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Research Article

The Nexus between Market Orientation and Organizational Performance

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ABSTRACT
Current study is conducted to measure the impact of market orientation on banking performance. Organizational performance is as dependent variable which is measured with non-financial performance. Whereas, the study has taken market orientation as independent variable and is measured by (Intelligence generation, Intelligence dissemination and responsiveness to intelligence. The study results showed that intelligence generation has positive impact (t= 4.351/ p value=.000) on organizational performance. This study results also showed that intelligence dissemination has positive impact (t=3.423/ p value =.001) on organizational performance. This study also showed that responsiveness to intelligence has positive impact (t=6.124/ p value =.000) on organizational performance based upon primary data. Multiple regression has been used to check the impact of independent variables on dependent variable. While correlation has been used to check the relationship between variables.

KEYWORDS: Market Orientation, Intelligence generation, Intelligence dissemination and responsiveness to intelligence, organizational Performance and organizational Commitment

1. INTRODUCTION.

Rapidly changing business environment, concept of market orientation has received greater attention than ever before. In Market orientation the information about the market is collected and then disseminated in the organization and then organization react on the basis of that information Kohli and Jaworski (1990). If market orientation is high then performance of the business will also increase Jaworski and Kohli (1993). Traditional marketing, many companies applying their marketing strategies using traditional ways like advertisements, television commercials, sampling the different products free of cost to customers and so on. In the past decade, market orientation concept got huge popularity in marketing management literature.

In this study, banking sector of District Vehari examined and the impact of market orientation on organizational performance. In the previous decade banking sector is increased its branches in District Vehari and expand its business to a great extent.

1.1 Market Orientation concept:

Market orientation can be explained as a form of organizational civilization in which personnel of the whole organization are more devoted to constantly produce better worth as a series of different marketing activities in order to get better business performance. From the previous many years of research on market orientation it has been concluded that the companies that have more market oriented perform better than those organizations which are less market oriented. These successful firms mainly center of attention on adapting their goods and services according to the needs and wants of their customers, instead of item for consumption slanting business which focus on increasing a good or service to be marketed and then finally sold Gronroos (2006). To achieve such type of customer focus an organization with a high capability of market orientation, produce a sequence of common ethics and thinking regarding to bring the consumer initial in their business strategies and planning and try to get results like a superior viable improvement, lesser costs and superior income Deshpande&Farley (1999).

Hence, this unique idea is linked with matched business intelligence generation, intelligence dissemination and responsiveness to market information for more reliable and efficient promotion executive decisions Kohli (1990). Basically the reason of market orientation is to gather market information in details like customer preferences customer needs customer requirements etc. and all that information is disseminated throughout the organization and after dissemination of information an organization wide response is occur in which goods and services are provided to market according to the requirements of market or customers. By this way an organization can become a good brand and receive goodwill of public and as a result can achieve superior competitive advantage and above average profits than its competitors.

Marketing researchers such as Kohli and Jaworski (1990), Narver and Slater (1990), Ruekert (1992) has argued that market orientation has derived its concept from origins of market concept, also known as marketing concept. Theory of market orientation has been widely accepted by the scholars all over the world and accepted as an implementation of marketing concept or accepted as an organizational culture.Numerous studies on market orientation proved that market orientation has constructive power on customer loyalty, customer satisfaction, employee satisfaction and cooperation and on organizational performance as well Deshpande (1993).

The concept of market orientation has got popularity and dominated in previous decades in marketing theory and practice. The construct of market orientation could be seen as a behavioral Krica&William(2005) or from a cultural perspective Homburg, (2000) or it can also be seen as culture with in the firm Deshpande and Webster (1989).

Despite the significance of these issues, in this study it has been examined that how much impact market orientation has on organizational performance of banking sector of District Vehari.

The main literature of market orientation has been based upon two core publications of Kohli and Jaworski (1990) and Narver and Slater (1990). Both of these publications have been published in the Journal of marketing. These publications elaborate the studies on market orientation construct. These publications are still considered as a revolutionary publications by the researchers and practitioners of marketing.

It is evident that market orientation is a interesting phenomenon among researchers, practitioners, academics and in the disciplines of strategic management in the past few years.It is very necessary to consider the work of Shapiro (1988) on the market orientation literature. He was one of the pioneers of market orientation concept and described three factors of market orientation.

- Information relates to corporate function

- Interdivisional strategic and inter-functional and tactical decisions
- Implementation of well-coordinated decisions

On the contrary, Kohli and Jaworski (1990) argued that the basic mechanism working behind the phenomena of marketing is market orientation. One important thing to note is this, that majority of research studies in market orientation has been conducted in developed countries like England, European Union, United States of America and Australia but no studies conducted in under developed countries like sub-continent Africa and middle east and especially the countries like Pakistan and india which are a emerging markets.

