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Identification of Drivers and Obstacles of Market Orientation among Diversified Industries of Pakistan

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ABSTRACT

Market Orientation (MO), being charismatic in nature, has been considered as a high priority area for research by the Marketing Science Institute. The antecedents of MO, either act as drivers or impediments, have got paramount importance in making the organization more market oriented. The essence of umpteen times research in different cultures, mostly of the developed countries, validates the role that various organizational factors play in market orientation of organizations. But lacuna in the literature exists for such an important topic in utterly different culture of developing countries. Accordingly, the current study seeks to investigate whether or not the antecedents, proposed by Kohli and Jaworski (1990), could contribute in making Pakistani organizations market oriented. Top management emphasis, centralization and interdepartmental connectedness were found to be significant predictors of market orientation. The study results could facilitate leadership of Pakistani organizations in designing and implementation of corporate-wide change initiatives, geared at making their organizations more market orientated leading to improved organizational effectiveness and sustained competitive advantage.

KEY WORDS: Market Orientation, Antecedents of Market Orientation

Introduction

Understanding customers is a much debated area among business practitioners and academicians alike. In a rapidly changing world, customer-centric innovations are regarded as vital sources for attaining competitive advantage (Prahalad and Krishnan, 2008). For the last few decades, market orientation has remained a pivotal theme of published works not only in the marketing literature but in strategic management also. It lies at the core of marketing philosophy and has been one of extensively studied constructs in the marketing discipline since the early nineties (Stoelhorst and Raaij, 2004). Lafferty and Hult (2001) expressed market orientation as execution of marketing concept. It reflects how organization demonstrates a customer-focused approach in their behaviors and culture (Deshpande, Farley & Webster, 1993; Kohli, Jaworski & Kumar, 1993; Narver & Slater, 1990). Building on the initial research by Kohli and Jaworski (1990), Narver and Slater (1990) and Deshpande et al (1993), significant progress has been made in conceptualization and measurement of market orientation and its impact on business performance. According to Gray, Buchanan and Mallon (2003), the management of market intelligence by employing distinct dynamic capabilities of the organization results into superior organizational and financial performance.

More recently, studies on market orientation have been conducted in diverse contexts such as in small businesses (Pelham, 1999, 2000) and across various industries (e.g. Selnes, Jaworski & Kohli, 1996 (Denmark, Norway & Sweden); Bhuian, 1997 (Saudi Arabia); Hooley, Cox, Fahy, Shipley, Beracs, Fonfara, & Snoj, 2000 (Hungary, Poland and Slovenia); Felix & Hinck, 2005 (Mexico); Elg, 2008 (Finland)). In contrast, the issues relating to the determinants and development of market orientation are still relatively under researched, especially in developing economies. Narver and Slater (1990) suggested that research must be replicated in diverse cultures to boost conviction in nature and power of market orientation and its antecedents. Hence, current study is an attempt to retest the market orientation model, proposed by Kohli and Jaworski (1990) to determine which organizational factors could contribute in making Pakistani organizations, operating in diverse industries, more market oriented. The exploration of organizational factors will facilitate leadership of organizations in designing and implementing business practices and processes, aimed at becoming more oriented towards market which would result into improved organizational effectiveness and sustained competitive advantage.

Literature Review

Drucker (1954), while explaining the marketing concept, advanced the convincing argument that the creation of a satisfied customer was the only valid definition of business purpose. Later on, many researchers such as Kotler (1977) described that market driven organization is the one which focuses on satisfying customer needs better than its competitors. However, specific attributes and features of a market driven organization were neither adequately described nor investigated until research in market orientation was undertaken by Kohli and Jaworski (1990), and Narver and Slater (1990). In the late 1980s and early 1990s, five different frameworks regarding the operationalization of market orientation were advanced in literature. They comprised of decision-making perspective (Shapiro, 1988), market intelligence perspective (Kohli and Jaworski, 1990), culturally based behavioral perspective (Narver and Slater, 1990), strategic focus perspective (Ruekert, 1992) and customer oriented perspective (Deshpande, Farley & Webster, 1993). The market intelligence perspective of market orientation (Kohli & Jaworski, 1990; Jaworski & Kohli, 1993; Kohli, Jaworski & Kumar, 1993) reflected on market orientation at strategic business unit level as corporate-wide creation of market intelligence, regarding customers' current and future needs; sits sharing across the organization and development and execution of the response based on market intelligence. The market orientation strategy could be devised based on three dimensions such as the organization-wide collection, sharing and coordination of market intelligence.

