manufacturing and service firms in the UK where they identified a customer orientation and performance relationship. They used regression analysis in order to identify the customer orientation’s relationships with new product success, sales growth, and return on investment (ROI). The study identified a positive and significant relationship between customer orientation and all the three performance measures. Thus, Appiah-Adu and Sing (1998) argued that it would be interesting to conduct further research in this area using integrated models with additional organisational variables such as firm structure, coordination, control systems, age, and management characteristics. They also suggested that utilising such an approach would facilitate the testing of possible internal and external influences on customer orientation among organisations.

Matsuno and Mentzer (2000) conducted a study in which they empirically examined the moderating role of strategy type on the relationship between market orientation and economic performance. They measured business
performance using market share, relative sales growth, percentage of new product sales to total sales, and return on investment (ROI) and found that strategy type had a moderating role on the relationship between market orientation and those four performance measures. In addition, they suggested that further research on the relationship between market orientation and noneconomic aspects such as customer satisfaction, customer retention, social acceptance, corporate image, and employee satisfaction should be undertaken.

Dawes (2000) conducted a study that examined the association between market orientation and company profitability. In this study he incorporated two methodological approaches that have generally not been used in previous research. Firstly, he used ‘lagged’ company and environmental control variables in the data analysis in order to better discern their effects on profitability and to clarify any relationship between market orientation and performance. Secondly, he separately analysed the individual components of market orientation and their relationships with business profitability. It was found that competitor orientation, as a component of market orientation, had the strongest association with performance. They argued that, while customer orientation is vital, competitor intelligence activities constitute a key factor in ensuring high performance. Further, it was claimed that each component of market orientation should not necessarily be assumed to have equally strong associations with profitability. Thus, the researcher suggested further research in the absence of a significant association between market information sharing and reported performance.

Deshpande et al. (1993) conducted a study in Japan among public firms and their customers in various industries where they viewed market orientation as customer orientation. The study developed a customer
orientation scale on the basis of personal interview and Narver and Slater’s (1990) and Kohli and Jaworski’s (1990) works. The study investigated the relationship between customer orientation and profitability, size, market share, and relative growth rate and identified a positive and significant relationship in both cases of customers’ assessments and managers’ own assessments.

Sargeant and Mohamad (1999) conducted a market orientation study among 200 hotel groups in the UK in which they used the scales developed by Parasuraman et al. (1993) in order to measure market orientation and found no direct impact of market orientation on business performance in the hotel sector. It was suggested that future research needed to be carried out to determine the impact of market orientation on variables such as customer or employee satisfaction. Au and Tse (1995) conducted a market orientation study of the hotel industry in Hong Kong and New Zealand. For this purpose, they modified Kotler’s (1977) questionnaire for measuring the level of market orientation. They found no apparent relationship between market orientation and hotel performance in either country. Hence, they suggested that the size, price, market turbulence, technological turbulence, degree of competition, and the general economy all interact in a complex manner that can have an enormous impact on the relationship between market orientation and company performance and thus, much research is required in this area to delineate the complex interplay between these variables.

Tse (1998) conducted a market orientation and performance study on large property companies in Hong Kong, where he used a modified version of Kotler’s (1977) questionnaire for measuring market orientation. The study identified no significant relationship between market orientation and business performance, that is no significant
difference in the financial performance of companies that are market-oriented and those that are not market-oriented. Balabanis et al. (1997) conducted a study among 200 top British charity organisations in order to identify the market orientation and its impact on performance. They used the performance scales developed by Lamb and Crompton (1990) for measuring the nonprofit performance (effectiveness and efficiency) and the MARKOR scale developed by Kohli et al. (1993) for measuring market orientation. They used confirmatory factor analysis and the findings revealed that the level of present donor-market orientation has no impact on charities performance. Fritz (1996), in a study on market orientation and corporate success among 144 industrial firms in Germany stated corporate success as the degree to which the corporate goals of ‘competitiveness’, ‘customer satisfaction’, ‘securing the continuance of the firm’, and ‘long term profitability’ were achieved. Significant correlations between market orientation and three external criteria of corporate success; the relative competitive position of the firm; the economic success in terms of increased ROI and sales Volume, and a decrease in employee fluctuation were identified in the study. Thus, Fritz (1996) claimed that market orientation is the one and only significant factor in corporate success.

Chang and Chen (1998) developed a conceptual model of market orientation, service quality and business profitability and empirically tested the applicability of that model for retail stock brokerage firms in Taiwan. A linear regression model was used in order to identify three relationships; market orientation and service quality relationship, service quality and performance relationship, and market orientation and performance relationship. The findings of the study suggested that market orientation has a positive and significant effect on service quality as well
as on business performance, and that service quality also has a positive and significant effect on business performance.

