SERVICE MARKET ORIENTATION AND BUSINESS PERFORMANCE

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Abstract: In recent decades marketing has become more dynamic than before. The world has undergone rapid technological changes coupled with stiff competitions on the services or products offered in the services industry. In this competitive arena all enterprises exist to gain profit, however it is obvious that there exists no single formula for better services performance. Marketing managers and scholars believe that marketing orientation improves a lot a company's performance. This is vividly shown when one examines literatures on marketing orientation and its impact on companies' performance.

It is acceptable that marketing orientation, learning organization and business innovations are some of the most important terms for executives to follow. The purpose of this paper is to examine the concept of market orientation and how it can be used to improve business performance especially for service industries.

Key words:
Service marketing, market orientation, measurement and business performance.

INTRODUCTION

There is worldwide pressure currently being placed upon service market orientation than ever before. This can be associated with the rapid increase in population on one hand, which places demands for various products to be high and changes in technology on the other hand, which forces people to go for new products that are being introduced in the market or dislike them and abstains from use of unfamiliar products. Economic growth and development coupled with advancements in life styles have generated u-turn in needs for specified products.However, worldwide economic and rapid technological developments have not yet solved the problem of marketing products in developing countries, as such business entrepreneurs are being compelled to find befitting solutions towards marketing their products especially services so as to satisfy their customer's desires in time.

Service marketing is growing very rapidly though quietly in the developing economies or economies in transition. In future, the growth is expected to continue much more rapidly because many more people are interacting with others and thus knowledge dissemination is extremely faster. As usual, people prefer to copy from the success of others; now the same applies to marketing of services in the developing countries. Services market has generally the following basic characteristic factors or elements: tangibility, inseparability, perishability, variability, etc.

There has been a great deal of recent research in the area of market orientation following the seminal work of Narver and Slarter (1990) and Kohli and Jaworski (1990). Since the formalization of the market orientation concepts in the 1990's, empirical investigations were mainly devoted to exploring of its impact on business performance. Researchers such as Hart and Diamantopoulos (1993) Cadogan and Diamantopoulos (1995), Greenley (1995a, 1995b), Signaw and Diamantopoulos (1995) Gray *et. al.* (1998) have tested, developed and refined the early market orientation scales to create useful tools for measuring the degree of market orientation in western firms. However, there has been relatively very little research todate to justify the use of market orientation in developing economies (Cox *et. al.* 1998; Hooley *et. al.* 1999)

Before embarking on our intended analysis of performance, brief description and distinction of the concepts involved in process are important.

MARKETING CONCEPT

According to the *Journal of Academy of Marketing Science Review* (2000), www.amsreview.org/articles/heiens01-2000pdf. some of the elements of modern business and marketing practices are traced as far back as the ancient Greeks, the Phoenicians and the Venetian traders.The earliest recorded identification of the marketing concept was put forth in the 1700's by Adam Smith. In his writings, the famous economist discusses making the customer the focus of a business. Reintroduced in the modern era in the 1950's, the marketing concept has become the philosophical foundation of marketing academics and practitioners alike.

The new evolution of the marketing concept can be also traced back through the work of Peter Drucker (1954), McKitterick (1957), Kotler (1976), Felton (1959), Kiith (1960). The marketing concept, basically is, a philosophy of business entity which places customers as a focal point of the firm's operations. This can be done manually, physically or electronically, viz e-commerce, e-business, e-marketing, etc. The marketing concept defines a distinct organizational behaviour, culture and so on (Deshpande and Webster, 1989). This puts the customer at the centre of gravity of business, thinking always on strategic and operational avenues for business success. Therefore, marketing should mean more than mere selling or advertising because it includes the creation and delivery of standard products in life, (Gordon Oliver, 1980). Marketing is both a set of activities performed by organizations and social processes for the consumption by the society or group of selective individuals.

According to Drucker (1954), Keith (1960) and Levitt (1960) the proponents of the marketing concept have long argued that creating a satisfied customer should be the primary objective of business.

