Surveying the Effect of Market Orientation on Developing Competitive Strength (Evidence from Iran)

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Abstract
Nowadays identifying market, market intensity and relation with customers are the most important factors for organizations’ success. Market orientation is a new concept in marketing literature which has been attended by different researchers in recent years. The purpose of writing the current research is to survey the influence of market orientation on gaining competitive advantage in Pasargad insurance Company. The research which is applicable from goal view and descriptive from data collection, for data collection a questionnaire in two separated parts was utilized. Also data gathering method is library and fieldwork. For measuring market orientation, three main dimensions include customer orientation, rival orientation and inter functional coordination were applied. Statistical society includes 597 employees of Pasargad Insurance Company in Tehran and Karaj which decreased into 234 one applying sampling formula. Sampling strategy is branch random. The results of applying Spearman and Friedman tests illustrated that market orientation and its dimensions affect significantly on competitive strength. Meanwhile rival orientation was selected as the most important one. Finally the results of utilizing Binomial test showed that all variables apart from customer orientation were placed in favorable levels.

Keywords: market orientation, include customer orientation, rival orientation and inter functional coordination, competitive strength

Introduction
The survey results in the literature provide evidence for the basic propositions that market orientation influences firm innovativeness and firm performance. Within marketing, there has been great interest in market orientation as an intangible factor that has an effect on organizational performance (Homburg et al., 2003). Market orientation is the business culture that produces performance by creating superior value to customers (Slater and Narver, 2000). Organizations must constantly innovate in every aspect of their business operations in order to compete and survive in the competitive market place. Kohli and Jaworski (1990) provided a useful interpretation of the marketing concept and a market orientation from a behavioral process (Matsuno et al., 2003) and they defined market orientation as the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of intelligence across departments and organization-wide responsiveness to it. Slater and Narver (2000) focuses the values and beliefs market orientation approach encourages 1) continuous cross functional learning about customers’ expressed and latent needs and about competitors’ capabilities and strategies, 2) cross-functionally coordinated action to create and exploit the learning. The culture including such values and beliefs results in collection and use of market information, development of market-oriented strategy and implementation of market-oriented strategy (Gima, 1995). Narver and Slater see organizational culture as a driver of behavior and only when the culture is defined with commitment to superior value for customers market oriented behaviors manifest themselves in an organization (Matsuno et al, 2003). The origin of market orientation can be traced to one of the orientations that a company may have towards its target market popularly known as the marketing concept. This concept has been a cornerstone of the marketing discipline right from the time Peter Drucker described marketing as the whole business seen from the point of view of its final result, that is, from the customer's point of view (Drucker, 1954). By stating that firms that are more market oriented will be more successful in their markets, the marketing concept has appealed to generations of managers and has been one of marketing's most influential ideas.
However, its apparent importance notwithstanding, the systematic investigation of market orientation as a construct and its impact on businesses is relatively recent phenomenon. To date, majority of empirical studies have focused on the link between performance and market orientation (Narver & Slater 1990, Jaworski & Kohli 1993, Greenley 1995, Harris 2001).

