

META-ANALYTIC EXAMINATION OF THE RELATIONSHIP BETWEEN MARKET ORIENTATION AND ORGANIZATIONAL PERFORMANCE: DOES THE MULTIDIMENSIONAL ASPECT OF MARKET ORIENTATION MATTER?

Empirical Research

Track 8: Marketing

Abstract

Empirical research has unambiguously demonstrated that market orientation is positively related to organizational performance. Market orientation research has been summarized in meta-analyses published in leading marketing journals (e.g., Cano et al. 2004, Kirca et al. 2005). However, previous meta-analyses examining the impact of market orientation on performance have treated market orientation, a multidimensional construct, as unidimensional. This is problematic because each market orientation dimension could have different effects on performance. This meta-analysis addresses this gap in the literature by re-examining the effect of market orientation on performance at the dimension level. The results of this study show that the constructs were positively associated with a higher correlation to business performance (BP). The following order from highest to lowest, interfuctional coordination in the first place, in second place with the same correlations were intelligence generation, customer orientation and competitor orientation in the third intelligence dissemination and in last place responsiveness.

Keywords: Market Orientation, Business Performance, Meta- Analysis.

INTRODUCTION

Market orientation (MO) captures the essence of the marketing concept and modern marketing thought. MO has been conceptualized as a culture in which organization stakeholders feel that the customer is central to business activities and engage in actions aimed at satisfying customer needs and creating superior customer value (Cano et al. 2004). Meta-analyses have shown that MO is an important antecedent of business performance (BP) with an overall average effect size on the 0.32 to 0.35 range (Cano et al. 2004; Kirca et al. 2005). These findings are critical to marketing as they unambiguously demonstrate that MO and BP are positively related. However, the above mentioned meta-analyses have treated MO, a multidimensional construct, as unidimensional. This is problematic as the meta-analytic impact of *each* aspect of MO on performance is yet unknown.

A significant number of studies included in both Cano et al. (2004) and Kirca et al.'s (2005) meta-analyses rely on "MARKOR" (Kohli et al. 1993) or "MKTOR" (Narver and Slater 1990) scales to measure MO. MARKOR treats MO as a multidimensional construct composed of organizational behaviors related to: 1) generation of information, 2) dissemination of information, and 3) responsiveness of information dimensions (Kohli et al. 1993). Conversely, MKTOR defines MO as a business culture centered around three dimensions: 1) customer orientation, 2) competitor orientation, and 3) interfunctional coordination. In studying the MO-BP relationship both Cano et al. (2004) and Kirca et al. (2005) treated MO as unidimensional.

Specifically, these meta-analyses estimated the MO-BP correlations as the average of the correlations among BP and each individual dimension of MO. For example, Cano et al. (2004) report that the MO-BP correlation in Baker and Sinkula's (1999) study is $r = 0.297$ (page 180). However, Baker and Sinkula (1999) do not report an overall correlation between MO and BP but

rather correlations among BP and the intelligence generation, intelligence dissemination, and responsiveness dimensions of MO ($r = 0.25$, $r = 0.23$, and $r = 0.41$ respectively, page 418). The $r = 0.297$ correlation reported in Cano et al. (2004) comes from averaging $r = 0.25$, $r = 0.23$, and $r = 0.41$. Although this procedure provides a valid measure of the overall effect of MO on BP, it does not explain which aspects of MO have a stronger (or weaker) effect on BP. This issue brings an important research question addressed by this meta-analysis, does the multidimensional aspect of MO matter in respect to its relationship with performance?

REVIEW OF LITERATURE

The following part presents the theoretical background about market orientation components and performance consequences.

Customer orientation

Customer orientation is a concept that refers to understanding and knows the needs of customers and to do this means that the company will reap rewards in the form of benefits. The literature mentions that for superior performance continuously, you should create a sustainable superior value for customers (Slater and Narver; 1990). The authors' conclusions can be interpreted as that the superior performance of a company is allowed to develop a culture of customer oriented, allowing you to acquire the necessary behaviors to deliver superior value to customers and, ultimately, achieve sustainable superior performance. One of the first authors to investigate customer orientation with BP was Deshpande et al. (1993), who observed a higher performance when greater customer orientation among Japanese companies, however today is a very proven and known relationship.