MARKETINGORIENTATION

In very brief meaning, marketing orientation can be also described as implementation of marketing concepts Wren, (1997). That which is concerned with how the organization thinks about its products, its customers is referred to as a marketing concept. Marketing orientation is basically concerned with the understanding and undertaking of those activities necessary to implement the marketing concept – Wren (1997). Market orientation is the organization's wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments and organization-wide responsiveness to it (Kohli and Jaworski 1990).

Marketing orientation is an aspect of organizational culture that is believed to have far-reaching effects on the firm's prformance. According to Deshpande and Webster (1989) the most relevant aspect of organizational culture from a marketing point of view is the marketing concept which is obviously includes fundamentally shared set of beliefs and values that put the customer in the center of the firm's thinking about strategy and operations.

Having gone through different fields of interviews to marketing and non marketing managers in industrial, customer and service industries at small and large organizations Kohli and Jaworski (1990) and Narver and Slater (1990) developed a measure of market orientation. This scale was later adopted by the US and used as a further improved version for measuring market orientation in Central Europe. In their study, they concluded that marketing orientation consists of mainly three (3) behavioural components. These are: *customer orientation, competitor orientation and inter-functional coordination, which includes long-term profit focus.*

Customer orientation involves understanding target, buyers now and in future in order to create superior value for customer, understanding the economic and political constraints in the channel. Competitor orientation involves acquiring information on existing and potential competitors and understanding the short term strengths and weaknesses and long term capabilities of both the key current and potential competitors. Inter-functional coordination, on the other hand, is the coordinated utilization of company resources in creating superior value for target customers.

Customer orientation plays a big role in creating profitability in any given firm if effectively utilized. Liu (1995) added innovation and competitor reference as other important elements in addition to what Kohli and Jaworshi (1990) and Narver and Slater (1990) had proposed. Fritz (1996) conducted research in Germany titled *'the production/cost orientation and the employee orientation* and concluded that thet are at least equally or more important dimensions of corporate management. All in all, with different researches being conducted, it is generally acceptable that customer orientation is pivotal for any firm success.

Competitor orientation, integration of effort and long term profits are the core aspects suggested by Chang and Chen, (1998); Caruna *et. al.* (1998). According to Kohli and Jaworski (1990), market orientation as a concept has three operationalized broad business activities namely: *intelligence generation, intelligence dissemination and responsiveness.* Stemming from that fact, the following widely-accepted definition can be developed to the effect that marketing orientation is the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments and organization-wide responsiveness to it.

MARKET ORIENTATION, MEASUREMENT AND BUSINESS PERFORMANCE

There has not been any new measure developed other than that developed by Kohli and Jaworski (1990) and Nawer and Slater (1990). Ruekert (1992) developed a measure of market orientation but was similar to the others developed by the former "gurus." Ruekert (1992) cites Shapiro (1988) who argues that market driven-organisation possesses three critical characters which ensure that *information on all important buying influences permeates every corporate function; strategic and tactical decisions are made inter-functionally and interdivisionally; divisions and functions make well coordinated decisions and execute them with a sense of commitment.* Market orientation results in actions by individuals towards the market they serve. These actions should be guided by information obtained in the market place. Definitely these actions cut across functional and organisation boundaries within the division. Ruekert (1992) then came up with the following definition for market orientation: *the degree to which the business unit obtains and uses information from customers, develops a strategy which will meet customer needs and implements that strategy by being responsive to customer needs and wants.*

It is evident that all three conceptualization of market orientation are concerned with behavior. The respective measures are fairly similar in that they focus on obtaining and disseminating information on customer/competitors, needs in order to attain a competitive advantage. The respective measures always focus at the customer, and acknowledge the importance of a competitor orientation as being a dimension of the market orientation construct.