Most recently, Kumar (2002) conducted a market orientation, organisational competencies and performance study among 159 acute care hospitals where he used the market orientation scale constructed and validated by Narver and Slater (1990) and which was revised, refined, expanded and modified to suit the health care industry by Kumar, Subramanian, and Yauger (1998). The findings of the study indicated that market orientation makes a significant contribution to the creation of a number of organisational competencies (market efficiency, employee education and efficiency, effective personnel policies, and operating efficiency) which in turn lead to superior performance in the areas of cost containment and success of new service. Nakata (2002) conducted a study in a US based multinational pharmaceutical company, which had 100 years of operation, has 40 international subsidiaries and is placed in the Fortune 500 companies. The study involved 32 individuals, mostly country directors, representing 22 cultures that include: ‘more and less developed Latin’, ‘more and less developed Asian’, ‘near Eastern’, ‘Germanic’, ‘Anglo’, and ‘Nordic’. On the one hand, the findings of the study suggested that greater implementation of the marketing concept is strongly associated with higher organisational performance, which is consistent with past research (Narver and Slater, 1990; Jaworski and Kohli, 1993). On the other hand, in-depth interview findings suggested that none of the respondents agreed upon the full implementation of the marketing concept, rather they argued that reaching this state was difficult. Correlation analysis was used for the study to identify the relationships among the variables. Further research was suggested which used a larger sample and broader range of multinational firms,
subsidiaries, and individual respondents in order to conduct regression and other statistical techniques. Regression analysis was suggested because most of the market orientation studies that had a larger sample used regression analysis.

Blankson and Omar (2002) conducted qualitative research on marketing practices among African and Caribbean small businesses operating in London. The study involved 26 small business owners and managers (20 male and 6 female) for face-to-face in-depth interviews. The findings of the study indicated that 70% of the owner-managers reported an improvement in profits from the previous year although there was an indication of a market share drop. It was suggested that further quantitative research be undertaken using a large sample that might strengthen the findings of this study.

Matsuno et al. (2002) investigated the structural influences of entrepreneurial proclivity and market orientation on business performance. The results of the study indicated that entrepreneurial proclivity has not only a positive and direct relationship on market orientation but also an indirect and positive effect on market orientation through the reduction of departmentalisation. The results also suggest that entrepreneurial proclivity’s influence on performance is significantly positive when mediated by market orientation but insignificant when not mediated by market orientation.

Although, this literature review suggests that market orientation contributes to the company’s economic business performance, none of the studies examined the market orientation-performance relationship considering the external environmental factors as antecedents of market orientation; rather they investigated the market-orientation performance
relationship as an effect of environmental mediating factors or just market orientation-performance relationship without considering external environmental factors.

Thus, two valid questions can be raised from the above literature review: one relating to the external environmental factors and the other relating to the measurement of economic performance. Firstly, if the external factors are considered as antecedents of market orientation of an organisation and not as mediating factors, can market orientation be directly related to business performance? Secondly, what indicators (items) should be used for measuring economic performance?

In order to clarify the first question, it can be said that there is a gap in the literature for research that should consider the external factors as antecedents of market orientation. If the market orientation-economic performance relationship is determined by the degree of the presence or absence of mediating variables (external factors), why not consider them earlier as antecedents in order to determine the level of market orientation of a company? This inclusion of external factors as antecedents can provide a better and comprehensive picture of the market orientation of a company that may result in an even stronger and clearer relationship between market orientation and business performance. Thus, this study of market orientation investigated the direct relationship between market orientation and economic performance considering the external factors/variables as antecedents of marketing orientation along with internal antecedent variables.

In order to clarify the second question, it can be said that it would be difficult to identify the economic performance of a company just by selecting two or three items. In this connection, Uncles (2000) observed
that the question of using performance measures has not been resolved in the literature. Walker and Ruekert (1987) argued that no single business expects to have the same effect on every dimension. Caruana et al. (1998) argued that the return on capital employed (ROCE) and return on sales (ROS) were inadequate for measuring business performance and further work must be undertaken to develop more useful measures. Thus, it is necessary to include as many useful indicators/items as possible, but considering the length of the questionnaire and the effectiveness of the available indicators in a developing country a standard number of scale items is justifiable.

Bhuian (1998), Appiah-Adu (1998b) and Akimova (2000) measured performance in developing countries using items including return on investment, profit, sales growth, market share, sales volume, revenues, product quality, and financial position. Thus, in order to measure business performance, the above items were adapted in this study. Use of these items for measuring economic performance was appropriate because this study of market orientation also explored a developing country market.

2.2(ii) Non-Economic Performance of Business

As mentioned earlier, performance can also be measured by non-economic performance indicators and thus, the possible non-economic indicators/factors and their relationship with market orientation will be reviewed in this section.

Raju et al. (1995) asserted that an increase in market orientation generates pride in belonging to an organisation, resulting in higher employee morale and greater organisational commitment, and ensures customer satisfaction which increases repeat purchases and draws new customers to the business. In addition, Kohli and Jaworski (1990) suggested two major
non-economic consequences of market orientation: employee response (organisational commitment, and esprit de corps), and customer response (customer satisfaction, and repeat business).

