Market Orientation Strategies and Corporate Performance (Case Study: Iran Khodro Company)

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Abstract

This study examined the impact of market orientation strategies on corporate performance (Case study: Iran Khodro Company). The research method was descriptive-survey and the statistical population consisted of all experts and directors in Iran Khodro Company. Sampling method in this study was purposive and the numbers of samples were identified from statistical population and chosen for the distribution of questionnaires. The components of market orientation strategies were determined through various sources and the reliability of questionnaire was obtained equal to 0.822 after determining the content validity by experts. Pearson correlation coefficient was measured by SPSS software in order to analyze data and investigate the relationship between market orientation indicators and corporate performance; furthermore, the partial least squares model (PLS) was estimated and analyzed through PLS Software. The research results indicated that among the market orientation strategies, the competitor orientation had the highest relationship with Iran Khodro Company's performance, but the customer orientation had the lowest relationship. Spending time by employee to discuss the customers' future needs with other functional units has the maximum effect and then the Regular measurement of marketers' satisfaction/dissatisfaction levels and their perception and imagination of company, Quick response to the actions which the competitors do for customers, and return on sales growth had the greatest impact on the corporate performance.

Keywords: Market orientation strategy, customer orientation, competitor orientation, inter-functional coordination, marketing capabilities

Introduction

The increasing need for market orientation is felt by increasing growth of competition, changing the local to global markets, the customers' diversity of needs and demands and the cultural, social, diversity in different markets. The business environment is now significantly affected by the competition among the companies and the rapid changes in technology and continuous change in customers' demands and needs. The marketing concept is proposed as a new business philosophy. The market orientation helps the real implementation of this concept, thus it can be concluded that the infrastructure of market orientation lies in marketing concept. The market orientation is taken into account because the customer right to choose has been risen due to the competition among the producers, thus the market orientation has paid special attention to the customers and sought to create the superior value for them. The market orientation for creating the superior value for customers also pays attention to the competitors and their strengths and weaknesses as well as the inter-functional coordination (Faryabi et al, 2011).

Since the 1990s, the considerable progress has been made in the in the development of market orientation concepts and numerous analytical efforts have been taken to define,

conceptualize and operate it. Among these studies, two main concepts, namely the culture-based interpretation introduced by Narver and Slater in 1990 and the information-based attitude by Kohli and Jaworski in 1990 and Ruekert in 1992, have gained strong support. Narver and Slater defined the market orientation as the viewpoint of culture as the marketing culture, which effectively creates the behavior that are necessary for making more value for customers and thus promoting the market-oriented corporate performance. According to their view, the market orientation includes three factors (Narver & Slater, 1990): 1 - Customer orientation, 2- Competitor orientation, and 3- Functional Coordination

The Customer orientation includes the philosophy of customer, identification and satisfaction of customer needs and demands, achieving the aim of organization to reach its goals while satisfying its customers' needs, the integrated marketing organization, and integrating all functional areas of organization to achieve the same goals by satisfying the customer needs and demands, and this is considered as the marketing culture for creating the value for customers (Ellis et al, 1998). The competition orientation covers the rate of gathered information on competitors by sales agents and distributed among other units, the level of senior management's discussion about the strengths and weaknesses points and strategies of the competitors, the frequency of applied opportunities by company and taking advantage of competitors' weaknesses, in addition to the rapid response to the competitors' activities. The inter-functional coordination includes the inter-correlation in developing the strategy, involving other organizational units in resources, information dissemination among all units, and coordinating all activities in order to create value for customer. In addition to three factors mentioned above in this study, the marketing capability is considered as the dimension of market orientation and includes the accountability, communication with customer, understanding the customer needs, measuring the customer satisfaction, and after sales services and expertise orientation (Helfert et al, 2002).

Research Literature

Market orientation components: According to the cultural view, Narver and Slater (1990) argued that the market orientation consists of three behavioral components including the customer orientation, competitor orientation, and inter-functional coordination and two measures including the long-term decision-making and profitability (Narver & Slater, 1990). Not only the market orientation focuses on the customer, but also on the competitors, various organizational issues and numerous external factors that affect the customer needs and preferences.

Kohli and Jaworski (1990) offered the following definition of market orientation: "The market orientation refers to the creation of knowledge on the market in the organization in order to predict the customer current and future needs, dissemination of this insight among all units and its wide organizational responsiveness".