The contribution of Kohli and Jaworski (1990) was substantial at least in three important ways (Silkoset, 2004). First, they developed a link between market orientation and positive financial business performance. Second, market orientation could be investigated as an observable behavior. Third, through minimally abstract constructs and measures, they presented implications for the practitioners as well. Numerous researchers (Jaworski & Kohli, 1993; Slater & Narver, 1994) found multiple organizational factors which contributed substantially to make organizations more market oriented. Jaworski and Kohli (1993) found that senior management factors, interdepartmental dynamics and organizational systems could act as drivers or hindrances for the organizations in their market orientation. The role of senior management was found to be critical in shaping organizational values to promote and reinforce behaviors necessary to serve the current and future needs of customers, better than their key competitors. Besides top management reinforcement, their commitment of continuous communication of specific guidelines to be market-oriented was considered mandatory to encourage organizational employees, in order to create, disseminate and effectively respond to market intelligence. Risk seeking posture of top management proved to provide a great deal of support in their commitment to innovation and responsiveness. However, their risk aversion could lead to organization-wide derailment of the process of market orientation. Interdepartmental dynamics such as conflict among organizational departments and interdepartmental connectedness were found to be detrimental or beneficial, respectively to execute the business philosophy, represented by marketing concept.

As regards the interdepartmental conflict, Harris and Piercy (1998) identified a negative relationship between conflicting behavior within an organization and the degree of market orientation. Pulendran, Speed and Widing II (2000) concluded that interdepartmental conflict inhibited the ability of an organization to coordinate activities and act as barrier to focus on market dynamics. On the contrary, Interdepartmental connectedness enhanced the development of market intelligence and sharing across the entire organizational departments (Kohli & Jaworski, 1990).

Formalization may actually expedite the processes of external information gathering and its dissemination across the organization to effectively respond to the requirements of market. Covin and Slevin, (1990) found that higher the formalization of organizational decision making, the greater would be the level of entrepreneurship. However, the study results of Jaworski and Kohli (1993) did not confirm relationship between formalization and organizational market orientation. They concluded that organizational dimensions, such as formalization and centralization hinder the generation and dissemination of market intelligence and organizational response design. When employees' roles, their authority relationships, communications and sanction processes are standardized, then it may hamper the organizational efforts to be market oriented. Same thing happens when decision making authority in not delegated across the organization and employees' participation lacks in decision making. Walter, Lechner and Kellermanns (2007) commented that centralization tends to slow down the development, dissemination, and application of market knowledge. Reduction in centralization was reported to be associated with growing uncertainty in external environment of organizations (Davis, Morris & Allen, 1991).

Concepual Framework of the Study

The conceptual framework (figure 1) used in the current study was an adaptation of the market orientation model proposed by Kohli and Jawoski (1990).

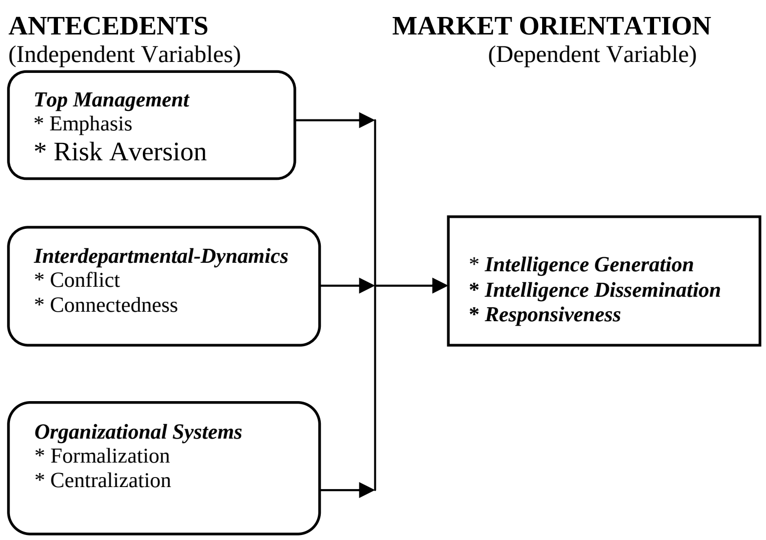

Fig. 1

Research Design

The following research design was used in order to address the research question mentioned hereunder:

What organizational factors contribute significant proportion of variance in the market orientation of the organizations from diverse industries of Pakistan?

Sampling

Convenience sampling technique was used to evaluate the opinions of key informants (business unit heads/senior managers) in divese sectors of Pakistan such as textile, telecommunication, pharmaceutical, home appliances, chemical and FMCG. The reason for opting for non-probability rather than probability sampling was that the sampling frame of the the key informants was not available and study was exploratory in nature to improve the understanding of organizational market orientation in Pakistani context. Besides, study objective was not to making generalizations from the data.

Data and Analysis

Two hundred survey questionnaires were distributed personally, between February to April, 2009, by MBA executive students to business unit heads or senior managers of the organizations in six industries of Pakistan (see table 1). Three weeks after distributing survey questionnaires, follow up was done by visiting or sending e. mails to sampling units. Ninety five self administered questionnairs were returned finally due to such extensive efforts. However, usable response rate was satisfactory which was 42.5 percent (85 questionnaires). The break up of the usable response of the survey respondents is given hereunder in the table 1.