1.2 Research Problem:

Banking sector is rapidly increasing day by day and competition among banks also reaching to new heights. Banks cannot survive in this era of strict competition and rapidly changing business and technological environment without adopting a market oriented approach. Banks can increase their market share through better market oriented approach. But the question is how much impact of market orientation on organizational performance of banks in District Vehari.

1.3 Research Questions:

1-Is there a relationship between market orientation and organizational performance.

2-Does market orientation has impact on organizational performance.

1.4 Objectives:

1-To examine the relationship between Market Orientation and Organizational Performance.

2-To investigate the impact of intelligence generation on organizational performance

3- To examine the impact of Intelligence dissemination on organizational performance.

4-To examine the impact of Responsiveness on organizational performance.

2 |LITERATURE REVIEW

For conceptualization, measurement and exploration of the link between market orientation and organizational performance, researchers and academics have attempted several contributions in the last two decades Jaworski and Kohli (1993); Narver and Slater (1990); Deshpande and Webster (1989); Shapiro (1988). In addition, the evaluation of market orientation literature provides a variety of measurement instruments.

In the era of 1990s several researchers established measures of market orientation Narver and Slater (1990); Jaworski and Kohli, (1993); Deshpande, Farley, and Webster, (1992); and Deng and Dart, (1994). The significance of these measures can be known by the way that a wide range of scholars, researchers and academics acknowledged that measures widely, and hence research venue for this topic has been broadened at that time.

A 15 item factor weighted scale named as MKTOR was developed by Narver and Slater (1990). It was a seven point liker type scale for measuring market orientation. Basically it's a one dimensional scale but was divided in three sub constructs named as six items of customer orientation, four items of competitor orientation and five items of inter-functional coordination. MKTOR was tested with 371 self-conducted questionnaires including top managers of 140 small business units relating to a single organization. There results has been published in the Journal of marketing

(1990) and it established various constructive and considerable outcomes both for product businesses and non-manufactured goods businesses.

But later on many scholars criticized that scale on many grounds. For instance Kohli*et al* (1993) also criticized MKTOR scale on the following grounds,

- It put into practice a focused sight of market by pressurizing consumers and rivalries as mixing with a sight that focused on these two stakeholders and additional feature that compel consumer prerequisite and wants. (regulations , knowledge)
- It not tells about the rate at which information of the markets will be produced and distribution of that information is also not clear.
- In addition it consists of many items which not tells us about special operations that can indicate market orientation.

Therefore, Kohli*et al* (1993) started to to develop a new scale of market orientation. In addition they analyze its characteristic based on the conceptualization and data collected in the previous studies. Finally they developed a scale named as MARKOR which was published in the Journal of marketing research (1993). That scale was of 32 items but later on reduced to 20 items during development.

As of Narver and slater (1990) measure it was also comprised of three sub constructs named as intelligence generation, intelligence dissemination and responsiveness to intelligence. They developed this measure by getting data from higher advertising and non-promotional administrative of 222 small trade units.

Despite of the fact that MARKOR was widely acknowledged by the academics and marketing practitioners Pelham (1997) contend that this measurement "does not ensured company wise consideration of consumers and organization wide orientation behaviors. He further argue that a more perfect operationalization of market orientation should include measures relates to customer conception and how different organizations suggest absolute worth to customers as an alternative of just calculating information compilation and broadcasting.

In addition later studies suggests that both MKTOR and MARKOR scales needs some adjustments because they cannot be employed in their original state.

Furthermore, attempts to differentiate and include a small number of the market directions scales has been made. For instance Deshpande and Farley (1996) blend MARKOR and MKTOR scales and developed a new scale named as MORTN which is a ten item scale for market orientation. It's a five item likert rating scale and have more reasonable importance of market orientation. For instance, the set of cross functional procedures and actions aimed at for building and convincing consumers via constant wants estimation. But the more interesting thing of this measure was its total focus on customer orientation.

With the intention of improving the existing measures Deng and Dart (1994) developed a new market orientation scale by considering the foundations of Kohli and Jaworski (1990) and Narver and Slater (1990). They contend that the market orientation has four constructs named as consumer direction, rivalry direction, inter functional management and profit direction. Initial measure was of 44 items but later it was reduced to 33 items. Deng and Dart (1994) contended that their scale is briefer and includes more complete variable sets than previous scales. However demerits of this scale is as follows,

- It was mostly taken from MKTOR and its time costly for respondents to complete it and hence 33 items range is not convenient.
- It includes profit orientation items but literature suggests that income direction is a result of market orientation and cannot be included in it.

