

Surveying the Influence of Market Orientation on Competitive Strength Development

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Abstract

Nowadays marketing and doing its related activities make organization to overcome their competitors and act more successfully. Therefore market orientation is considered as one of the most important factors for organizational success. In the study, the influence of market orientation on competitive strength development in Asia insurance (a company in Tehran/ Iran) was surveyed. The research is applicable from goal view and descriptive from data collection. Also data collection method is library and fieldwork. To measure market orientation, three main dimensions contain customer orientation, competitor orientation and inter functional coordination and to measure competitive strength three another dimension include internal resources, situation in market and creativity and innovation strength were applied. A questionnaire include 57 questions was designed and distributed among 334 employees of Asia insurance as statistical sample. The results illustrated that market orientation and its dimensions affect significantly on gaining competitive strength in Asia insurance. Also customer orientation was chosen as the most important one and all variable were placed in favorable levels as Binomial test proved.

Keywords: market orientation, customer orientation, competitor orientation, inter functional cooperation, competitive strength

Introduction

In the current competitive environment, firms are under constant pressure to develop new products and services in response to the changing needs of customers. Peters (1984) suggested that a commercial firm is characterized by continuous innovation, total customer satisfaction, and the integrated efforts of all its members. Recently, market orientation and innovation capabilities have been posited as characteristic of high-performance firms (Deshpande and Farley, 1999). Although the relationship between market orientation and economic performance has been widely studied, the effect of market orientation on product innovation's success has not received so much attention (Ramaseshan et al, 2002). Indeed, it has been suggested that market orientation may rely on constructs such as innovation or

innovativeness to influence and explain market performance (Menguc and Auh, 2006). Some studies have contended that market-oriented firms create new products and services that transform customers' needs (Jaworski and Kohli, 1993). Deshpande et al (1993) argue that a strong market orientation leads to superior performance in innovation and success with new products. Conversely, Bennett and Cooper (1981) have argued that a strong market orientation can lead to new products that are mere imitations of existing ones. Thus, listening to current customers too attentively can be a barrier to the development of new technologies, reducing a firm's competitiveness. If this view is correct, market orientation represents a systematic bias against radical innovation (Vega-Vaquez et al, 2012).

Our key research question is therefore is whether market orientation promotes or hinders product innovation's success, and how innovation influences the firm's market performance. To date, there is little empirical evidence about the relationship between market orientation and product innovation, except for Atuahene-Gima (1996), and Tsai et al. (2008).

The market orientation concept, which has gained an outstanding position in the marketing literature, is still a research priority (Cano et al., 2004), particularly in local public organizations. The main research stream on market orientation-performance relationship emphasize the exchanges that occur between the organization and its external markets. Some scholars, however, have paid increasing attention to the need to integrate an internal and external focus (Lings, 1999, 2004). It appears, therefore, that an internal focus on marketing (internal marketing) is important to promote the organization internally to its employees and, at the same time, a better adaptation of the employees to organizational procedures and changes (Gummesson, 2000). It is relevant to note that, the successful public service providers lies both in governing and responding to the service expectations of consumers and in training and motivating the organization to interact positively with the consumer (Osborne, 2010).

Literature review

Market orientation was defined by Narver and Slater (1990) as the competitive strategy that most efficiently generates the right kinds of behavior to create enhanced value for the consumer and therefore assures better long-term results for corporations. According to these authors, market orientation is based on orientation towards the customer, orientation towards competitors and inter-functional coordination. Kohli and Jaworski (1990) identify three structural components of market orientation:

- (1) generation and analysis of all relevant information about the market;
- (2) dissemination of this information among the various departments of the organization in order to coordinate and arrange strategic planning; and
- (3) implementation of strategic initiatives designed to satisfy the market.

In reviewing this construct, Lado et al. (1998) have provided a broader definition of market orientation, which they define as a competitive strategy that involves all functional areas and levels of the organization and embraces the different market participants. These market participants or market forces are:

- The final customer;
- The intermediate customer (distributor);
- The competitors; and
- Environmental factors.

To create and hold on to a competitive strength, companies must analyze and act on every one of these market forces with proper coordination between their functions. As a result, in this theoretical framework, market orientation can be conceptualized as consisting of nine facets:

- (1) analysis of the final customers;
- (2) analysis of intermediate customers (distributors);
- (3) analysis of the competitors;
- (4) analysis of the market environment;
- (5) strategic actions on the final customers;
- (6) strategic actions on intermediate customers (distributors);
- (7) strategic actions on the competitors;
- (8) strategic actions on the market environment;
- and
- (9) inter-functional coordination.

That market orientation is conceptualized as consisting of nine facets should not be taken to imply that market orientation is a multidimensional concept. Lado et al. (1998) have shown that these facets are well accounted for by a one-factor model. Therefore, these nine facets should be taken as the conceptual

components of a unidimensional construct of market orientation, and a unidimensional measure of market orientation is called for.

The need to respond to profound changes that occur in most societies leads public managers and academics alike to pay increasing attention to the way organizations develop and maintain their focus on their customers and markets (Appiah-Adu and Ranchhod, 1998). However, focusing on the external customer no longer seems to be sufficient to achieve organizational goals and objectives. If employees lack customer-conscious attitudes and behaviors, and if internal systems and processes are not focused on customer-conscious objectives, marketing approaches directed exclusively at external customers are likely to fail (Rodrigues and Pinho, 2012).

