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Assessing The Effectiveness of Market-Orientation On Business Performance (Case Study: Iran Khodro Industrial Group)

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ABSTRACT

The main purpose of this paper is investigating causal relationships and ranking effective mediator factors in market-orientation on business performance. This research is practical in terms of goal and it is qualitative depending on data type. Statistical population includes employees of Iran Khodro Industrial Group. Sample size was calculated 118 according to the Cochran formula. Sampling method was Simple random. In this study, questionnaires were used as essential tools for data collection and data were analyzed using Lisrel software. The results of this study show a positive relationship between market-orientation and business performance in Iran Khodro Company.

Keywords: market-orientation, business performance, customer relationship management (CRM), supply chain management (SCM), Iran Khodro Industrial Group

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INTRODUCTION

From a marketing perspective, the most important aspect of organization's culture is market-orientation concept. Market-orientation philosophy based on the principle that needs and demands of the market should be noted to achieve organizational goals and provided higher customer satisfaction, better and more efficiently than competitors. Based on this philosophy, the organizations adjust their products based on consumer preferences and in this way, they satisfy demands and needs of consumers as well as get benefits for themselves (Slater S.F., 2001).

Organizations that pay attention to their customers and competitors and attempt to deliver the highest quality goods and services, they certainly abducted competition globe from other competitors and they are progressing towards profitability. So, we can offer implementation of the market-orientation process and institutionalize its culture in the organization as a successful factor for improving business performance as a useful solution. If market-orientation is institutionalized as a culture in the organization, you can be sure that it will be implemented automatically for years and it constantly improve the business performance of the organization (Gua C., 2002).

Although marketing concept has been discussed in past and present times, but its operational value is very limited; because marketing concept can hardly be useful for management. In this case, the need to make operational was felt. This problem continued to emergence of market-orientation, until market orientation turned to operational instructions of the marketing concept and it was used to improve business performance (Jimenez et al., 2007). In fact, organizations could make operational the marketing concept through market-orientation.

Several investigations show that there is a positive relationship between market-orientation and business performance, market-orientation and improvement of employee attitudes as well as market-orientation and customer sales force of Grater (Jaakkola, and Frosen, 2009). Although the main body of market-orientation is developing, but most previous studies on market-orientation have been in European and American countries and this study could indicate a way to enrich this issue in our society with regard to a case study in an Iranian company.

In current decade of the business environment, new requirements appear due to changes occurring in science and especially in the area of information and communication technology and the emergence of new economic poles and widen the competitive environment.

One of the requirements that is continuing marketing movements' changes, in fact, it is as market-orientation or implementation of comprehensive marketing concept in the organization.

Regarding the fact that what does exactly market -orientation mean and what has components formed, researchers have several questions. But generally, major elements of customer relationship management, manufacturing distinctive product, supply chain management and marketing research can be observed in these structures.

In fact, evidence suggests that different organizations should be involved with market-orientation management (Hult et al., 2005). But it should be noted that the strategic direction toward each of these concepts require to allocation of financial resources and time and more attention of organizations' senior management. Since competition conditions and market dynamics from each environment to other environments is different and have variable quality and quantity, hereby; this research is expected that by studying the impact of market-orientation capabilities on business performance in Iran Khodro Company can provide empirical evidence for pushing administrators and target this strategic direction- making and they can step for their organization business future.

In fact, in this research, we seek to answer these questions that " can we expected to business performance improve and increase through pushing the company's strategic move towards market-orientation?" Or "which factor from total market-orientation capabilities can be had the greatest impact on business performance of a company?" Of course, it should be said that regarding the impact of market-orientation on business performance, much research has been done in different parts of the world. But, less research has been conducted about ranking or expressing the mediator variables such as what is described in this paper.

With respect to matters which referred to them, we can be expected that the results obtained from this research are used in manufacturing companies or service companies with various activities and companies offering strategic consulting services and marketing companies and they help them to create units for directing market- orientation activities.

This paper attempts to first will briefly review various models of market-orientation and its impact on business performance and then using a structural model and based on data obtained of the company, a conceptual and decision-maker model to explain the causal links affecting business performance with respect to the intermediate variable (customer relationship management, manufacturing distinct product, supply chain management and marketing research) is proposed and tested.

Theoretical target

From 1980s, the concept of market-oriented in academic research has entered as an effective strategy on companies' performance and it was used widely.

From 1990s, a remarkable progress made in the development of market-oriented and many analytical efforts has been made by definition, conceptualization and its operationalization (Gua C., 2002).