2.1 Market Orientation and organizational performance:

The idea that market orientation has influence on organizational success is an issue of broad examination. Past research showed some negative or non-considerable relationships between market orientation and organizational performance but majority of findings indicates positive relationships Deshpande and Fareley (1998); Narver and Slater (1994). The nature and scope of market orientation and its impacts on organizational performance has been the subject of many scholars and practitioner's debate and it is becoming a more popular research topic Kirca*et al.* (2005) This notion of market orientation has been supported by the famous theorists Narver and Slater (1995) who argued that market orientation make possible the firm to be more focused by continuously gathering information about its competitor's abilities and target customers requirements strength and strategies and to utilize that information in a way to build greater worth.When doing a research if a study uses judgmental measures for example employee satisfaction, customer satisfaction or service quality are important requirements for objective performance measures Day and Wensley (1988). An organization with a powerful market orientation will recognize personnel with great job satisfaction and organizational commitment than those companies with low degree of market orientation Kohli and Jaworski (1990).

Jaworski and Kohli, (1993) has been used a sample of 222 units of business having 230 managers from US organizations across industries to see the impact of market orientation by way of using MARKOR measurement scale evolve around market collection of data, distribution of data and the reactions on data. They measured the performance as complete success of business units and previous performance related to competitions. The results of the study indicated positive relationship for subjective performance measures but not show positive relations with the market share of business units. Kara *et al* (2005) stated in his study that revealed it is optimistic and significant relationship between market orientation and performance in the study of small and medium size service providers by way of using MARKOR scale of 1990 developed by Kohli and Jaworski (1990).

3 | RESEARCH METHODS

It is evident from the literature that market orientation and organizational performance is significantly correlated. But some researchers disagreed about different practices under the cover of market orientation. Different authors has different views on market orientation. Kohli and Jaworski (1993) has used intelligence generation, intelligence dissemination and responsiveness to intelligence for measuring market orientation whereas Narver and Slater (1990) has different perspectives and measure market orientation with focus on customer orientation, competitor orientation and inter functional coordination. However, both approaches are widely acceptable but Kohli and Jaworski (1993) approach is much popular among researchers.

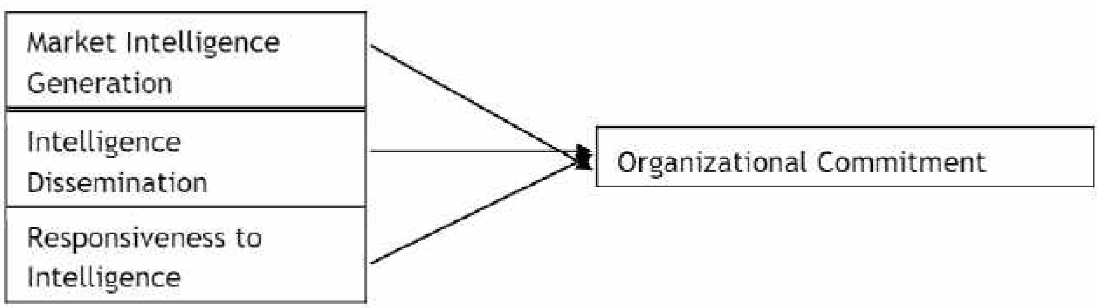
Different researchers used different market orientation techniques to find market orientation and organizational performance relationships. According to Kohli and Jaworski (1993) market orientation concerned with gathering the market intelligence generation from the target market and then then intelligence dissemination of that data to the organization wide employees and then it is concerned with responsiveness to intelligence in a effective manner so that organization can better understand about customers' needs and wants and either customers wants any new features in the company products or the customers wants more customized products from the company. In short it's all about gathering data from customers about products and then this data disseminated and discussed throughout the organization and after that company can respond it according to the market requirements.

Whereas, Narver and Slater (1990) view is consumer direction, rival view point and bringing together the institutes. It means they focused more on rival view point and on departments' managerial aspect.

In addition some new scholars recently suggest that in order to measure market orientation researchers should combined these two approaches which could be more reliable and effective.

Theoretical Framework:

Market Orientation:



Organizational Performance

Market orientation and organizational performance has positive relationship in many past studies. This study is calculated company success with non-financial performance i.e. organizational commitment

Market orientation can help managers and the organizations to improve their performance and quality to retain their customers and to introduce new strategies for the sustainable competitive advantage in the entire market. Managers can make better strategies to overcome rapidly changing needs, wants and customer preferences in this dynamic business environment in a variety of ways.