The concept of organisational commitment has been defined in a number of ways in the literature. According to Bhuian and Abdul-Muhmin (1997), the first definition viewed organisational commitment as an internal feeling, belief, or set of intentions that enhances an employee’s desire to remain with an organisation (Buchanan, 1974; Porter et al., 1976; Hunt et al., 1985; Hackett et al., 1994), the second definition viewed it as a reflection of recognised, accumulated interests e.g. pensions and seniority that bind an individual to a particular organisation (Becker, 1960), and the third definition explored it as the employee’s feelings of obligation to stay with the organisation (Allen and Meyer, 1990; Bar-Hayim and Berman, 1992; Meyer et al., 1993; Hackett et al., 1994).

Kohli and Jaworski (1990) argued that market orientation provides psychological and social benefits to employees. Specifically, it leads to a sense of pride in belonging to an organisation in which all departments and individuals work towards the common goal of satisfying customers and that this positive response towards the work situation results in increased organisational commitment. Jaworski and Kohli (1993) statistically proved this by identifying a strong and positive significant relationship between market orientation and organisational commitment. Hence, they postulated that market orientation nurtures a bonding between employees and the organisation, as well as promoting a feeling of belonging to one big organisational family dedicated to meeting and exceeding market needs and expectations.

This statistically significant finding, linking market orientation as an
antecedent to organisational commitment, was further augmented by Caruana et al. (1997) who measured market orientation using the MARKOR scale developed by Kohli et al. (1993) and organisational commitment using a 24-item instrument developed by Allen and Meyer (1990). In this study a stepwise regression analysis was conducted that identified a direct effect of market orientation on organisational commitment. Similarly, Blankson and Omar’s (2002) exploratory research suggested a relationship between market orientation and organisational commitment. However, earlier work done by Siguaw et al. (1994) found no significant relationship between customer orientation and organisational commitment.

It is difficult to draw a clear picture of the relationship between market orientation and organisational commitment when only few studies have initiated identification of the relationship between them. Hence, Pulendran et al. (2000) suggested that future research was needed to determine how market orientation relates to organisational commitment.

Zeithaml et al. (1988) suggested that esprit de corps reduces the gap between service quality specifications and actual delivery and improves consumers’ perceptions of service quality. Kohli and Jaworski (1990) argued that esprit de corps of an organisation could be improved by implementing market orientation. This argument was tested in their later research (Jaworski and Kohli, 1993) where they identified a significant relationship between market orientation and esprit de corps. Shoham and Rose (2001) also examined connections between market orientation and business performance among 250 Israeli food, plastics, constructions, and agriculture firms and identified a positive and significant association between market orientation and esprit de corps. This was previously shown by Selnes et al. (1996) who identified strong effects of market orientation on esprit de corps in both USA and Scandinavian cultures.
The next non-economic performance indicators of an organisation are customer satisfaction and repeat/loyal customer. Doyle (1995) argued that the most appropriate measures of performance are customer satisfaction and customer loyalty. In this respect, he again asserted that the customers who are satisfied with the value being provided repurchase the product and that results in better economic business performance (market share and profitability) for an organisation. Thus, an organisation should always guarantee satisfying its customers current and future needs by showing commitment, creating value in the product, encouraging customers’ comments and complaints, collecting information, sharing information among various departments of the company, and by taking action. This organisational guarantee indicates the market-oriented behaviour of a company. This means that a market-orientated organisation does everything possible in order to satisfy its customers. Hence, there is a link between market orientation and customer satisfaction. Kohli and Jaworski (1990) supported this link arguing that market orientation leads to satisfied customers who spread the good word to other potential customers and who keep coming back to the organisation. This idea also reflects Kotler’s (1998) assertion that a market orientation is likely to lead to greater customer satisfaction and repeat business.

Although market orientation contributes to customer satisfaction and repeat business, as far as this researcher is aware, none of the market orientation studies to date have statistically identified the significance of the relationship between market orientation and customer satisfaction. In this connection, Sargeant and Mohamad (1999) suggested the need for further research determining the relationship between market orientation and customer satisfaction.

The above studies suggests that though employees’ response (employees
organisational commitment and esprit de corps) and customer response (customer satisfaction and repeat business) are the possible consequences of market orientation, very few studies have investigated the market orientation and their relationships. Thus, these non-economic performances should be considered in a further study. In this context, Pulendran et al. (2000) argued that, despite a vast body of research on performance, additional study of performance effects is needed to identify the impact of market-oriented activity on a broader spectrum of performance measures (especially non-economic performance measures). Therefore, in this study of market orientation the relationship between market orientation and the above non-economic performance measures, as well as the relationship between market orientation and economic performance were explored.