Sr. #	Business Unit Heads/Senior Managers	Number	Percentage
1-	Pharmaceutical Industry	17	20 %
2-	Home Appliances Sector	16	18.82 %
3-	Textile Sector	20	23.53 %
4-	Telecommunication Sector	8	9.41 %
5-	Chemical Industry	10	10.76 %
6-	FMCG Sector	14	16.47 %
	Total	85	

Table 1
Break-up of Usable Response

Survey Instrument

In order to measure market orientation construct, MARKOR scale, developed by Kohli et al. (1993), was employed because it reflects the specific behaviors and activities of orgnizations pertaining to market orientation. In addition, its successful implementation was endorsed by numerous researchers in the developed countries, too. A five-point Likert scale was used with the response items ranging from strongly disagree to strongly agree.

Statistical Analysis

Stepwise multiple regression analysis was employed to identify the antecedents having significant association with market orientation and its validity was checked by investigating the assumptions pertaining to residuals. Descriptive statistics such as means and the standard deviations of the independent and dependent variables are given hereunder in the table 2.

	Mean	**Std. Deviation**	**N**
Market Orientation	3.78	.53	85
Interdepartmental Conflict	2.63	.58	85
Interdepartmental Connectedness	3.66	.60	85
Formalization	3.21	.64	85
Centralization	2.96	.92	85
Top Management Emphasis	3.92	.63	85
Top Management Risk Aversion	3.01	.68	85

Table 2
Break-up of Usable Response

Multivariate outliers were detected and deleted to ensure that standardized residuals (table 3) remain within the acceptable range of +3 to -3.

	Minimum	**Maximum**	**Mean**	**Std. Deviation**
Predicted Value	2.91	4.62	3.78	0.39
Residual	-0.87	0.84	0.00	0.35
Std. Predicted Value	-2.25	2015	0.00	1.00
Std. Residual	-2.24	2.37	0.00	0.98

Table 3
Residual Statistics (Market Orientation)

Another assumption of the normality of standardized residuals was met satisfactorily as evident by normal p-p plot shown in the fig. 2.

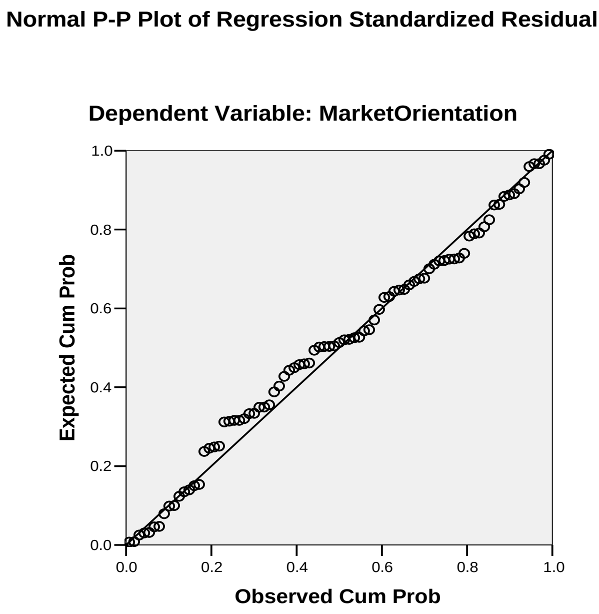

Fig. 2

The value of Durbin-Watson hovered around 2 (i.e. 1.78) which is the indicator of the fact that the observations were independent. The correlations among antecedents and market orientation shown in the table 4 reflected that co-linearity was not a problem for employing regression analysis.

	X1	X2	X3	X4	X5	X6	X7
X1	1.00	-0.57	0.62	-0.26	-0.46	0.55	-0.54
X2		1.00	-0.58	0.31	0.55	-0.44	-0.004
X3			1.00	-0.30	-0.47	0.45	0.02
X4				1.00	0.34	-0.26	0.18
X5					1.00	-0.03	-0.16
X6						1.00	-0.32
X7							1.00

X1=Market Orientation, X2=Interdepartmental Conflict, X3=Interdepartmental Connectedness, X4=Formalization, X5=Centralization, X6=Top Management Emphasis, X7=Top Management Risk Aversion

Table 4
Correlations among Antecedents and Market Orientation

Table 5 shows that market orientation and its antecedents were linearly related to one another.