Given the importance of measuring market orientation for theory testing, and the choice of measure MARKOR which was developed by Kohli et al (1993) was used to evaluate the market orientation. The reasons for using this instrument are first, it was used by some other authors to evaluate market orientation before; and Kohli *et. al.* (1993) reported in their study, results of two single informant samples and reliability alpha of between 0.89 to 0.96 for market orientation and between 0.71 and 0.82 for intelligence generation, intelligence dissemination and responsiveness respectively. According to Kohli *et. al.* (1993) the evidence for the scales convergent, discriminate and homological validity is also provided. In summary the scale is valid and reliable instrument to evaluate market orientation. Cadogan and Diamantopoulos (1995) reviewed the MRTOR and MARKOR measures of market orientation and argue that both measures share a similar homological network. They however stated that the two conceptualizations of market orientation capture unique elements of the domain of the construct. Furthermore, they stated that though the degree of overlap with respect to the measurement scale is high, there are some differences worth noting. MARKOR relate to specific activities concerned with intelligence generation, dissemination, and responsiveness. Therefore MARKOR scales contain items that relate to both behavioural activities and attitudinal components. MKTOR is the first empirical measure of market orientation, post-1989 developed by Narver and Slater (1990). This was originally conceptualized as one dimension construct, comprising three behavioural components namely: *customer orientation, competitor orientation, and interfunctional coordination*. Secondly, is the long term focus and profit objective. However, the measures of the two decision criteria exhibited very low level of Cronbach Alpha leading to subsequently deleting these sub-constructs

According to Narver and Slater (1990: 33) future studies should be done to address the issue by developing better measures of the two decision criteria. Something very interesting to note here is that the originator of the study, i.e. Narver and Slater have neglected to do further studies in their several follow-up studies preferring the three behavioural components of market orientation in 1991, 1993, 1994 and 2000 and they call for other scholars to carry further studies on this. May be there is some logic: to allow others prove wrong or right their studies or others to bring input to the study or more capable researchers to come up with new innovations on the measures not covered by them.

While we are still on this, let us, briefly look into other people's work. The marketing orientation measure developed by Kohli, Jaworisk, and Kumar (1993), which was referred to as MARKOR and taken as one dimensional construct with three behavioural components which are *intelligence generation, intelligence dissemination, and responsiveness*. Although these scholars started with 32-item measure in 1993, they were refined to a 20-item measure. However this final measure is subject to criticism on several grounds such as collapsing the factors of intelligence dissemination and responsiveness into a single factor. In 1998, Farsell and Oczkowski dwelted further into this phenomenon which is worth reading for enriching the discussions. However anything which is good, also has its demerits. As a measure MARKOR, on the other hand, had relatively poor psychometric properties. It is argued that their final model had goodness of fit indices well below the accepted cut-off scores.

In an attempt to improve upon existing measures of market orientation, Deng and Dart (1994) reviewed the literature, concluding that market orientation is comprised of the following sub-constructs: customer orientation; competitor orientation, interfunctional coordination and profit orientation. Similar to their counterparts, they developed 44 items drawn from the literature and previously published articles. However they were reduced to 33 items after pretests whose validity was assessed with simple correlation analysis. According to Mark Farrel (2002), besides criticism to the approach of measure for market orientation Deng and Dart (1994) concluded and argued that market orientation scales contributed to the literature in the following ways:

i) It is a four component construct,
ii) It is relatively concise,
iii) Encompasses a more comprehensive variable set that previous scales. The scales can also be criticized on the following grounds:
   a) The inclusion of the profit orientation items. There is a general consensus that the

literature that a profit orientation is a consequence of a market orientation and not a part of a market orientation.

b) The scale is primarily a derivative of the MKTOR scale, with the addition of several extra items. Similar to the previous studies, the resulting 33 item scale is also cumbersome and would be time-consuming for respondents to complete if part of a study containing several other variables.

Let us at this juncture look more closer at other attempts by different scholars on the measure of market orientation. Pelham (1997) developed a measure of market orientation that was derived from items in the measures constructed by Narver and Slater (1990) and Jaworski and Kohli (1993). This measure had a total of 9 items of which 8 were products drawn from the Narver and Slater measure. The reason for drawing from this sample was because of the superiority of their items and dimensions as compared to Jasorski and Kohli items and dimensions as far as discriminate validity is concerned. According to Pelham items developed by Jaworski and Kohli (1993) did not have favourable psychometric properties.

On the other hand, Lado, Olivares and Rivera (1998) attempted to develop an alternative measure of market orientation. They define market orientation as the extent to which firms use information about their stakeholders to coordinate and implement strategic actions. Further, they state that market orientation consists of 9 components based upon the 4 market participants which are *final customers, distributors, competitors and environment*. Again these are based on two major stages of the market orientation process namely: *analysis and strategic actions*, plus a component that is referred to as *inter-functional coordination*. In their analysis which, was a firm theoretical base unlike the others that were simply collection of items from alternative measure, the final result was 36 item scale. They achieved strong support for its structural validity, using covariance structure analysis focusing on behaviours, activities and not measuring cultural issues. It is worth noting here that Deng and Dart (1994) scale, a 36-item scale is also cumbersome to apply in large studies.