Customer orientation: Narver and Slater (1990) argued that: The market orientation means the adequate understanding of their target customers, so that the superior values are continuously created for them.

Competitor orientation: Dawes (2000) defined the competitor orientation as identification of competitors' strengths and weaknesses, capabilities and strategies in a way that in will be possible to react to their activities.

Inter-functional Coordination: According to Narver and Slater's view (1990), the inter-functional coordination means coordinating all functions of organization and utilizing the customer and market information in order to create value for customer. Tse et al (2003) defined the inter-functional coordination as the information dissemination about the customers and competitors

among all between individuals and units of organization in order to make a proper understanding of customer needs and demands and plan to overcome the competition.

Marketing capabilities: Marketing capability is defined as an integrated process in which a company applies the tangible and intangible resources for understanding the complexity of customer unique needs, achieving a relative advantage of products for competitive advantage, and ultimately achieving an appropriate quality of brand (Benedetto et al, 2007, 4).

The history of paying attention to the market orientation issue dates back to the efforts by Narver and Slater in 1990. Since then the market orientation concept has been raised as a scientific topic in marketing literature and numerous studies have been conducted with the aim at explaining and describing this concept. Taylor at al argued that the market orientation referred to the creation of knowledge about the market to predict the customer current and future needs with the aim at dissemination of this insight in all organizational units and widespread accountability to it. This concept mainly focused on the information acquisition, dissemination, application as well as its relationship with effective service about the customer needs and demands (Charles et al, 2008). Furthermore, Sin et al (2005) considered the market orientation in a business unit which acquires the information from customers and applied them, developed a strategy for fulfilling the customer needs and applied that strategy to respond to the customer needs and demands. They argued that the market orientation concept was as the heart of marketing theory. Such this stimulus is resulted from the organizational culture in line with creating the value for customers as well as obtaining the sustainable competitive advantage and seeks to promote and acquire a high degree of market orientation simultaneous with producing the superior performance (Sin Leo, 2005). Therefore, it is clarified to what extent the market orientation and implementation its strategies can affect the corporate performance and success. Marketing concept believes that achieving the organizational goals simply needs determination and definition of requirements and demands of target market as well as fulfilling the customer satisfaction in a better and more efficient way than competitors (Kotler and Armstrong, 2002; Taylor et al, 2008).

Tse et al (2003) applied five components to measure the business performance in their study including the profit, sales volume, market portion, return on capital and liquidity. They classified these components into two groups after performing a factor analysis on them: 1- Profitability, and 2- Dominating the Market. Vorhies and Morgan (2005) have concluded in their study that the companies utilize their capabilities for transferring the resources to the outputs based on their marketing strategies and such these capabilities are associated with their practices and improve their performance. Palmatier (2007) has widely utilized the RVB framework in his study for performance analysis in the field of understanding the interaction between marketing and other basic features and its impact on performance as well as understanding the performance of inter-organizational relationships. He suggests that there is a significant relationship between capabilities and performance. Zhou et al (2009) investigated the way under which the customer value affected the market orientation of company and then the competitive advantage and corporate performance. In this research, the customer value is classified into two dimensions of "services" and "emphasis on price". Market orientation also includes two dimensions, the competitor and customer orientation. Furthermore, the competitive advantage is classified into the innovation advantage and market advantage and finally the corporate performance includes the market performance and financial performance. Their results of hypotheses indicate that the customer value affects the corporate orientation. Chen and Quester (2009) have provided the experimental evidence for the effect of market orientation on the competitive advantage. They argue that the market orientation is one of the basic concepts in development of marketing theory and play the important role in business profitability. Furthermore, according to their view, the organization can obtain better business

performance is it creates the superior value for customers and this leads to the business. The results of this study indicate that the market orientation has the positive effect on the customer satisfaction.

Ghazizadeh et al (2011) examined the impact of marketing capabilities such as marketing costs and diversity and the number of corporate operations on their financial performance using data envelopment analysis. Their results indicate that there is a significant positive correlation between the marketing capabilities with the overall corporate performance and the financial performance of efficient companies. Diversification also negatively affects the overall corporate performance and financial performance of efficient companies.