Antecedents of Market Orientation	**r**
Interdepartmental Conflict	-0.57*
Interdepartmental Connectedness	0.62*
Formalization	-0.25*

Centralization	-0.46*
Top Management Emphasis	0.55*
Top Management Risk Aversion	-0.054

** Significant at 0 .01 level: One-tailed*

Table 5
Relationships pf Antecedents with Market Orientation

The results of multiple regression analysis (Table VI) demonstrated that interdepartmental connectedness alone explained 39% variability in market orientation and this was increased to 55% when top management emphasis and centralization were added in the regression equation. However, the contributions of variance in market orientation were 9% and 7% by top management emphasis and centralization respectively.

Model	R	R^2	Adjusted R^2	Standard Error of Estimates	R^2 Change	F Change	Burbin-Watson
1	.625[a]	.391	.384	0.41	0.391	53.32*	
2	.695[b]	.482	.470	0.381	0.09	14.48*	
3	.743[c]	.552	.536	0.36	0.07	12.61*	1.78

** Significant at 0 .01 level: One-tailed*
a. *Predictors: (Constant), Interdepartmental Connectedness*
b. *Predictors: (Constant), Interdepartmental Connectedness, Top Management Emphasis*
c. *Predictors: (Constant), Interdepartmental Connectedness, Top Management Emphasis, Centralization*

Table 6
Model Summary (Market Orientation)

F statistic was significant at the level of 0.001 (Table 7), endorsing the usefulness of the regression model.

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	12.68	3	4.22	33.30	.000(a)
Residual	1027	81	0.13		
Total	22.95	84			

(a): *Predictors: (Constant), Interdepartmental Connectedness , Top Management Emphasis, Centralization*

Table 7
ANOVA (Market Orientation)

It is evident from table 8 that top management emphasis and Interdepartmental connectedness had positive significant impact (beta values: 0.40, 0.30 respectively) on market orientation, provided that the effects of other variables is partial out. It indicates that top management emphasis and interdepartmental connectedness act as drivers in the development of market orientation of the organizations. However, centralization (beta value: - 0.31) had negative relationship with market orientation which reflects that it is the factor which creates hindrances for organizations to become market oriented.

Coefficients

Model	B	Beta	t-statistics	Collinearity *Tolerance*	Statistics *VIF*
Constant	2.03		5.48*		
Interdepartmental Connectedness	0.26	0.30	3.06*	.59	1.70
Top Management Emphasis	0.34	0.40	4.77*	.76	1.33
Centralization	-0.17	-0.31	-3.55*	.74	1.36

** Significant at 0 .01 level: One-tailed*

Table 8
Multiple Regression Model for Market Orientation with its Antecedents

Concluding Remarks

The purpose of current study was to identify the organizational factors which could promote or impede the development of market orientation of organizations operating in various industries of Pakistan. The results indicated that the greater the top management emphasis, the higher is the overall market orientation of the organization which was in line with the findings of the Felton (1959), Levitt (1969), Slater and Narver (1994b), Webster (1988), Jaworski and Kohli (1993). As regards interdepartmental connectedness, the analysis confirmed that it was positively associated with organizational market orientation which was also concurrent with the study results of Stern and Reve (1980), Blake and Mouton (1964) Lawrence and Lorsch (1967) Deshpande and Zaltman (1982), Jaworski and Kohli (1993). However, centralization had negative impact on the market orientation proving the prior findings of Jaworski and Kohli (1993). In the light of the results of study, it is concluded that Kohli and Jaworski's proposed antecedents of market orientation might not necessarily be replicated completely in the developing country like Pakistan.

Recommendations

Based on the findings of the study, leadership of Pakistani organizations should stress on providing the required resources, encouraging the sharing of market based ideas through suggestion schemes and uplifting employees' motivation by formal and informal support in order to make their organizations more market driven. As regards centralization, it is advisable for the management to craft the policies to empower and involve their employees to expediting market-related decisions. Since interdepartmental connectedness reduces employees' conflicts and facilitates in development and sharing of market intelligence. Therefore, it is advisable for the senior management to promote the culture of open communication and boundrilessness to be more market oriented which could facilitate in fostering organizational effectiveness and sustained competitive advantage.

As regards implications for future research, it is worth mentioning that the current study enables future marketing scholars to compare and contrast findings from developing and developed countries. Researchers should use probability sampling within each industry to generalize the study findings. Besides, it is suggested that longitudinal rather than cross sectional design could enable researchers to capture the dynamic nature of the market orientation construct.

Limitations of the Study

Caution should be exercised while interpreting the findings of present study, due to its limitations in particular areas. Only the opinions of the strategic business unit heads or senior management were analyzed to measure market orientation construct. However, it could also be investigated by considering customers' and management perceptions. Improved measures of market orientation and larger representative samples in each industry would have allowed for greater confidence in study findings. The scale, MARKOR scale, needs additional work to improve reliability and validity in varied contexts. Since the approach used in the study was cross sectional rather than longitudinal, so dynamism of market orientation construct was not captured.

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