Over the past years, many experimental and scientific efforts have been made around the market-orientation which can be divided into four groups:

- 1) Shapiro & Glazer's decision making viewpoint
- 2) Kohli & Jaworski's market intelligence viewpoint (Kohli & Jaworski's, 1990)
- 3) Narver & Slater's behavioral view based on culture (Narver & Slater, 1990)
- 4) Rokert's strategic marketing viewpoint

These viewpoints emphasize on institutionalizing and implementing the marketing concept. In some views, market-orientation is a managerial phenomenon and in others, it acts as a cultural phenomenon that focuses on creating a competitive advantage (Lafferty B.A., Hult, 2001).

- 1) Shapiro & Glazer's decision making viewpoint

This view was introduced in 1988 by "Shapiro". He considers operational concept of market-orientation as an organizational decision-making process.

In the center of this process, management committed itself to decide on market- orientation issues. Shapiro considers market-oriented enterprise having the following three characteristics:

- a) Information obtained from clients is very important to the organization and will affect the entire organization.
- b) All strategic and tactical decisions in the organization are made in the form of inter-sectoral and inter-personal.
- c) Departments and sectors of the organization decide coordinately and commit themselves to it.

First characteristic of this view is the organization's need to identify market and customers. The most important information source for organizational sectors is clients' ideas that obtain through several mechanisms, such as market research reports, customer voice recording, analyzing industry status and will be transferred through senior management throughout the organization.

The second characteristic of this vision is participatory decision-making of the organization's members. In order to decision-making, departments and sectors are listening to one another and they encourage others to express their ideas and differences of opinion and desires of departments and sectors are also involved in decision-making process.

The third characteristic of this perspective is consistency in decision-making. Market-oriented companies obtain authority through employees' participation in decision-making and discussion and proposing solutions (Day and Wensley, 2002).

2) Kohli & Jaworski's market intelligence viewpoint

In 1990, Kohli & Jaworski attempted to give a formal definition of market-orientation that used widely by marketing researchers. This definition consists of three key elements as follow: a) intelligence creation, b) intelligence distribution, c) respond

The most important point in the creation of market intelligence is that the intelligence mustn't be limited to the marketing department but all sectors and departments of the organization should be intelligent than market and customer and they must distribute information obtained from customer between all sectors and departments of the organization.

This leads to the second element of market-orientation, i.e. intelligence distribution (information) between members and sectors. The intelligence distribution (information) means organization's compatibility with market and customer demands; i.e. information related to customers and competitors can be distributed among all sectors and applied it according to employee's performance.

The third element of market-orientation is responding to market intelligence (Lafferty and Hult, 2001).

Two previous elements alone have no credibility; especially when an organization fails to respond to market and customer's needs.

So, all sectors respond to the market and customer needs and should be able to select appropriate target markets; and design, distribute and advertise a product that it can meet current and anticipated needs of the market and customer (Lafferty and Hult, 2001).

3) Narver & Slater's behavioral view based on culture

These two researchers consider market-orientation as a behavioral phenomenon that composed of the following three components:

a) Costumer focus

b) Competition-orientation

c) Inter-sectoral Coordination

The combination of these three elements forms market-orientation. According to Narver & Slater, costumer focus requires enough recognition of the organization from client in order to create superior value (superior products and services) for them. Creating value and increasing profits for buyers and customers takes place through cost reduction (Narver, et al., 2004).

Competition-orientation in Narver & Slater's perspective means the organization recognition of the present and future strengths, weaknesses of competitors especially on their long-term strategies and potentials. It should be said that competition-orientation should be analyzed in parallel to customer focus (Narver, et al., 2004).

Inter-sectoral coordination means the coordinated use of organizational resources to create superior value for customers. Every person in the organization can potentially create value for customers. Harmonious integration of organizational resources leads to create relationship between customer focus and competition-orientation. Information creation, information distribution and coordinated use of organizational resources lead to inter-sectoral coordination.

4) Rokert's strategic marketing viewpoint

Rokert considers market-orientation including three components as follows:

a) Creating information database of customer and market based on the organization's objectives set

b) Designing focus on market and customer strategies

c) Implementing strategies related to market and customer

In the first component, managers collect, analyze and interpret data through external environment in terms of organizational goals set so as to achieve optimal allocation of resources.

The second component of the market-orientation is designing focus on customer and market strategies. This component located in the strategic planning process. In this process, identifying customer's needs and demands and designing specific strategies to meet the needs and desires have been emphasized.

The third component is related to implementation of market-orientation strategies.

