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MARKET ORIENTATION AND ITS EFFECTS ON PERFORMANCE OF FIRM AND SUPPLIERS

Research Proposal



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CHAPTER 1

Introduction

1.1 Background of the Study

Market orientation refers to the culture of the organization which effectively and efficiently creates acceptable and noble behaviors necessary to stimulate superior value for suppliers and buyers. It is also defined as a competitive strategy employed by businesses to generate the right behavior which translates into enhanced value for the consumer, and the overall business performance. For organizations to grow extensively and realize their dreams, they should continually monitor their internal and external business environments by assessing their customer needs, competition, and internal factors which limit their operations. An in-depth understanding of the business environment in such a way that influences organizational performance and interventions define the market orientation (Abbu, 2016). Through a detailed and objective recognition of the changing customer needs, the dynamics of business competition and the environmental factors influencing business operations, the business can develop superior strategies which would result in better organizational performance.

There are several studies which have been conducted to evaluate the consequence of market orientation on business performance. The results have been positive, showing that market orientation translates into improved business performance. According to Narver and Slater (1990), market orientated organizations realize better profits than the less market-oriented businesses. Market orientation enables businesses to enjoy short-term and long-term benefits such as better short-term profits, a firm customer base and long-term organizational success.

1.2 Research Problem

The importance of market orientation for business has been vastly explored in most literature. It has been vastly reported that market orientation results in better performance outcomes for the organization. However, there have been no studies to explore how market performance influences the performance of the firm in relation to the suppliers. This research proposal is premised on understanding how supplier relationships and dynamics are affected by a firm's market orientation. Furthermore, there is an evident knowledge gap in understanding in detail how a firm's performance is influenced by its market orientation strategies.

1.3 Research Questions

The main question that this research will seek to answer is; how does an organization's market orientation affect its performance and relationship with the suppliers? The following research questions will guide this study;

- i. Does customer orientation have any positive impact on the performance of a firm?
- ii. What is the impact of competitor orientation on organizational performance and supplier relationships?
- iii. What is the role of inter-functional relations in organizational performance?

1.4 Objectives

1.4.1 General Objective

To investigate the impacts of market orientation on the performance of the firm and its relationship with the suppliers.

1.4.2 Specific Objectives

- i. To explore the impacts of customer orientation on organizational performance and supplier relationships.
- ii. To investigate the consequences of competitor orientation on the performance of an organization and its relationship with the supplier.
- iii. To find out the role of inter-functional relationships in organizational performance.

1.5 Hypothesis

This investigation will be guided by the following hypotheses.

H1: Customer orientation contributes positively to the performance of a firm and its relationship with the suppliers.

H2: Competitor orientation stimulates organizational performance and supplier relations.

H3: Inter-functional coordination positively impacts organizational performance and supplier relations.

1.6 Significance of Study

The findings of this study will augment the existing knowledge base on how market orientation influences organizational performance and supplier relationships. The results can be used in corporate organizations and businesses to improve performance and improve organizational culture to improve value to the clients.

1.7 Limitations of Study

This investigation broadly explores the concept of market orientation across several organizations. A focus on a specific niche would be more helpful in assisting corporate managers in the specific field to improve their organizational culture, and hence customer and supplier relationships.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Every business should endeavor to understand its internal and external environments to meet the needs of its clients, and to maximize its profit. Market orientation entails organizations understanding their operational niches and implementing positive changes that would improve performance and enhance value to the clients. The origins of market orientation can be traced back to Adam Smith who stated that the goal of every business should be to promote consumer satisfaction. There are several definitions of market orientation which have been put forth by different people. Kohli and Jaworski (1990:1) defined market orientation as the implementation of the marketing concept in an organization. According to Narver and Slater (1990:10), market orientation can be viewed as the organizational culture which translates into enhanced value for the customers. Becker and Homburg (1990:20) asserted that market orientation refers to “the degree to which different management systems of an organization are designed in a market-oriented way.”

The definitions bring to fore several perspectives of market orientation – behavioral perspective, cultural perspective and system-based perspective. The behavioral market orientation perspective

stems from Kohli and Jaworski's view that perceives market orientation as the generation of market intelligence on customer needs, dissemination of the intelligence across departments and implementation to improve customer experience (Kohli & Jaworski, 1990:6). It is focused on information-related behavior. Cultural perspectives consider several components of organizational culture which would result in better organizational performance. Derived from Narver and Slater, it affirms that market orientation has three basic components – “customer orientation, competition orientation and inter-functional orientation.” The distinction between behavioral and cultural perspectives is slightly blurred (Abbu, 2016). The system-based perspective explores any missing discussion on management issues due to market orientation and then implements a system-based intervention. There is a fair amount of overlap in the different perspectives.