Competitor orientation

Competitor orientation focuses on understanding competitor's strengths and weaknesses and monitoring their activities rather than the particular needs of its customers. Competitor orientation lead to a cost advantage because competitor oriented businesses tend to watch costs closely, so they may quickly match the marketing initiatives of competitors. Thus a competitor orientation may be more effective in business situation (Gatignon and Xuereb, 1997; Voss and Voss, 2000). One of the first studies that applied this relationship were Locke and Latham (1990) who observed that competitor orientation affect performance. They were one of the first researchers who studied this relation that maintain until today.

Interfunctional coordination

Interfunctional coordination is defined as the integration and collaboration of various functional areas (or departments) within an organization as a way of enhancing communication and information to better meet the organization's goal (Narver and Slater, 1990). Interfunctional coordination describes the ability of different functional areas to accommodate disparate views and work around conflicting perspectives and mental models by putting aside functional interests for the better of the organization as a whole. According to Day (1994: 43), coordinated actions directed at gaining a competitive advantage then the cultural elements can be vital to attaining a competitive advantage. Some authors empirically than demonstrate than the culture orientations are conducive to performance are Calori and Sarnin, (1991), Denison (1990) Denison and Mishra (1995), Gordon and DiTomaso (1992), Heskett and Kotter (1992).

Intelligence generation

Intelligence generation is the extent to which the organization's employees and systems formally generate intelligence on customers, competitors, and industry for use in generating business plans, and identifying products/services modifications and new offerings. The importance of a superior organizational learning capability as a source of competitive advantage is a common refrain among both managers and scholars (e.g., Kohli and Jaworski 1990; Nonaka 1991; Quinn 1992; Slater and Narver 1995; Stata and Almond, 1989; Stewart 1997).

Organizational learning occurs as (1) individuals acquire intelligence, (2) individuals share the intelligence throughout the organization, (3) organizational members achieve a shared interpretation of the intelligence, and (4) the organization considers changes in the range of its potential behaviors based on the shared interpretation (e.g., Garvin 1993; Huber 1991; Sinkula 1994; Slater and Narver 1995). Finally, learning of an organization creates a competitive advantage that positively correlated with components of BP (Greenley, G.E., 1995).

Intelligence dissemination

Intelligence dissemination is the organization's ability to adapt to the market other way to say is how effectively it communicates and disseminates market intelligence among the functional areas. This dissemination of market intelligence is important because it provides a shared basis for concerted actions by the different departments (Kohli and Jaworski, 1990). Essentially, attention should be balanced between both the horizontal (interdepartmental) and vertical transmission of marketplace information, because openness in communication across business functions assists in responding to customer's needs (Zaltman, Duncan and Holbek ;1973). Ruekert (1992) also clearly specifies that the degree to which a firm obtains and uses information from customers will determine the level of market orientation of that organization,

and is one of the key factors to achieving the goal of performance (Han, Kim and Srivastava 1998).

Responsiveness

This concept refers to the action taken in response to the relevant information acquired and subsequently disseminated (Kohli, Jaworski, and Kumar, 1993). Market intelligence responsiveness entails three distinct activities, including: (1) developing, designing, implementing, and altering goods and services; (2) developing, designing, implementing, and altering systems to promote, distribute, and price goods and services that respond to the current and future needs of customers; and (3) utilizing market segmentation, product differentiation, and other marketing strategies in the development (Kohli, Jaworski, and Kumar, 1993; Narver and Slater, 1990). Organizational responsiveness is related to performance and reflects the speed and coordination (Kohli, Jaworski, and Kumar, 1993) and this generate a competitive advantage for the organization (Day; 1994)

METHODOLOGY

Appropriateness Criteria

This meta-analysis collected studies published between 2010 and 2014 containing a statistic measuring the relationships among individual facets of MKTOR or MARKOR and business performance¹. Computer-based and manual searches of published manuscripts were conducted. This search included *GoogleScholar*, *Emerald*, *Science Direct* and *JSTOR*. We obtained 141 studies containing 49 effect sizes that met these criteria.

