THE REVIEW OF APPROACHES TOWARDS MEASURING MARKET ORIENTATION IN RELATION TO BUSINESS PERFORMANCE

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ABSTRACT

The paper deals with the measuring methods of market orientation in relation to the business performance. Concept of market orientation is considered as significant predictor of superior business performance. Market-oriented behaviour could become the competitive advantage for all kinds of businesses. In our paper we examine measuring methods that are commonly used for evaluating market orientation and elaborate the different ways of investigation of business performance. We occupied with the usage of MARKOR scale, MKTOR scale, CUSTOR scale and their modifications. The objective of this paper is to analyse the methods used for measuring market orientation in relation to business performance and provide the overview of their application within the scientific researches.

KEY WORDS

Market orientation. MARKOR scale. MKTOR scale. CUSTOR scale.

JEL CLASSIFICATION

L20, L29.

INTRODUCTION

Nowadays, businesses operate in intensive competitive environment and therefore become necessary for them to efficiently generate, disseminate and respond to information about market. Behaviour including the realization of these activities within the business is represented by the concept of market orientation. The marketing literature has emphasized the importance of market orientation for achieving organizational objectives like competitive advantage and improved performance. In the past, there were developed two basic directions towards market orientation, especially cultural and behavioural perspective. These perspectives also determine the methods used for measuring the market orientation in relation to the business performance.

1 METHODS FOR MEASURING THE MARKET ORIENTATION AND BUSINESS PERFORMANCE

Studies of authors Kohli and Jaworski (1993) and Narver and Slater (1990) implemented in 90s of the 20th century has become a starting point for the other scholars who dedicated to the concept of market orientation. In spite of formation of this issue several decades ago there is a revival of interest in market orientation. Kirca and Hult (2009) refer that expansion in market orientation research has accelerated in the last two decades. Especially, there are three groups of models proposed and tested by researchers. There are models focused on conceptualization and measuring the market orientation of business (representatives: Kohli and Jaworski, 1990; Narver and Slater, 1990), models directed on identifying of antecedents and consequences of market orientation (representatives: Gebhardt, et al., 2006, Matsuno et al., 2002) and models investigating the mediators and moderators that influence relationship between market orientation and business performance (representatives: Slater and Narver, 1994). For the purpose of this paper we will dedicate with models measuring market orientation of business and with approaches towards investigating business performance.

Jaworski and Kohli (1993) have developed a MARKOR scale in their article as a tool for measuring market orientation. This measure was developed as a reaction of resurgence of academic's and practitioner's interest in market orientation concept and insufficiency of systematic effort devoted to developing a valid measure of market orientation. The MARKOR scale includes three components – generation of market information, dissemination of information and responsiveness capacity. The MARKOR scale appears to be able to gain information about specific behavioural reactions of business on critical aspects of a market such as competition, customers, regulation, social and macroeconomic forces (Jaworski and Kohli, 1993; Kohli, Jaworski, Kumar, 1993). Original MARKOR scale consists of 32 items which are divided into three groups corresponding to behavioural perspective of market orientation. Later in 1993, Kohli, Jaworski and Kumar modified it to scale with 20 items. In MARKOR scale individual statements are predominantly evaluated by using the Likert scale (Caruana, 1999, p. 248).

The second widely used measure is called MKTOR scale which was developed by Narver and Slater who are representatives of cultural perspective of market orientation. This method is less process oriented, and is operationalized in purely behavioural manner. It is characterized as a method of measuring market orientation based on average scores from the three measured sections, namely customer orientation, competition orientation and interfunctional coordination (Rojas-Méndez, Rod, 2012). It totally consists of 14 items and for the purpose of measuring market orientation it is used the Likert scale capturing attitudes of respondents towards activities of business (O´Sullivan and Butler, 2009). The other scholars (Deshpandé and Farley, 1998; Dobni and Luffman, 2000) also used modified methods or their combination for measuring market orientation. Both methods argue that the degree to which business demonstrates its market orientation influences the effectiveness to which the marketing concept is implemented in business and at the same time the degree to which business performance is affected (Kohli and Jaworski, 1990; Narver and Slater, 1990, Reukert, 1992).

Alongside the existence of two major streams there are also the other approaches. Hajjat (2002) developed CUSTOR scale which is focused on measuring the customer orientation. Customer orientation is hypothesized to be a multidimensional construct which consist of customer intimacy, customer welfare, business transparency, and continuous improvement. According to Narver and Slater (1990) customer orientation is considered as a basic element of overall market orientation. An increasing number of studies have recently focused on the concept of market orientation with the aim of understanding the impact of its elements, e.g. customer orientation on business performance (Hajjat, 2002). This method consists of 17 items. Saxe and Weitz (1982) developed measuring method SOCO (Selling Orientation – Customer Orientation) for measuring the degree to which salespeople engage in customer-oriented selling (In: Jaramillo et al., 2007).