Market orientation has not been defined in definitive terms. However, some of the approaches that have been used to explore market orientation have focused on measures of business performance such as the extent of customer retention, profitability, sales growth, innovation, success of new products introduced and customer satisfaction.

2.2 Antecedents of Market Orientation

Kohli and Jaworski posit that a market orientation cannot take place on its own but there have to be organizational antecedents that must be in place to drive it. These include “senior management factors, inter-departmental dynamics and organizational structure and systems.” The senior management should be willing to wholeheartedly improve the organization's market orientation. The drive to improve market orientation must be facilitated by those in senior positions who can pass the appropriate organizational legislations and inject resources appropriately to improve orientation. Inter-departmental factors entail the relationship between all the departments in any organization.

The departments should work collaboratively in enhancing market orientation. Ensuring that market intelligence is transmitted from one department to another ensures the viability of the approaches put in place by the organization. The structural variables and systems within an organization are vital in stimulating market orientation. The structural variables include “formalization, centralization and departmentalization.” Formalization refers to the extent to which the organizational rules define individual roles, norms, communications and procedures within the organization. Centralization entails the participation of the members of the organization in decision-making and key processes within the organization. Departmentalization refers to the compartmentalization of the organization to ensure a streamlined flow of processes and functions directed at improving organizational performance and enhancing value for the customers.

2.3 Market Orientation and Inter-Firm Relationships

The traditional environment pushes firms to operate in an antagonistic fashion. Businesses are often driven into maximizing their profit generation at the expense of other firms. In this traditional sense, firms often gather information regarding their competitors and customers in a bid to outdo other businesses (Alizadeh, Alipour & Hasanzadeh, 2013). Market orientation details understanding the competitors and customers, not in an antagonistic way but in such a manner that would improve the customer experience. Understanding the competitors and developing positive relationships would contribute to the overall performance of both businesses (Raaij & Stoelhorst, 2008). To a large extent, in market orientation, businesses which are well oriented would have healthy relationships which would improve their performance and customer satisfaction parameters.

Customer satisfaction extends beyond the collection of information on the customers and competitors. The establishment of mutually beneficial relationships have been shown to be

effective in organizations compared to the traditional transactional approach. Helfert, Ritter and Walter suggest that healthy relationships in market-oriented firms would give good information about customers and competitors which can be used to improve performance and relationships.

2.4 Consequences of Market Orientation

The impacts of market orientation can be grouped into organizational performance, customer consequences, innovation consequences and employee consequences. The organization performance indicators of market orientation involve cost-based performance measures that depict firm performance after taking into account the costs and expenses incurred in the implementation of market orientation strategies (Raaij & Stoelhorst, 2008). Customer consequences considers factors such as customer satisfaction and retention in relation to the quality of goods and services, as well as the customer experience. Innovation consequences entails the firm's ability to create and develop new products and processes to meet the dynamics of the market contributed to by the change in customer needs. The employee consequences refer to the impact of market orientation on the employees. It encompasses reduced employee turnover due to pride in the organization and its methods.

Market orientation results in improved organizational performance in terms of efficiency and productivity. A well-oriented firm would realize high profitability, improve its processes and diversify its products and services range to meet the needs of its diverse client groups (Carvalho & Sabino, 2019). Additionally, well-oriented firms have reduced employee turnover which helps in the establishment of healthy relationships within the organization. Market orientation stimulates businesses to be innovative in meeting the customer needs and thriving in the highly competitive market niche.

CHAPTER 3

INVESTIGATIVE APPROACH AND METHODS

3.1 Research Approach and Research Philosophy

This research will employ both a qualitative and quantitative (mix) research approach in the collection of data. Both qualitative and quantitative data will be needed in this study. Given the diverse amount of data needed for this research, the approach will entail the collection of both analytical and inferential data. Both primary and secondary data sources will be used in this approach. The measuring tools that will be used in this study are items of market orientation, marketing innovation, competition, and demographic features. The pragmatist research philosophy will be used. This research philosophy is premised on facts and is determined by the research problem. This is the best approach for this study as it gives the researcher the freedom of choice to select the methods, techniques and procedures which suits his/her needs and addresses the research question.

The study will be divided into two parts; the first part will involve a pre-study in which there will be comprehensive measures of measures designed to explore the consequences of market orientation at McDonald's Restaurant. The second part will be the main study which will entail the research context, sample selection, data collection and data analysis.

3.2 Target Population and Sampling Techniques

The target population for this study will be employees, customers and suppliers of McDonald's restaurant branches located across Florida. The selection of the study participants will be done in two steps. First, there will be a random selection of McDonald restaurants located across the State.