Materials and Methods
Research Methodology
This research is conducted through the descriptive-survey method and is among the empirical studies. It is applied in terms of objective and has the correlative type in terms of method; furthermore, it is a kind of field studies in terms of data collection method.

Statistical population
The statistical population consists of all experts and managers in Iran Khodro Company.
The sample size in estimated according to Cochran's formula as follows:

$$n = \frac{t^2 pq}{d^2} = \frac{(1/96)^2(0/95)(0/15)}{(0/05)^2} = 218$$

The sampling size is estimated equal to 218 through Cochran's sampling formula by taking into account the possible accuracy (0.05) and it is increased by 220 in order to compensate the incomplete questionnaires.

Sampling method
The purposive sampling method is done in this study and the numbers of samples are determined from statistical population and chosen for distribution of questionnaire.
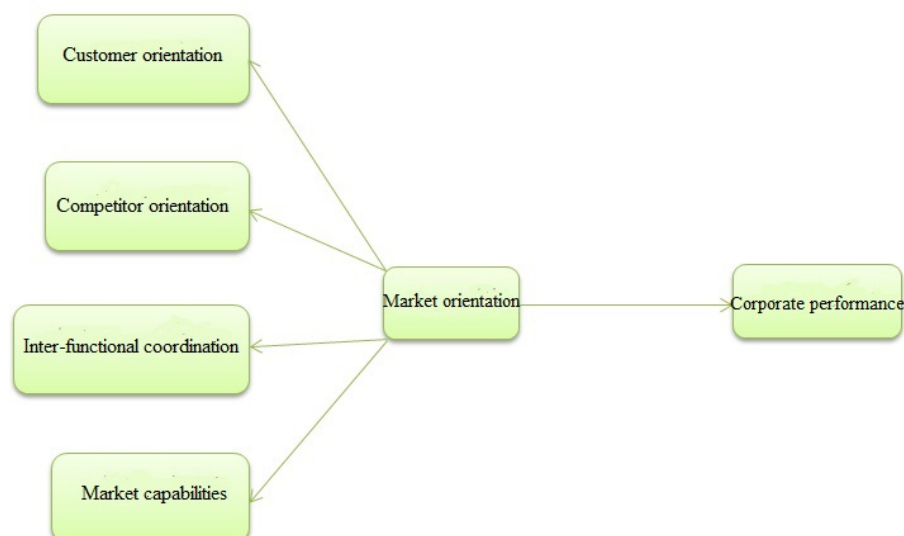
Research domain
In terms of time domain, this study is conducted from 2012 to 2013.
Iran Khodro Company is the spatial domain of this study.
The subject domain of this study includes investigated effect of market orientation strategies on corporate performance (case study: Iran Khodro Company).

Conceptual model of research

Results

This study utilized the descriptive analytical methods including the mean, standard deviation, skewness, and kurtosis along with the diagram. The inferential analysis provided the normality test and structural equations for indicating the impact of market orientation on the corporate performance. In fact, the estimated Pearson correlation coefficient determined the type of relationship, direct (positive) or inverse (negative), and the level of relationship between each of independent variables with dependent variable. Kolmogorov-Smirnov test was used to test the data normality.

Reliability of questionnaire

Cronbach's alpha coefficient was applied in this study to identify the reliability of questionnaire. The value of Cronbach's α was obtained higher than 0.7 for each of 24 questions and 5 variables of research, thus the reliability of questionnaire was approved. The output tables of SPSS Software are presented to assess the reliability as follows:

Table 1: Calculation of Cronbach's alpha for 24 questions of questionnaire

N of Items	Cronbach's Alpha
24	0.822

Table 2: Calculation of Cronbach's alpha for 5 variables of questionnaire

Cronbach's Alpha	N of Items
.718	5

Data Normality Survey

Table 3: Evaluation of data normality for five variables of questionnaire using Kolmogorov-Smirnov test

Items	Kolmogorov-Smirnov Statistic	Significance level
Customer orientation	0.799221	0.54541
Competitor orientation	1.167662	0.130811
Inter-functional Coordination	1.194819	0.115068
Marketing capabilities	1.122064	0.161148
Performance Comparison	1.050289	0.21994

Due to the significance level value which is higher than 0.05 for all variables, the hypothesis of normal distribution of target populations is not rejected at the confidence level of 95%, thus the parametric tests can be used to test the research hypotheses in this study.