The consequence of market orientation is business performance (Jaworski and Kohli, 1993) and therefore, the investigating the relationship between these variables has become the centre of attention. Vieira (2010) argue that market orientation is a source of differentiation on market and investments to marketing concept implementation should lead to superior business performance. Businesses performance as the consequence of market orientation is mainly measured through the customer satisfaction as a non-financial indicator and several financial indicators, including profitability, sales or overall performance.

Authors implement different approaches towards measuring business performance. There are two ways of investigating the financial and non-financial indicators. Business performance might be investigated through the subjective (self-reported) measures or objective measures. The distinction between objective and subjective measures of business performance is blurred by the human element. Although the most objective measures are based on financial data, the reporting of financial information may be subjectively constructed. The difficulty in obtaining objective data contributes to the wide use of subjective measures (Cano, Carrillat, and Jaramillo, 2004).

2 OBJECTIVE AND METHODOLOGY

The objective of this paper is to analyse the methods used for measuring market orientation in relation to business performance and provide the overview of their implementation within the scientific researches. In order to fulfill the objective of paper we realized the secondary analysis of scientific literature related to the studied issue. We applied the scientific methods of analysis, synthesis, induction, deduction, and comparison.

3 THE REVIEW OF RESEARCHES FOCUSED ON USING VARIOUS APPROACHES TOWARDS MEASURING MARKET ORIENTATION IN RELATION TO BUSINESS PERFORMANCE

Methods mentioned above are widely used for measuring the market orientation. Authors use these methods to measure the market orientation in thier original design, and the others prefer various modifications. Avlonitis and Gounaris (1997) used three groups of questions in their research to measure the market orientation as attitude, the market orientation as the behaviour, and business performance. The market orientation as attitude was measured through the 15 statements that adequately described the attitudes of businesses towards market orientation. To measure the market orientation as business behaviour was used the MARKOR scale, which was reduced to the scale with the lower number of items. For evaluating individual statements was used 5-degree Likert scale to express the degree of agreement with individual statements. Cervera, Mollá and Sánchez (2000) applied the scale that was created and validated by Cervera et al. (1999), based on Kohli et al. (1993), and following the Churchill’s methodology (1979) (In: Cervera, Mollá and Sánchez, 2000). From the original 37 items were selected 24, which were divided into four areas, especially gathering information about customer needs, gathering information about effect of business activities, sharing information, and using information. The 5-degree Likert scale was used to express the attitude to the individual statements.

Hooley et al. (2003) used the scale created by Narver and Slater (1990), which consists of 14 statements evaluated by using the 7-degree Likert scale. Kara, Spillan and DeShields (2005) used MARKOR scale with 32 statements to measure market orientation. Respondents expressed the degree of acceptance towards statements using the 5-degree Likert scale.

Panayides (2004) used the methodology recommended by Greenley (1995), who works with the nine dimensions that make up the scale for measuring the market orientation. 5 dimensions were dedicated to measure market segmentation and 4 dimensions to measure market differentiation. The author used 7-degree Likert scale in his research.

Pitt, Caruana and Berthon (1996) worked with MARKOR scale consisting of 20 items. However, several changes were made in their research. Instead of the 5-degree Likert scale used by Kohli et al. (1993), authors applied the 7-degree Likert scale. This change contributed to the increasing of reliability of research (Churchill, Peter, 1984) and consequently did not have an effect on factor analysis used for statistically evaluation of data (Barnes et al., 1994) (In: Pitt, Caruana and Berthon, 1996).

Pulendran, Speed and Widing II (2003) measured market orientation using 20-items MARKOR scale. 6 of them were focused on information generation, 5 of them on information dissemination, and 9 of them on responsiveness to information. Business performance was measured through five items based on Jaworski and Kohli (1993). They chose the 7-degree Likert scale for all items in order to ensure comparability and simplicity of interpretation. Rojas-Méndez and Rod (2013) conducted the research in order to compare two methods for measuring market orientation. They used both the MARKOR and MKTOR scale and respondents expressed the degree of agreement with individual statements through the 5-degree Likert scale. Sin et al. (2005) used the MKTOR scale taken from Narver and Slater (1990) to measure market orientation, using a 7-degree Likert scale for each of the 14 items.