The random selection will be based on an estimation of the restaurant's serving capacity and the

number of employees. The busy branches will be selected randomly for this study. The second process will involve the application of the convenience sampling technique to enroll respondents to the study.

3.3 Data Collection

Dependent and independent variables will be used in this research. The independent variables will be adapted from the MARKOR scale developed by Kohli, Jaworski and Kumar (1993). The scale consists of intelligence generation, intelligence dissemination and responsiveness. The study will use a 5-point Likert Scale questionnaire as the main tool for data collection. To determine the appropriateness of this tool for data collection, an initial survey will be conducted which will explore a marketing scale for market orientation and market innovation. The second analysis will entail specific contents on sustainable competitive advantage and factors which influence performance. The factors will be based on the MARKOR scale. An accurate evaluation of the survey instrument would then be done.

| Dimensions | Indicators |
|----------------------------|--|
| Intelligence generation | <ol style="list-style-type: none"> 1. Frequency of doing customers' need analysis. 2. Ability of interaction between service department and customers. 3. Ability to adapt customers' preference changes. 4. Frequency of doing product's quality analysis. 5. Ability to adapt environment's changes. 6. Frequency of reviewing the effect of changes in business. 7. Environment. |
| Intelligence dissemination | <ol style="list-style-type: none"> 1. Frequency of exchanging market information in firm. 2. Sharing information level of marketer with other units in firm. 3. Quick-witted ability of the whole firm with major importance about customer or market. 4. Ability of sharing data on customer satisfaction in all levels of firm. 5. Ability of sharing data on competitors. |
| Responsiveness | <ol style="list-style-type: none"> 1. Ability of attention to competitors' actions. 2. Ability of attention to customers' needs. 3. Frequency of reviewing product in comparison with customers' needs. 4. Ability of coordination between departments in firms to plan a response to changes of business environment. 5. Ability to implement a response to competitors immediately. 6. Ability of coordination between difference units in firm. 7. Ability of attention to customers' complaints. 8. Ability to implement a marking plan on time. 9. The concert of departments to modify a product/service for customers. |
| Business performance | <ol style="list-style-type: none"> 1. Financial performance (market share growth, sales volume, ROI, ROE, operating income, net income). 2. Non-financial performance (success in achieving customer satisfaction, success in retaining current customers, success in attracting new customers, success in building a positive image and overall performance of a company). |

The items identified will employ a 5-point Likert scale to measure the level of market orientation. The study participants will indicate the extent to which they agree with the statements on market orientation at their companies. The scale will vary from number 1 which would indicate “strongly agree” to number 5 indicating “strongly disagree.” The dependent variable for this study will be business performance. The data collection will be done through a preliminary and main survey on consumers, employees and suppliers who are affiliated with McDonald’s.

3.4 Data Analysis

The data collected will be transferred into SPSS Statistics Program for analysis. The data will first be analyzed for completeness and accuracy before being subjected to analysis using SPSS. Testing for data normality will be done using the Kolmogorov-Smirnov test. The reliability analysis of the collected data will be done using the Cronbach’s Alpha coefficient which will verify the internal consistency of each research construct. The correlation analysis will be employed in establishing the relationship between market orientation and organizational performance. Pearson coefficient will be used in the correlation analysis. Regression analysis will also be used to determine the level of relationship between market orientation and firm performance as well as supplier relationships. The analyzed data will be presented through the use of frequency tables and bar graphs.

3.5 Ethical Issues

Sound research demands those ethical considerations be put into perspective. This study will seek ethical clearance from the University and the management of McDonald’s restaurant to conduct the study in the target location. The participants will be explained to the purpose and terms of the study, and their informed consent sought before being enrolled into the study. All the participants have the right of withdrawal from the study anytime they feel like and will be assured that no

coercion or intimidation whatsoever will be allowed during the investigation. It is also imperative to note that there shall be no bribes or rewards given to participants.

The participants will be assured of utmost confidentiality of information shared. They will not record their names or employment or personal details on the questionnaire and are free to withhold any information that they may feel to be an invasion to their privacy. No information about the business or suppliers shall be sought and/or used without prior authorization from the management of McDonalds.

APPENDIX 1: MARKOR QUESTIONNAIRE (ORIGINAL)

This questionnaire was developed by Jaworski and Kohli (1993).

Intelligence generation

[Select from 'strongly disagree' to 'strongly agree' (1-5)]

1. In this business unit, we meet with customers at least once a year to find out what products or services they will need in the future.
2. Individuals from our manufacturing department interact directly with customers to learn how to serve them better.
3. In this business unit, we do a lot of in-house market research.
4. We are slow to detect changes in our customers' product preferences.
5. We poll end users at least once a year to assess the quality of our products and services.
6. We often talk with or survey those who can influence our end users' purchases (e.g., retailers, distributors).
7. We collect industry information through informal means (e.g., lunch with industry friends, talks with trade partners).