Model

Meta-analytic effect sizes were estimated with a random effects model using the *Metawin 2.1* software. The random effects model is highly conservative as it assumes that the sample of studies comes from a heterogeneous sample (see Cano et al. 2004). Meta-analytic effect sizes were estimated for each dimension of MO and BP and 95% confidence intervals. Consistent with prior meta-analyses, raw correlations were disattenuated for measurement error (Cano et al. 2004; Kirka et al. 2005). We verified that each meta-analytic effect size was estimated with at least 4 effect sizes (see Kirka et al. 2005, page 28). In addition, we estimated an overall effect size that included all dimensions of MO and business performance.

RESULTS

As shown in Table 1, the meta-analytic correlation between MO (all dimensions) and BP is $r = 0.32$, CI (0.30 to 0.34). This statistic is comparable to the MO-BP meta-analytic correlations reported in Cano et al. (2004) and Kirka et al. (2005), 0.35 and 0.32 respectively. Table 1 also shows that the effect sizes (correlations) obtained from the studies included in our meta-analyses came from a heterogeneous population (Q-statistic = 263 with critical $\chi^2_{\alpha=0.05} = 33.1$).

Table 1 also shows that although all dimensions of MA are positively related to BP, the impact of MO on BP varies for distinct dimensions of MO. Specifically, the strongest relationship with BP occurs with the *interfunctional coordination* aspect of MO, $r = 0.41$ (CI 0.35 to 0.46) and the weakest relationship with BP pertains *responsiveness*, $r = 0.11$ (CI 0.03 to 0.20). The difference in effect sizes involving interpersonal coordination and responsiveness is significant at $\alpha = 0.05$ (Shenker and Gentlemen 2001).

Table 1, Descriptive Statistics

Relationship with BP	Number of ES	Attenuated ES (Raw Correlations)	Disattenuated ES (Corrected for Measurement Error)	95% Confidence Interval (Disattenuated ES)
Overall MO	49	0.30	0.32	0.30 to 0.34
Customer Orientation	19	0.31	0.33	0.29 to 0.37
Competitor Orientation	9	0.31	0.33	0.27 to 0.39
Interfun. Coordination	9	0.41	0.38	0.35 to 0.46
Intelligence Generation	4	0.31	0.33	0.16 to 0.50
Intelligence Dissemination	4	0.24	0.26	0.04 to 0.47
Responsiveness	5	0.11	0.11	0.03 to 0.20

CONCLUSSIONS AND BUSINESS IMPLICATIONS

This study shows that the detailed analysis of the constructs of OM, separately, were positively associated with a higher correlation to BP. So, to see it analysis separated by dimension, allowed understand actually effect of each dimension over BP. This way, we can understand how the managers can maximize the performance of the key elements of organizational results.

The results show that a key element is to improve collaboration between the different departments of the company. In particular, maintain good working relationships. Thus, company can work more easily and spontaneously, when needed obtain rapid and efficient results. It is, that the company through good management of human resources, should be concerned that managers meet to coordinate that way face the challenges of the environment and the problems generated by competitors.

Another concern of the company is having the ability to obtain market information, employees, competitors and its surroundings, so it can be used as input to make decisions quickly. Maintaining a formal system of market intelligence is key. But also a system where each

employee can deliver the information obtained through interaction with customers. Either way, the intelligence generation and interfunctional coordination should focus especially on the market and competitors.

According to this study, responsiveness is the factor that least impacts on BP, but it needs other elements of market orientation so that it can have a positive effect on BP.

One limitation of this study is not considered the analysis of moderators. However, it will be considered in a second part of this study. For this, a sample of larger papers incorporating data from the years 1990-2014 will be included.

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Footnotes

1. We acknowledge that there are several manuscripts published before the 2010 year cutoff. We are conducting additional searches for manuscripts published from 1990 to 2009 that will be included in further analyses. This is one important limitation to our manuscript.

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