Market orientation may also be an important determinant of innovation in the services sector. According to Atuahene-Gima (1996) in services like the insurance and banking industries, innovation success depends on the firm's market

orientation, especially on its customer orientation. Being in touch with your clients wants and needs, and being able to respond appropriately to them is a key to innovation success in the service sector. Furthermore, the market environment in the service sector is likely to be more competitive in terms of product innovation than in other industries. Innovation in services is more easily and quickly imitated (Tufano, 1992) and more difficult to protect by means of patenting. Thus, it may be that in this sector, the relationship between market orientation and business performance is particularly strong.

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.

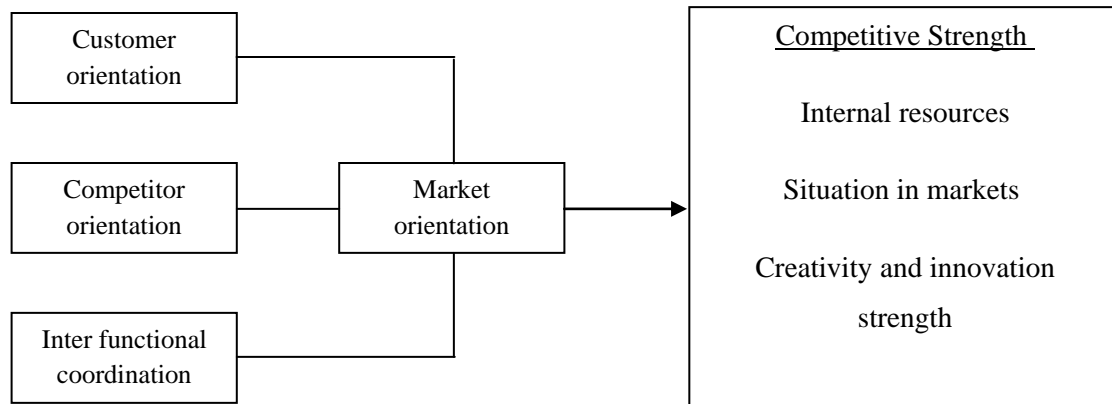


Figure 1: conceptual framework (Nayebzadeh, 2013; Saeedi et al, 2012)

- 1- Market orientation affects significantly on competitive strength.
- 1-1- Customer orientation affects significantly on competitive strength.
- 1-2- Competitor orientation affects significantly on competitive strength.

Research Methodology

The study was done in a society involving 2521 employees of Asia insurance in Tehran- Iran. Whereas this number seems to be too much, the

sampling was done through an integral counting method.

$$n = \frac{NZ^2 \frac{1-\frac{\alpha}{2}}{pq}}{(N-1)\epsilon^2 + Z^2 \frac{1-\frac{\alpha}{2}}{pq}} \Rightarrow \frac{2521 \times (1.96)^2 \times (0.5)^2}{2520 \times (0.05)^2 + (1.96)^2 \times (0.5)^2} = 334$$

So the sample is 334 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 3: the results of reliability

Variables	Cronbach Alpha
Market orientation	0.816
Competitive strength	0.855

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

Data Analysis

4.1. Kolmogorov-Smirnov test

The test was applied to survey normality of statistical society.

Table 2: the results of applying Kolmogorov-Smirnov test

Variables	Sig
Market orientation	0.016
Competitive strength	0.000

As table 4 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

Correlations	Spearman	Sig	Result
Market orientation	0.000	0.718	Significant relationship

customer orientation	0.000	0.675	Significant relationship
competitor orientation	0.022	0.733	Significant relationship
inter functional coordination	0.000	0.591	Significant relationship

As table 5 shows, there are positive and significant correlation between market orientation and its dimensions with Competitive strength ($\text{sig} < 0.05$).

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

Path	Standard error	Sig	Result
Market orientation	0.05	0.000	Significant influence
customer orientation	0.05	0.000	Significant influence
competitor orientation	0.05	0.000	Significant influence
inter functional coordination	0.05	0.000	Significant influence

As table 6 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

Dimensions	Weight	Rank
customer orientation	0.38	1
competitor orientation	0.30	3
inter functional coordination	0.32	2

Table 5 illustrates that “customer 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

Variables	observed prop	Test prop	Sig	Result
Market orientation	0.69	0.5	0.000	Favorable level
customer orientation	0.55		0.018	Favorable level
competitor orientation	0.60		0.000	Favorable level

inter functional	0.58		0.000	Favorable level
Competitive strength	0.53		0.000	Favorable level

As table 6 shows all variables apart from “top management” and “personalization” were placed in high levels.

Conclusion and suggestions

The study was done in a sample include 334 employees of Asia 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 were placed in favorable levels.

Considering the results, managers are advised to:

- Making periodic meetings with customers
- Finding customers' needs and desires and servicing in terms of them
- Marketing research to identify goal customer needs
- Measuring customer satisfaction
- Innovation in servicing (like e-insurance)
- Formulating short-term plans to overtake rivals
- Penetrating in markets and identifying new ones
- Utilizing marketing new techniques like internet advertising and marketing

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