In this component, the organization efforts to implement and fulfill customer's needs and demands are identified.

In general, market-orientation models are divided into three categories:

- Models that directly examine the relationship between market-orientation and business performance.
- Models that examine the relationship between market-orientation and business performance using the intermediate variables.
- Models that express the relationship between market-orientation and business performance based on the intermediate variables.

By reviewing different market-orientation models and those models which focus on the intermediate variables, it was observed that the relationship between market-orientation and business performance has been studied previously according to strategy intermediate variable, human resource management, entrepreneurship, innovation, internal market-orientation. But, with regard to intermediate variable of the market-orientation capabilities in these models has not been studied. Therefore, a model was designed and studied in this area as main motivation for the study. In this model, the direct and indirect relationships of the market-orientation and business performance can be observed.

This model consists of three main variables which are:

- 1) Independent variables that encompass the market-orientation capabilities.
- 2) Mediator variables which include customer relationship management, distinctive product manufacturing, marketing research and supply chain management.
- 3) Dependent variable that is business performance.

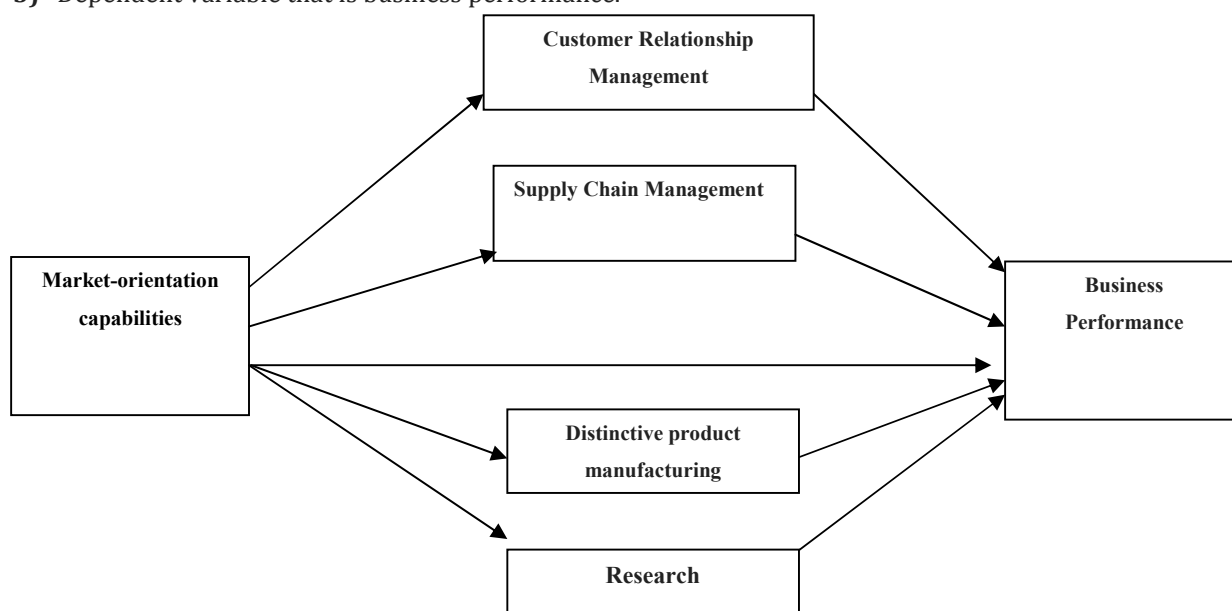


Figure 1: The research conceptual model

According to the model, the following hypothesis is proposed:

- 1) Market-orientation capabilities influence on business performance.
- 2) Market-orientation capabilities in the form of customer relationship management influence on business performance.
- 3) Market-orientation capabilities in the form of distinctive product manufacturing influence on business performance.
- 4) Market-orientation capabilities in the form of supply chain management influence on business performance.
- 5) Market-orientation capabilities in the form of marketing research influence on business performance.

METHODOLOGY

This research is practical in terms of purpose and it is qualitative depending on data type and it has correlation analysis. Its data collection method is the field type. Questionnaire was used for data collection. Statistical population includes employees of Iran Khodro Industrial Group. Sample size was calculated 118 according to the Cochran formula. Data were analyzed using Lisrel software.

Critical values were analyzed at the 0.95. In terms of fit index, if the value of (X^2/DF) was between 1 and 3, it could be regarded as a strong fitness for the proposed model. In addition, if the value of Root Mean Squared Error of Approximation or RMSEA was less than 0.10, the model would be more efficient. Also

Goodness of Fit (GOF) index must be higher than 0.9 these indexes are considerably helpful in revised model.