Another attempt is that by Gray *et. al*. (1998). They believed that existing measures are poor thus they had to carry an extended study of their predecessors and validate what appears to be promising measures and be able to develop managerially useful and parsimonious scale for measuring market orientation. In their study, which utilized the 3 documents of their predecessors had a total of 4 items chosen using Cronbach Alpha scores from the original studies. The focus also resulted into 20 items, which were grouped into five dimensional model of market orientation as follows: *customer orientation, competitor orientation, inter-functional coordination, responsiveness and profit emphasis*. This was almost similar to other contributors in marketing.

Despite the claims that the authors have developed a better measure of market orientation, there are reservations and limitations that need to be looked into, namely:

1) *The little theoretical advance that has been made*. This means random grouping together items from alternative scales do not make a sense, clear delimeating the domain of the market orientation construct as in Lado Olivares and Rivera (1998) study would have brought a great sense. There are also reservations as to why these authors developed empirical methods alone and the reasons for ignoring the market orientation measures developed by Ruekert (1992) becomes unclear.
2) The author did not take into account the problem of order effects in completing the questionnaire. The order effects may be encountered when respondents become fatigued answering similar items from different

measures. The researcher has to overcome this by provision of alternative order measures in the questionnaires. At this juncture it should be remembered that inclusion of the 4 items measuring a profit emphasis is also a problem since profit is outcome of market orientation.

Before we conclude it is worth looking at Deshpande's and Farley's (1998) views on the 3 measures of market orientation. It is an absolute true that the measure developed by Deshpande *et. al.* (1993) measures customer orientation and not broader construct of market orientation. They all appear interchangeable and that substantive conclusions can reached with each apply generally to the others. Therefore they set out to develop a more parsimonious scale, by factor analyzing the items of all three scales together. This resulted in a 10 items scale, that they name MORTN. As usual this measure is criticized by Narver and Slater (1998) on account of being a too narrow conceptualization. The measure is primarily composed of items which focus on the customer, ignoring critical behaviours for creating superior value for customers such as a business being clear to its value discipline and value proposition, a business leading its targeted customers by discovering and satisfying their latent needs and not merely responding to their expressed needs, a business seeing and managing itself as a service business and finally a business managing its targeted customer as customers for life.

CONCLUSION

The result of this study lead to several conclusions with respect to business performance. Significant progress has been made over the years with respect market orientation as a general topic and specifically service market orientation and business performance. It is argued that market orientation has a strong effect on performance irrespective of the degree of environmental uncertainty faced by business firms. The relationship between market orientation and performance is much more stronger for business firms in high uncertainity environments; therefore the business entities should work harder to ensure that their market orientation is maintained at high levels. Service provideing which are in high uncertainity environments appears to be focusing more on the responsiveness to competitors dimension of market orientation than on the other three dimensions. While this seems to make a lot of sense intuitively, it might be worthwhile examining why service providers organizations do not emphasize the other dimensions of market orientation. It can be said that, there is lack of research that maps how a particulars strategy, can influence the performance. This not withstanding, firms ought to have established an aggressive atmosphere that will enable them establish appropriate measures for business performance. As we saw, limitations are there and they ought to be overcome, the author suggests future studies to go on and may at times eliminate these limitations one after another. In other words, some further studies need to be carried out as the relationship between market orientation and performance of service industry is still questionable. It is recommended that the above measures e.g. MARKOR, MKTOR and the like be applied in different countries and regions in order to see their flexibility and applicability or acceptability in service industries. It is noted in the study that operationalized definition of market may be a limiting factor especially when taking into account the characteristics of service industry which are tangibility, inseparability, variability, perishability and the like, this also calls for further research. Finally, all factors even if not mentioned in this paper but have impact either positive or negative on the performance of service industry needs further research on all avenues e.g. quality, quality assurance, output, etc.

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