4-3 investigating the relationship between the market orientation and corporate performance indicators

Statistical hypotheses for this test are:

H_0: There is no significant relationship between market orientation and corporate performance. ($\rho = 0$)

H_1: There is a significant relationship between market orientation and corporate performance. ($\rho \neq 0$)

Table 4: Pearson correlation test to examine the relationship between market orientation and corporate performance indicators

Market orientation indicators	Pearson Correlation Coefficient	Probability
Customer orientation	0.255	0.006
Competitor orientation	0.329	0.000
Inter-functional Coordination	0.281	0.003
Marketing capabilities	0.299	0.001

Given the values of probability for Pearson correlation in the table above, since all values are less than 0.05, the null hypothesis is rejected and the hypothesis based on the relationship between each of orientation market indicators and corporate performance is approved.

Furthermore, according to Pearson correlation coefficient values, it is clear that this relationship is direct and not very strong and the competitor orientation variable has the highest relationship with corporate performance.

Estimation and analysis of Partial least squares model (PLS)

In this section, the valid model and strong statistical indicators of partial least squares (PLS) are applied in order to test the hypothesis, estimate the coefficients of independent variables and determine the appropriateness of each question and in fact their coefficients in explaining the relevant indicators.

The graphical diagram of VPLS Software output, containing the coefficients of variables and their significance levels (t statistic) are presented as follows:
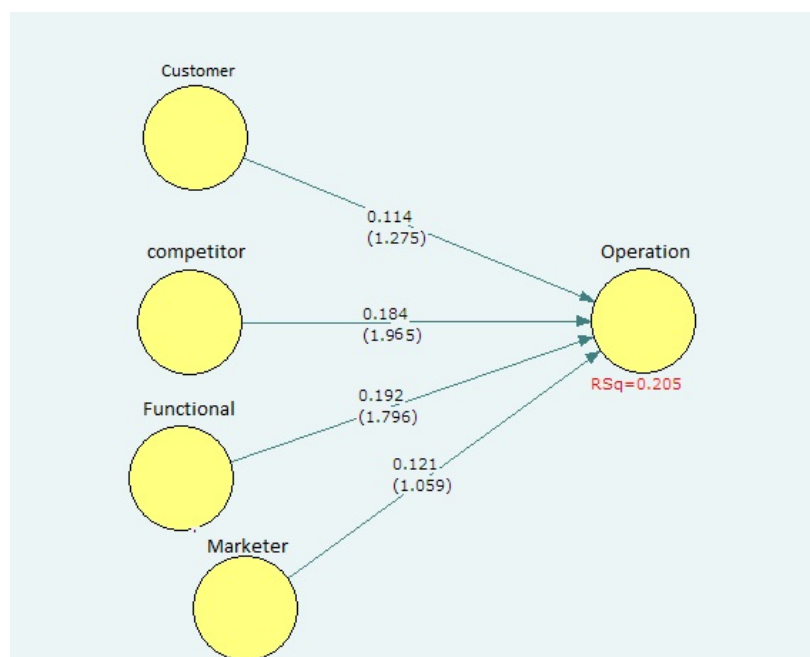

Diagram 1. VPLS software output for the coefficients of variables and their significance levels

Before interpreting the coefficients and significance of variables, the accuracy of structural and measurement model is investigated as follows:

Investigating the accuracy of structural model

According to Chin's theory (1998), R^2 is considerable with the values greater than 0.67, moderate with values from 0.67 to 0.19, and weak with values less than 0.19. Furthermore, in a

specific model, which is the combination of endogenous latent variables with only one or two exogenous latent variables, the value of "moderate R^2" is acceptable. The value of R^2 is moderate in this project because the amount of Rsq=0.205 is less than 0.67 and higher than 0.19.

Assessing the distinctiveness of a variable from others

There are two criteria, Fornell-Larcker and Cross Loading, for calculating the divergent validity of model and the Cross Loading criterion is applied in this project. Based on this criterion, it is expected that the correlation coefficient is an index with its independent variable is higher than the correlation coefficient of that index with other independent variables. This is evident for this project, thus the divergent validity of model is also verified. If there is a number higher than the bold number in a row, it indicates that it is an inappropriate question in the questionnaire and the model should be re-estimated by removing the inappropriate questions in order to minimize the error level.