In this study, we used four components: the customer relationship management, distinctive product manufacturing, marketing research and supply chain management to measure the impact of market-orientation and total Cronbach's alpha coefficient is equal to 0/81.

Results

In these following figures, Lisrel software output is observed in standard and significant coefficients modes. All coefficients are significant and more than 1.96 and are significant at the 0.95 level. So, all the research hypotheses are confirmed.

Also, the chi-square statistic value to freedom degree obtained 1.12 and model has an acceptable fitness due to be less than 3. Also RMSEA is lower than 0.1 that indicates acceptable model error. Furthermore, GOF is in its acceptable limit.

Table1. Fitness indices

GOF	RMSEA	X2/ DF
0.97	0.069	1.12

Table 2. Path coefficient & t-values

Hypothesis	Path coefficient	T-value
1	0.41	5.76
2	0.38	5.44
3	0.47	5.89
4	0.31	4.93
5	0.28	4.70

Comparing the results with others findings

As Narver and Slater (1990) and Kohly and Jaworski (2001) and many other researchers have achieved similar results in this area, this study also showed that there was a positive relationship between increase market-orientation level and business performance. Although, another group of studies show that there isn't a clear relationship between increase market-orientation level and business performance and or such as Grynly research (1995) have reported a consolidated relationship, but nonetheless in general, as Jimenez and Sgara and Navarra have stated, always in the research literature suggests that there is a strong relationship between market-orientation and business performance (Deshpande and Farley, 1998).

In a study that conducted by Santos, Vyjnd and colleagues (Vijande and Peres, 2005) on the relationship between market-orientation and organizational learning, results showed that learning has a great relationship with the degree of company's market-orientation and thus it has positive effects on long-term relationships of company with clients and leads to high organizational performance. In another study which conducted in Iceland, results showed companies that are market-oriented have much better performance and are the most profitable corporations in this country (Gudlaugsson, and Schalk, 2009). Also, another study examined the relationship between market-orientation and performance of newly established companies and showed that market-orientation play considerable role in success of newly established companies in the market

CONCLUSIONS AND OFFERING SUGGESTIONS

As the results of this study show there is a direct and meaningful relationship between market-orientation and business performance. Therefore, managers routinely are advised that strengthen market-orientation in the company to enhance business performance level.

Market-orientated in higher levels can increase collective work morale, and consequently increase commitment between the organization's personnel.

1 - Customer Relationship Management:

Looking at the results of ranking effective factors can be said that customer relationship management in Iran Khodro Company is as one of the factors considered by the authorities.

The reason is that due to becoming competitive the country's automobile market and growing automobile production by different domestic companies as well as importing various automobiles built by foreign countries, increasingly, we are observing an increasing competition level among active companies in the industry.

Therefore, Iran Khodro Company can apply the following ways to attract more customers and maintain and expand their market share and increase customer satisfaction:

- 1) Increase the number of agents and brokers in the country
 - 2) Offer encouragement and support package of shopping in different seasons and special occasions
 - 3) Enhance the quality of after-sales service system that working in the form of mobile teams.
- So, the following actions are suggested in order to strengthen market-orientation level through further development of the relationship with the customer:

1. Determine company goals based on customer satisfaction
2. Continuing mechanisms for understanding and recognizing customer's needs
3. Systematic and continuous evaluation of customer satisfaction level
4. Careful follow-up of after-sales service
5. Selection of target customers so that the company can offer valuable services to them.
6. Coordinated and integrated adjustment of all administrative affairs and commercial (potential marketing, sales, manufacturing, research and development, finance / accounting, etc.) in order to meet the target market's needs

2 - Distinct products manufacturing:

In this regard, Iran Khodro Company's managers shall more than before value reliability of its products to the consumer.

This company should consider the quality and manufacture its products with appropriate quality and promote more trust of customers to the company's products. Also, this company can expand their market share through manufacturing automobiles according to modern technology in addition to increase buyer's confidence.

3. Supply Chain Management

In this regard, Iran Khodro Company strongly has been recommend that shown its commitment to customers and suppliers and strengthens relationships together through offered appropriate and timely services and requires them to conclude contracts to customers and suppliers.

4 - Marketing Research

Since managers can match their marketing to the market through systematic and efficient utilizing of the research results and promote market-orientation ideas;

Therefore, it is recommended that marketing research are considered more to identify real needs of customers as well as help to identify the technical components required to produce a distinct product (in terms of quality and price) by managers in order to have a successful business.

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