Investigation of relationship between market orientation and business performance requires also the identification the financial and non-financial indicators of business performance. On the first sight may seem appropriate to focus only on marketing performance indicators. However, authors use for identification of business performance mainly traditional financial indicators or ratios and non-financial indicators connected to the market, customers and employees. In table 1 is reflected the overview of business performance indicators which were used in scientific researches.

Table 8 Overview of Business Performance Indicators Used in Research

Author/s	Year	Business Performance Indicators
Haryanto	2017	sales volumes, improved earnings, asset enhancement, and increased number of customers
Alizadeh et al.	2013	sales level, sales growth, relative market share, capital retention rate, proft margin, relative quality of success in presenting new products, organization ability in customer-retention

Dubihlela, Dhurup	2013	financial performance, employee organisational commitment, customer retention
Rojas-Méndez, Rod	2012	sales, costs, profit, ROI
Kara et al.	2005	current sales volume and sales volume per three years, sales growth, market share, ROI
Panayides	2004	profit, sales growth, ROCE, sales volume, market share, overall performance
Hooley et al.	2003	profit, ROI, sales volume, market share
Puledran et al.	2003	overall performance, market share, organizational commitment, loyalty
Cervera et al.	2001	overall performance
Matsuno et al.	2000	overall performance, market share growth, sales growth, percentage of sales from new products, ROA, ROI, ROS
Avlonitis, Gounaris	1997	profit, annual turnover, ROI, market share
Pitt et al.	1996	ROCE, sales growth, overall performance
Jaworski, Kohli	1993	overall performance, market share, organizational commitment, loyalty
Narver, Slater	1990	ROA, ROI

Source: Own elaboration.

The overview shows that authors used similar financial and non-financial indicators in their researches. The financial indicators which were used in their studies the most were profitability ratios such as ROA, ROI, ROCE and ROS. Authors also investigated the growth of absolute financial indicators such as sales or profit. Non-financial indicators are primarily represented by market share, customer satisfaction, and overall performance. Subjective measures were used for measuring business performance in all researches shown in table 1. Only Rojas-Méndez and Rod (2012), Panayides (2004) and Jaworski and Kohli (1993) used the combination of both subjective and objective measures for measuring business performance.

Hooley et al. (2003) argue that subjective method of investigation the values of business performance indicators is preferred if it is necessary to obtain the values of indicators from a wide range of businesses. Managers are usually very busy and there is a risk that such questions will not be answered. Another reason is that despite the provision of anonymous data managers may be reluctant to give precise numerical values of surveyed indicators. The absolute numerical values of indicators also make it impossible for a comparison between businesses of different sizes, operating in different industries, using different accounting standards and defining their markets in different ways. The use of subjective measures of performance is not a new approach in studies that seek to investigate potential relations between business performance and various aspects of management. Similar studies have also used subjective measures of performance for this purpose (Pitt, Caruana, and Berthon, 1996, Cervera, Mollá, and Sanchéz, 2001; Puledran, Speed, and Widding, 2003; Hooley, et al., 2003; Kara et al., 2005).

Avlonitis and Gounaris (1997) conclude that studies which used both objective and subjective measures of performance (Venkatraman, Ramanujam, 1986; Child, 1986; In: Avlonitis and Gounaris, 1997) have found strong correlation between them. Zhu and Nakata (2007) state that subjective measures of business performance closely correspond to the objective ones what was proved by studies of Dess and Robinson (1984) and Wall et al. (2004). Moreover, using of subjective measures offer the advantages of making comparison across businesses and enforce responses from managers reluctant to release actual data about performance. Vij and Bedi (2016) devoted their research to the investigation of linkage between subjective and objective measures of business performance. The aim of their research was to assess the justification of the subjective measures for use in place of objective measures of business performance. Their study found strong positive correlation between subjective business performance and objective business performance. Subjective business performance has been operationalized in terms of ten financial and operational indicators identified from the literature and objective business performance has been measured using archival data of six financial or operational indicators. The study found it justified to use the subjective measures of business performance.

CONCLUSION

In this paper, we examined measuring methods that are used for evaluating market orientation and elaborate the different ways of investigation of business performance. The objective of paper was to analyse the methods used for measuring market orientation in relation to business performance and provide the overview of their application within the scientific researches. We realized the secondary research through the review of scientific papers focused on the investigation of relationship between market orientation and business performance. We found out that authors predominantly used the MARKOR scale, MKTOR scale or their modifications for measuring market orientation. Business performance is mostly investigated through the various financial and non-financial indicators. The scientists predominantly use the subjective measures in comparison to objective measures in the terms of investigating relationship between market orientation and business performance.

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