Table 5- Correlation coefficients between the independent variables and indicators or their questions

Factor Structure Matrix of Loadings and Cross-Loadings					
Scale Items	Operation	Customer	Competitor	Functional	Marketer
S19	0.5309	0.1364	0.1260	0.1074	0.2124
S20	0.7119	0.2378	0.3006	0.2785	0.2602
S21	0.4663	0.1754	0.1355	0.1104	0.1676
S22	0.5751	0.1715	0.2623	0.2386	0.0744
S23	0.3992	0.0655	0.0489	0.1914	0.1451
S24	0.5022	0.1541	0.1963	0.1252	0.1787
S1	0.1627	0.5624	0.1093	0.1112	0.1529
S2	0.1944	0.5752	0.2709	0.2757	0.2134
S3	0.0747	0.4149	0.2522	0.0844	0.0711
S4	0.2404	0.6563	0.2517	0.2572	0.2380
S5	0.1192	0.5353	0.2399	0.0349	0.2365
S6	0.1045	0.4398	0.3906	0.2338	0.3282
S7	0.2634	0.2833	0.6542	0.2450	0.2921
S8	0.2252	0.3217	0.5971	0.1820	0.2263
S9	0.1759	0.2639	0.6773	0.2728	0.3490
S10	0.2717	0.2865	0.7187	0.2788	0.3973
S11	0.0140	0.2571	0.1648	0.2 6 87	0.1395
S12	0.1923	0.2038	0.2249	0.5958	0.2217
S13	0.2784	0.2128	0.3209	0.7834	0.2049
S14	0.1976	0.2488	0.1590	0.5812	0.3017
S15	0.2018	0.2873	0.2765	0.2148	0.6413
S16	0.2501	0.2509	0.4003	0.1769	0.7394
S17	0.1895	0.2794	0.1732	0.3127	0.6388
S18	0.2123	0.2142	0.4062	0.2771	0.6564

Interpreting the coefficients of independent variables

The following table represents the impact factor of independent variables (Entire Sample estimate) on corporate performance as well as standard deviation and t statistic to investigate the significance of variables:

Table 6- PLS Model Structure and the coefficients of independent variables

| Structural Model - BootStrap				
	Entire Sample estimate	Mean of Subsamples	Standard error	T-Statistic
Customer-> Operation	0.114	0.1073	0.0690	1.275
Competitor -> Operation	0.1840	0.1813	0.0915	1.965
Functional -> Operation	0.1920	0.1463	0.0817	1.796
Marketer-> Operation	0.1210	0.1566	0.0913	1.059

According to the results of extraction from PLS method, only the competitor orientation variable has a significant relationship with dependent variable or corporate performance (significance level or t statistic of these variables are larger than 1.96), but other variables have no relationship with dependent variable or corporate performance.

This result is partially observed in Pearson correlation coefficient (this variable had the maximum correlation with corporate performance). Thus, the model is accurate according to the high and near a hundred percent emphasis and confidence.

Effectiveness of each of independent variables and their coefficients

In this regard, it can be concluded that the inter-functional coordination has the maximum impact on the corporate performance with the impact factor of 0.192, and then the competitor orientation with impact factor of 0.184, the marketing capabilities with impact factor of 0.121 and customer orientation with impact factor of 0.114.