8. In our business unit, intelligence on our competitors is generated independently by several departments.
9. We are slow to detect fundamental shifts in our industry (e.g., competition, technology, regulation).
10. We periodically review the likely effect of changes in our business environment (e.g. regulation) on customers.

Intelligence Dissemination

[Select from 'strongly disagree' to 'strongly agree' (1-5)]

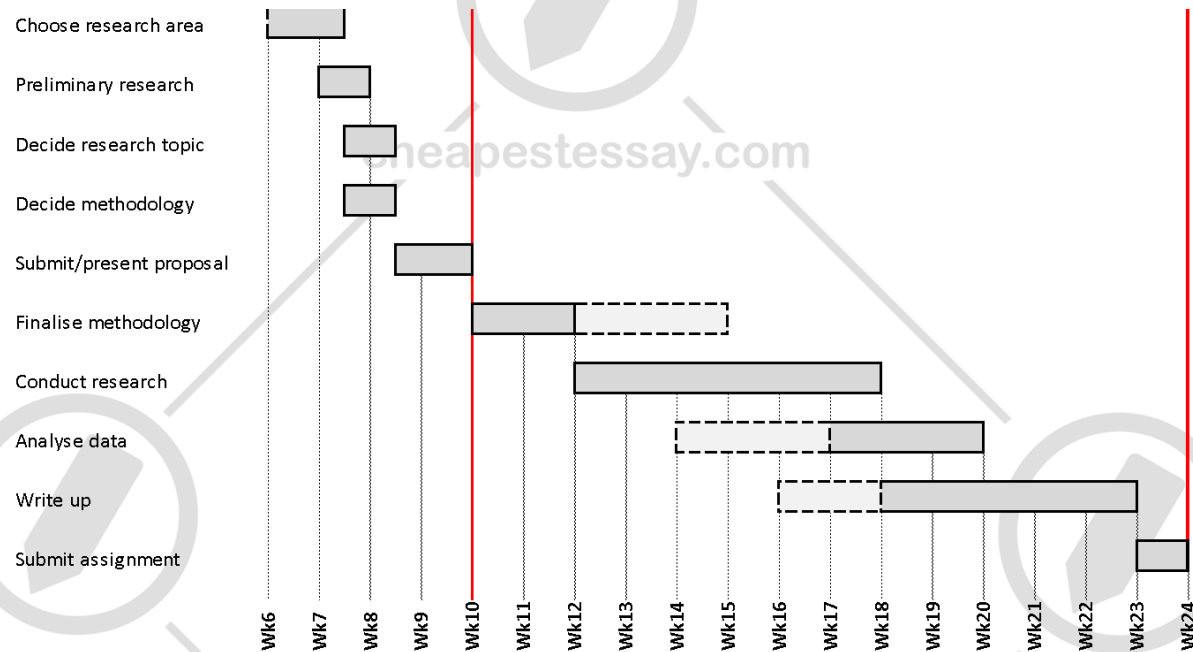
1. A lot of informal 'hall talk' in this business unit concerns our competitor's tactics or strategies.
2. We have interdepartmental meetings at least once a quarter to discuss market trends and developments.
3. Marketing personnel in our business unit spend time discussing customers' future needs with other functional departments.
4. Our business unit periodically circulates documents (e.g., reports, newsletters) that provide information on our customers.
5. When something important happens to a major customer or market, the whole business unit knows about it in a short period.
6. Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis.
7. There is minimal communication between marketing and manufacturing departments concerning market developments.
8. When one department finds out something important about competitors, it is slow to alert other departments.

Responsiveness

[Select from 'strongly disagree' to 'strongly agree' (1-5)]

1. It takes us forever to decide how to respond to our competitors' price changes.
2. Principles of market segmentation drive new product development efforts in this business unit.
3. For one reason or another we tend to ignore changes in our customers' product or service needs.
4. We periodically review our product development efforts to ensure that they are in line with what customers want.
5. Our business plans are driven more by technological advances than by market research.
6. Several departments get together periodically to plan a response to changes taking place in our business environment.
7. The product lines we sell depend more on internal politics than real market needs.
8. If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.
9. The activities of the different departments in this business unit are well coordinated.
10. Customer complaints fall on deaf ears in this business unit.
11. Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion.
12. We are quick to respond to significant changes in our competitors' pricing structures.
13. When we find out that customers are unhappy with the quality of our service, we take corrective action immediately.
14. When we find that customers would like us to modify a product or service, the departments involved make concerted efforts to do so.

APPENDIX 2: TIMELINE



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