**Literature review**

Market orientation has been characterized as a culture of the organization that requires customer satisfaction be put at the center of business operations (Liu et al, 2002) and therefore produces superior value for customers and outstanding performance for the firm (Day, 1994; Narver and Slater, 1990). Customer needs and expectations evolve over time and delivering consistently high quality products and services and responsiveness to changing marketplace needs become important for the success of firms (Jaworski and Kohli, 1993). Responsiveness to changing market needs often calls for the introduction of new products and services together with innovation capacity for a firm. Market orientation has also been described as the implementation of marketing activities designed to satisfy customer needs better than competitors are able to satisfy customer needs (Martin and Grbac, 2003). While there is some variability in conceptualizations of market orientation, it typically focuses on three components; 1) customer focus, 2) competitor focus and 3) inter-functional coordination (Celuch et al., 2002). All conceptualizations have an operational focus on information gathering, information dissemination and the ability to behaviorally respond to what is received (Baker and Sinkula, 1999). Kohli and Jaworski (1990) define market orientation in terms of three dimensions; 1) The generation of market information about needs of customers and external environmental factors, 2) The dissemination of such information among organizational functions and 3) The development and implementation of strategies in response to the information. These elements include continuous and systematic information gathering regarding customers and competitors, cross-functional sharing of information and coordination of activities, and responsiveness to changing market needs (Martin and Grbac, 2003). The organization-wide context of market orientation illustrates the significance of adopting a proactive attitude to doing business and developing a competitive edge (Liu et al, 2002) and is conceptually different from organizational proflency in performing marketing related activities (Gima, 1995). Kohli & Jaworski (1990) define market orientation as 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. In the same vein Ruekert (1992) defines market orientation as 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 customers’ needs and wants. Market orientation helps organizations in developing a customer driven work culture and in providing customers with the products and services they need and desire. According to Deshpande, Rohit, & John U. Farley (1998), market orientation is the situation in which customer’s interests are the first and foremost priority for the organization. Liyun, Keyi, Xiaoshu & Fangfang (2008) considers market orientation as a process which helps construct relationships and communicate knowledge with customers in order to improve customer satisfaction, customer loyalty and increase the value of the organization. Similarly, in their study, Narver & Slater (1990) produced three components of market orientation as customer, competitor and departmental coordination. It is equally important to note that market orientation is not a competency and obligation of only a particular department, but all within the organization must contribute to building a fully market oriented organization. There is a need for coordination among all the departments within the organization. Hurley, R. F. & Hult, G. T. M. (1998). Innovation, market orientation, and organizational learning: An integration and empirical examination. *Journal of Marketing, 62*, 42–54. Hooley, G., Fahy, J., Greenley, G., Beracs, J., Fonfara, K., & Snoj, B. (2003). Market orientation in the service sector of the transition economies of central Europe. *European Journal of Marketing, 37*, (1/2), 86-106. Matsuno, K., Mentzer, J. T., & Ozsomer, A. (2002). The effects of entrepreneurial proclivity and market orientation on business performance. *Journal of Marketing, 66*, 18–32. A firm’s market orientation involves continuous monitoring of its customers, competitors, and market environments in order for the firm to develop and market the appropriate goods and services that are valued by its customers (Kohli & Jaworski, 1990; Narver & Slater, 1990). In the last decade, market orientation has become one of the major research streams not only in strategic marketing (Steinman, Dashpande, & Farley, 2000), but also in international business (Hurley & Hult, 1998). For example, Hooley
et al. (2003) found that service firms with higher levels of market orientation in transition economies (i.e., Hungary, Poland, and Slovenia) performed better on both financial and market-based criteria. Although researchers have established a positive linkage between market orientation and various performance measures: percentage of new product sales to total sales (Matsuno et al, 2002), success of new services or facilities (Kumar et al, 1998), many empirical findings on the relationship between market orientation and performance are conflicting in nature (Jaworski & Kohli, 1993; Kohli & Jaworski, 1990; Narver et al, 1999; Narver & Slater, 1990; Pelham, 2000; Pelham & Wilson, 1996; Slater & Narver, 1994). Hence, scholars have expressed a need for examining the underlying factors influencing the relationship between market orientation and performance (Noble et al, 2002).

**Conceptual framework and hypotheses**

The figure below shows the influence of market orientation on competitive strength development. In the model, market orientation and its dimensions contain customer-orientation, competitor-orientation and inter functional coordination are independent variables and competitive strength is dependent one.

![Conceptual Framework](image)

Market orientation affects significantly on competitive strength.
1. Customer orientation affects significantly on competitive strength.
2. Competitor orientation affects significantly on competitive strength.
3. Inter functional coordination affects significantly on competitive strength.

**Research Methodology**

The study was done in a society involving 2521 employees of Pasargad insurance in Tehran and Karaj/ Iran. Whereas this number seems to be too much, the sampling was done through an integral counting method.

\[
n = \frac{NZ^2 \cdot \frac{pq}{(N-1)e^2 + Z^2 \cdot \frac{pq}{2}}}{}
\]

So the sample is 234 employees. Also the sampling strategy is branch random.

Current study can be considered as a descriptive survey if to view from data collection aspect and as an applied research if to investigate the goals of the study. To collect the data library method (to refer to books, articles, libraries, etc...) and fieldworks (questionnaire) was being used. For gathering data, a questionnaire in two parts was designed with 43 questions with 5 point likert scale. To analyze the data SPSS 19 and Spearman, Friedman and binomial tests and Entropy technique were utilized. The management experts were being asked to evaluate the validity of questionnaires. For this mean, the questionnaires were given to some professors and experts in management, and after their modifications were being applied and they confirmed it, the questionnaires were given to the participants. To determine the questionnaires' reliability, the 'Cronbach Alpha technique’ was applied. For this purpose, 30 people were chosen by random (from the statistical samples) and the questionnaires were given to them. The 'Cronbach Alpha’ values for all variables were calculated:
Table 1: the results of reliability

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market orientation</td>
<td>0.844</td>
</tr>
<tr>
<td>Competitive strength</td>
<td>0.819</td>
</tr>
</tbody>
</table>

These values support the reliability of questionnaires, because the calculated results for Cronbach's alpha are more than (0.7).