Ranking the variables in terms of impact on the corporate performance is shown in the following diagram:
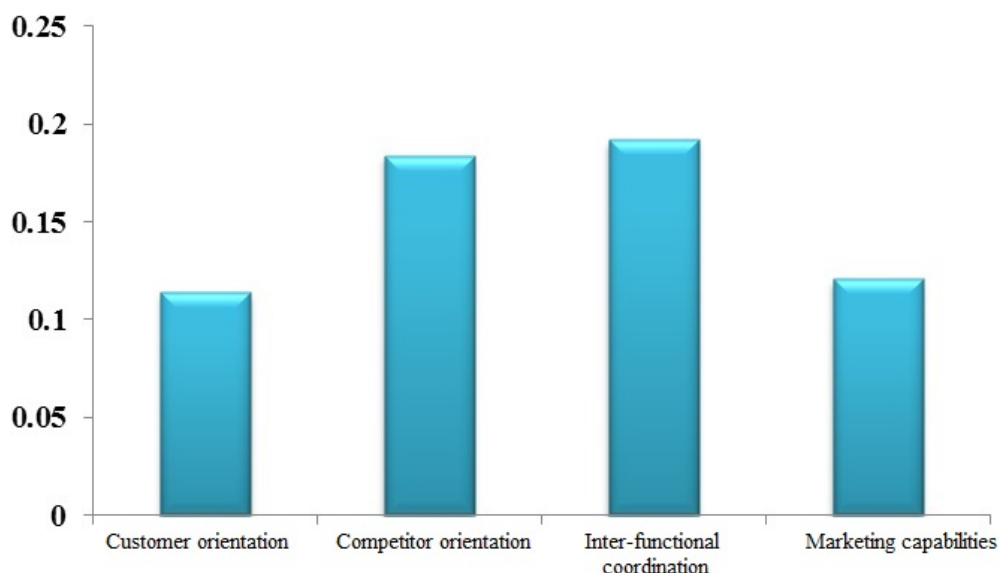
Diagram 2 - Ranking the variables in terms of impact on the corporate performance by PLS

The following table also represents the descriptive statistics for each of four independent variables and even each of indicators or 24 questions of questionnaire including their mean, standard deviation, residual and weight:

Table 7- Descriptive statistics for each of four independent variables and their indicators

Factor Loading, Residual and Weights						
Construct	Indicator	Mean	Std	Loading	Residual	Weight
Operation	S19	2.105263	0.670074	0.530900	0.718200	0.240700
	S20	2.307018	0.566423	0.711800	0.493300	0.473800
	S21	2.254386	0.649185	0.466300	0.782500	0.244500
	S22	2.192982	0.774336	0.575100	0.669200	0.347300
	S23	2.350877	0.579631	0.399200	0.840600	0.200400
	S24	2.307018	0.534263	0.502200	0.747700	0.281200
Customer	S1	4.017544	0.892272	0.562400	0.683700	0.324200
	S2	3.745614	0.807174	0.575200	0.669100	0.387400
	S3	3.684211	0.844721	0.414900	0.827800	0.148900
	S4	3.640351	0.730222	0.656300	0.569200	0.478900
	S5	3.271930	0.998096	0.535300	0.713400	0.237500
	S6	3.614035	1.084964	0.439900	0.806500	0.208200
Competitor	S7	3.666667	0.908823	0.654200	0.572000	0.424100
	S8	3.464912	0.923439	0.597100	0.643400	0.362600
	S9	3.570175	0.902007	0.677400	0.541200	0.283100
	S10	3.578947	0.920703	0.718700	0.483500	0.437300
Functional	S11	3.394737	0.955824	0.218700	0.952200	0.031100
	S12	3.307018	1.122002	0.595800	0.645000	0.426700
	S13	3.491228	0.970773	0.783400	0.386300	0.617900
	S14	3.307018	1.283849	0.581200	0.662200	0.438500
Marketer	S15	3.219298	0.966325	0.641300	0.588800	0.351100
	S16	3.263158	1.073021	0.739400	0.453400	0.435200
	S17	3.245614	1.164074	0.638800	0.591900	0.329700
	S18	3.403509	1.142264	0.656300	0.569200	0.369400

Conclusions

Since competitor orientation has the maximum impact on the performance of Iran Khodro Company, the necessary measures should be taken in the field of the analysis as the best competitive practice to improve the quality of proposals, systematic analysis of strengths and weaknesses of direct competitors and systematic analysis of future threats of substitute products in order to strengthen this strategy.

Among the market orientation strategies, the customer orientation has the minimum impact on the performance of Iran Khodro Company, thus it is better to save the time and money on "Measuring the customers' level of satisfaction/dissatisfaction at least once a year" and " Measuring the customers' level of satisfaction/dissatisfaction at least once a year" and so on.

Since Spending time by employee to discuss the customers' future needs with other functional units, Regular measurement of marketers' satisfaction/dissatisfaction levels and their perception and imagination of company, Quick response to the actions which the competitors do for customers and return on sales growth have the maximum impact on the corporate performance, the necessary measures should be taken in this regard.

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