Sample:

Banking sector has flourished vastly in big cities of Pakistan as well as in small cities. Different private local and government banks have opened its branches in District Vehari. Due to financial and time limitations, it was not possible to collect data from whole population, so, simple random sampling approach is used to draw a suitable and fairly representative sample. For the said purpose the banks has been divided into three categories i.e conventional (Allied Bank Ltd, Muslim Commercial Bank, Habib Bank, Askari Bank, United Bank, National Bank of Pakistan, Bank of Punjab, JS Bank), Islamic(Bank Islami, Meezan Bank, Bank Alfalah) and Microfinance banks(Khushhali Bank, First Microfinance Bank, Finca Bank, Barka Bank) located in district vehari. Data has been collected from the AVPs(Assistant Vice Presidents), BMs(Branch Managers), CO(Credit Officers), Cash Officers, CROs(Customer Relationship Officers), Operation Managers, Marketing Officers and Agricultural Finance Officers.

Independent Variable:

In this study our independent variable is market orientation. Market orientation can be explained as a type of managerial traditions in which personnel of whole the company are more dedicated to constantly produce higher worth as a series of different advertising actions in order to get better business performance. From the previous many years of research on market orientation it has been concluded that the companies that have more market oriented are execute higher than those organizations which are fewer market oriented. These successful firms mainly target on adjusting their goods and services according to the requirements and needs of their consumers and according to the expectations of their customers, instead of goods oriented business which target on increasing a good or service to be marketed and then optimistically sold Gronroos (2006).

Market orientation concept is linked with cooperated business information collection, information distribution and reactions to market information for more reliable and efficient advertising administration choice Kohli and Jaworski, (1990). The concept of market orientation has got popularity and dominated in previous decades in marketing theory and practice. Market orientation is measured in this study by adopting the scale developed by Kohli and Jaworski (1990).

Dependent Variable:

Dependent variable in our study is organizational performance. Organizational performance can be measured in a variety of ways. For instance it can be measured with sales growth, Return on investment(ROI), Return on equity (ROE), and net profit margins (NP). These all are financial measures but this study have used nonfinancial measures for measuring organizational performance i.e. organizational commitment.

The nature and scope of market orientation and its impacts on company success has been the subject of many scholars and practitioner's debate and it is becoming a more popular research topic Kirca*et al* (2005). Market orientation has been recognized to be a good predictor to respond to the requirements of markets and to make available a solid base for a maintainable rivalry benefit for the organization Hunt and Morgan (1996). This notion of market orientation has been supported by the famous theorists Narver and Slater (1995) who argued that market orientation make possible the firm to be more focused by continuously gathering information about its competitor's abilities and target customers requirements strength and strategies and to utilize that information in a way to make greater worth.

Hypothesis:

H1: *Market intelligence generation has impact on organizational performance*
H2: *Intelligence dissemination has impact on organizational performance*
H3: *Responsiveness to intelligence has impact on organizational performance*

4 | RESULTS

Table 1. **Descriptive Statistics:**

Table 1. Descriptive Statistics			
	Mean	Std. Deviation	N
Org Performance	3.6047	.35819	297
IG	13.0160	2.07135	297
ID	9.5499	1.51563	297
RT	9.4063	1.58360	297

Above table 4.6 shows means and standard deviation of variables in the study. It indicates that mean for organizational performance is 3.604 and standard deviation is 0.358. It also shows that mean for intelligence generation is 13.016 and standard deviation is 2.071. It also shows that mean for intelligence dissemination is 9.549 and standard deviation is 1.515. Finally it elaborates mean for responsiveness to intelligence is 9.406 and standard deviation is 1.583 and number of total entries for all variables is 297 in this study.

Correlations.

It shows that correlation between organizational performance and intelligence generation is 0.580 which is a moderate positive correlation. It also shows correlation between organizational performance and intelligence dissemination which is 0.489 which is a moderate positive correlation. In addition it shows correlation between organizational performance and responsiveness to intelligence which is 0.583 which is a moderate positive correlation.

Table 2. **Correlations**

		Org_Performance	IG	ID	RT
Pearson Correlation	Org_Performance	1.000			
	IG	.580	1.000		
	ID	.489	.580	1.000	
	RT	.583	.608	.442	1.000
Sig. (1-tailed)	Org_Performance				
	IG	.000			
	ID	.000	.000		
	RT	.000	.000	.000	.
N	Org_Performance	297			
	IG	297	297		
	ID	297	297	297	
	RT	297	297	297	297

Table 3. **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F Change	Sig. F Change
1	.665[a]	.443	.437	.26873	77.625	.000

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F Change	Sig. F Change
1	.665[a]	.443	.437	.26873	77.625	.000

a. Predictors: (Constant), RT, ID, IG

b. Dependent Variable: Organizational Performance

It is showed in Table 4.8 that model is valid. Because Sig F Change shows value .000 which is □ 0.05 It means that our model is valid. In addition the value of r square is 0.443 and the value of adjusted R Square is 0.437 which means that due to independent variables a change of in dependent variable is 0.437 occurred. It means due to independent variable i.e. market orientation, organizational performance will increase 0.437 points.