Data Analysis

Kolmogorov-Smirnov test

The test was applied to survey normality of statistical society.

Table 2: the results of applying Kolmogorov-Smirnov test

<table>
<thead>
<tr>
<th>Variables</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market orientation</td>
<td>0.000</td>
</tr>
<tr>
<td>Competitive strength</td>
<td>0.000</td>
</tr>
</tbody>
</table>

As table 2 illustrates that normality of normality of statistical society was rejected, so some non-parametric tests were applied.

Spearman test

To investigate the relationship between market orientation and its indices with Competitive strength, this test was used. The results are shown in table 3:

Table 3: the results of using Spearman test

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Spearman statistics</th>
<th>Sig</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market orientation</td>
<td>0.000</td>
<td>0.733</td>
<td>Significant</td>
</tr>
<tr>
<td>customer orientation</td>
<td>0.000</td>
<td>0.688</td>
<td>Significant</td>
</tr>
<tr>
<td>competitor orientation</td>
<td>0.000</td>
<td>0.757</td>
<td>Significant</td>
</tr>
<tr>
<td>inter functional coordination</td>
<td>0.000</td>
<td>0.628</td>
<td>Significant</td>
</tr>
</tbody>
</table>

As table 3 shows, there are positive and significant correlation between market orientation and its dimensions with Competitive strength (sig<0.05).

Friedman test

To survey the influence of market orientation and its dimensions on competitive strength, Friedman test was applied. The results are presented in table 4:

Table 4: results of using Friedman test

<table>
<thead>
<tr>
<th>Path</th>
<th>Standard error</th>
<th>Sig</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market orientation</td>
<td>0.05</td>
<td>0.000</td>
<td>Significant influence</td>
</tr>
<tr>
<td>customer orientation</td>
<td>0.05</td>
<td>0.000</td>
<td>Significant influence</td>
</tr>
<tr>
<td>competitor orientation</td>
<td>0.05</td>
<td>0.000</td>
<td>Significant influence</td>
</tr>
<tr>
<td>inter functional coordination</td>
<td>0.05</td>
<td>0.000</td>
<td>Significant influence</td>
</tr>
</tbody>
</table>

As table 4 shows market orientation and its remained dimensions affect significantly on competitive strength.

Entropy technique

The technique was applied to prioritize market orientation dimensions.
Table 5: The results of applying Entropy technique

<table>
<thead>
<tr>
<th>3. Dimensions</th>
<th>2. Weight</th>
<th>1. Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>customer orientation</td>
<td>5. 0.28</td>
<td>4. 3</td>
</tr>
<tr>
<td>competitor orientation</td>
<td>7. 0.38</td>
<td>6. 2</td>
</tr>
<tr>
<td>inter functional coordination</td>
<td>9. 0.34</td>
<td>8. 1</td>
</tr>
</tbody>
</table>

Table 5 illustrates that “competitor orientation” and “inter functional coordination” are the most important dimensions.

Binomial test

Binomial test has been applied to measure the “Competitive strength”, “market orientation” and its dimensions in statistical society. The results are shown in table 6:

Table 6: The results of applying Binomial test

<table>
<thead>
<tr>
<th>Variables</th>
<th>observed prop</th>
<th>Test prop</th>
<th>Sig</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market orientation</td>
<td>0.56</td>
<td>0.5</td>
<td>0.000</td>
<td>Favorable level</td>
</tr>
<tr>
<td>customer orientation</td>
<td>0.47</td>
<td></td>
<td>0.000</td>
<td>Unfavorable level</td>
</tr>
<tr>
<td>competitor orientation</td>
<td>0.66</td>
<td></td>
<td>0.000</td>
<td>Favorable level</td>
</tr>
<tr>
<td>inter functional coordination</td>
<td>0.62</td>
<td></td>
<td>0.029</td>
<td>Favorable level</td>
</tr>
<tr>
<td>Competitive strength</td>
<td>0.52</td>
<td></td>
<td>0.000</td>
<td>Favorable level</td>
</tr>
</tbody>
</table>

As table 6 shows all variables except “customer orientation” were placed in high levels.

Conclusion and suggestions

The study was done in a sample include 234 employees of Pasargad insurance company in Iran. The results indicate that market orientation and its dimensions affect significantly on competitive strength development. Customer orientation is the most important one as Entropy technique proved. Finally it found that all dimensions except “customer orientation” were placed in favorable levels.

Considering the results, managers are advised to:
- Ranking importance of each department
- Formulating strategies by cooperating all departments’ managers and utilizing their ideas
- Distributing the information all around the organization
- Innovation in service presentation (e-insurance, international insurance and etc)
- Formulating short and long term planning to overtake rivals
- Market penetration and identifying new markets
References