Table 4 **ANOVA[b]**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.817	3	5.606	77.625	.000[a]
	Residual	21.159	293	.072		
	Total	37.976	296			

a. Predictors: (Constant), RT, ID, IG

b. Dependent Variable: Organizational performance

Table of Anova describes that either model is fit or not. For model fit value of it should be less than 0.05 of P Value. Above table shows that sig value is 0.000 which is □.05 p value which means that model is fit.

Table 5. **Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.866	.117		15.947	.000
	IG	.046	.011	.266	4.351	.000
	ID	.044	.013	.185	3.423	.001
	RT	.077	.013	.340	6.124	.000

a. Dependent Variable: Organizational Performance

Table 4.10 shows coefficients table above. With the help of values described in **B** column equation of the study is obtained forecasting the dependent variable from the independent variable. The said equation is showed in numerous dissimilar ways, for instance:

$$Ypredicted = b0 + \beta1x1 + \beta2x2 + \beta3x3$$

First Value of B is 1.866 which is a constant. It means that if other things remains the same then this value will be constant always. Basically it's a value of constant. The next value of .046 is the value for intelligence generation which means that for each unit increase in intelligence generation, a .046 unit increase in organizational performance is predicted holding all other variables are remains constant. Third value of .044 shows the value of intelligence dissemination which means that for each unit increase in intelligence dissemination, a .044 unit increase in organizational performance. The fourth value of .077 shows value of responsiveness to intelligence which means that for each unit increase in responsiveness to intelligence, a .077 unit increase in organizational performance.

Table 4.10 shows values of sig which means either variables for this study is significant or not. First value under the heading of Sig shows value of .000 which means that this variable of intelligence generation is significant because its value .000 is □ p value of .005. Second value of .001 represents the variable intelligence dissemination, this variable is also significant because its value of .001 is □ the p value of .005, and therefore it's a significant variable. Third value of .000 representing the responsiveness to intelligence variable which is also a significant variable because its value .000 is P value of .005 therefore it's also significant variable.

From the above table regression equation can be made as:

Organizational performance= 1.866+0.046x1+0.044x2+0.077x3

Where,

X1= Intelligence Generation

X2= Intelligence Dissemination

X3= Responsiveness to Intelligence

5 | DISCUSSION

This study finds that intelligence generation is positively related to organizational performance in the banking sector of district Vehari. It means that if intelligence generation gather timely and banks used to spread it throughout the organization then this will leads to greater organizational performance. Because data of market intelligence will help managers to make strategic decisions in a very effective manner to cope with the competitors moves and competitors strategies in the respective region of business.

In addition this study finds that intelligence dissemination has positively effect on organizational performance. Because once data collected from the market then it should be disseminated to the higher management as well as to the entire employees of the banks. This will help top management to know about the most current market positions and especially the needs and wants of customers. Because in this recent era its essential to know for every company about what customers are expecting from particular companies and either customers wants customized products or they wants enhancement or more quality products. That's why this will only possible by way of knowing the most recent market conditions. Therefore intelligence dissemination will help a lot to overcome these problems. The higher the intensity of intelligence dissemination, higher the organizational performance.

Further, this study finds that along with intelligence generation and intelligence dissemination, responsiveness to intelligence also has positive impact on organizational performance. Responsiveness to intelligence has pivotal role for overcoming market requirements and for customer's satisfaction. If a company did not respond accordingly to the market requirements and of competitors strategies then it could be very difficult to retain the market share and it could also be very harmful for achieving above average competitive advantage or sustainable competitive advantage.

CONCLUSION

Finally, this study can conclude that collection of information, its distribution and reactions to information have found significant predictors of organizational performance in the banks of district Vehari. As the quantity of market orientation increased, the company success will be increased. In order to improve effectiveness of market orientation on organizational performance banks need to develop modern and quick methods for intelligence generation, and more technological equipment to disseminate data quickly throughout the organization and higher management also need to convey appropriate responsiveness to the concerned departments in a more systematic and quick manners. This study will contribute to the existing market orientation literature the effects of market orientation on organizational performance using the non-financial measures of performance.

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