

## Presenting a comprehensive market oriented model and evaluating its impact on organization performance

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### ABSTRACT

Like other innovative strategies, companies have paid more attention to market oriented strategies in recent years. This has been focused by organizations for improved effectiveness and the organization performance accelerated a lot in business competition. In responding to this fact, organizations are trying to formulate many of the issues familiar to large organizations, which have involved with market oriented strategy planning. This paper reviews key elements in market-oriented strategy planning with regard to competitiveness and performance in large organizations and outlines a comprehensive model for strategy planning in profit organizations. These elements include environment, top management, organization structure and market oriented strategy. Professional question of this study has a particularly important role in formulating relations of this model. These elements are well positioned to evaluate the impact of market-oriented strategy planning on organizations and their expected impacts on organization performance. A well-organized questionnaire to help organizations with their planning is proposed in this survey. Based on the proposed questionnaire, data obtained from Tehran food industry experts and analyzed by using SEM method. Results accepted eight hypotheses and rejected one.

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## 1. Introduction

Approaches to marketing strategy planning and evaluation of its impacts are often explained as a mysterious problem. In a purely logical approach, planning and evaluation strategies are determined by the existence of some basic requirements. Strategists in interaction with top management targets should pay attention to dynamism of internal and external environments of organization to understand the quality of each marketing oriented strategy. Managers at the business level may be called upon to provide information for stakeholders about organization performance, but they do not have appropriate systems to measure the effect of each marketing oriented strategy in overall performance. An important point for the evaluation has been the varied kinds of organizations and their

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fundamental differences and the effect of these differences on their business performance. Businesses have been able to achieve significant competitive advantage in their performance with regard to determination of proper criteria on marketing strategy planning and evaluation. To achieve competitiveness, the organization pays special attention to communicating their vision throughout the marketing oriented strategy. Measuring organization performance is a solution to satisfy stakeholders, so it is an important part of competitive strength that increases the competitive strength (Agarwal et al., 2003). Market-oriented strategy is a set of customer-orientation, competitor-orientation and inter-department collaboration as a strategy aimed at maintaining a high level of performance by effectively and efficiently executing actions required to gain customer value (Narver & Slater, 1990).

Numerous studies focused on its definition as well as its effects on performance (Alexander et al., 2007). Studies on market orientation all demonstrated a significant relationship between market orientation and performance. For instance, Narver and Slater (1990) defined market orientation as a culture but in its assessment used a behavior-oriented scale, resulting in under-representation of the core components of market-oriented culture, which is organizational in nature. Others defined it as a system of values, norms and artifacts designed to affect a desired set of actions. Combining definitions, market-oriented strategy was defined as combinations of market-oriented values, market oriented norms, market-associated norms, and market-oriented actions and it was shown that, market-oriented actions had the significant effect on performance (Baker et al., 2011).

Market-oriented strategy is designed to create higher customer value by executing the required actions with the productive means and creating high level of performance (Narver & Slater 1990). Studies have shown significant positive effects upon firm performance by market orientation. The current study classified market-oriented strategy elements and assumes that the relation among those elements are under question. Based on literature, we can ask how market orientation can positively affects firm performance. Table 1 demonstrates the results of literature review of scientific surveys about the relationship between market-oriented strategy and organization performance.

**Table 1**  
Correlation between market orientation and performance

Scholars	Findings	Scholars	Findings
Narver & Slater, 1990	Positive relationship between market orientation and ROA performance	Kohli, et al., 1993	Positive relationship between market orientation and performance
Atuahene-Gima, 2001	Market success (0), the effective performance of Projects (+)	Willmott et al., 2009	Positive relationship between market orientation and performance, the overall performance (+)
Bhuiyan, 1997	Lack of correlation between market orientation and performance	Webb et al., 2000	Positive relationship between market orientation and performance, customer satisfaction (+) and service quality (+)
Tse et al., 2003	Positive relationship between market orientation and performance Sales growth (+), customer retention (+), ROI (+), market share (+)	Barret et al., 2008	Positive relationship between market orientation and performance ROI (+), market share (+), revenue growth (+)
Griffiths et al., 2007	Positive relationship between market orientation and performance, profits (+), ROI (+), sales volume (+), market share (+)	Slater & Narver, 2000	Positive relationship between market orientation and performance, ROI (+), entrepreneurs (+), profitability (+)

Identification of the relation between market-oriented strategy and organization performance outlines effective variables formulating the model of this study. Type of the known variables and their components are presented in Table 2.

**Table 2**  
Effective Variables

Variable Type	Variable	Components	Scholars
Independent	Perceived environmental uncertainty	Market turmoil Intensity of competition	Narver & Slater, 1990; Kohli & Jaworski, 1990; Rose & Shoham, 2002; Voss & Voss, 2000; Slater & Narver, 2000; Matsuno et al., 2002
	Top Management	Risk Appetite	Kohli & Jaworski, 1990; Ruekert, 1992; Pelham & Wilson, 1996; O'Cass & Weerwardena, 2010
	Organized structure of organization	Formality Centralization Complexity	Kohli & Jaworski, 1990; Gatignon & Xuareb, 1997; Matsuno et al., 2002
Intermediate	Market Orientation	Intelligent creation Intelligence distribution Accountability	Kohli & Jaworski, 1990; Narver & Slater, 1990; Kohli et al., 1993; Slater & Narver, 1993; Slater & Narver, 1994; Slater & Narver, 1995; Matsuno & Mentzer, 2000; Matsuno et al., 2002
Dependent	Organization performance	Objective performance Cognitive performance	Deshpande et al., 1993; Slater & Narver, 1993; Slater & Narver, 1994; Pelham, 1997a; Gatignon & Xuareb, 1997; Deshpande & Farley, 1993; Matsuno & Mentzer, 2000; Slater & Narver, 2000; Matsuno et al., 2002

## 2. The proposed study

The proposed study of this paper attempts to find correlation between marketing oriented strategy and organization performance. According to literature review some variables have identified that are shown in Table 2. Regarding to inter-relations between variables, 9 hypotheses have been drawn to test the existence of correlation between different variables of this survey.

- H<sub>1</sub>: Perceptual uncertainty of market environment has a significant and positive effect on market orientation strategy
- H<sub>2</sub>: Perceptual uncertainty of market environment has a significant and positive effect on the organization of organizational structure.
- H<sub>3</sub>: Perceptual uncertainty of market environment has a significant and positive effect on strategic performance of organizations.
- H<sub>4</sub>: Organization of organizational structures has a significant and positive effect on market orientation strategy
- H<sub>5</sub>: Market orientation strategy has a significant positive effect on strategic performance of organization.
- H<sub>6</sub>: Perceptual uncertainty of market environment has a significant and positive effect on the top manager risk aversion.
- H<sub>7</sub>: Top manager risk aversion has a significant and positive effect on market orientation strategy.
- H<sub>8</sub>: Top manager risk aversion has a significant and positive effect on the organization of the organizational structure.
- H<sub>9</sub>: Top manager risk aversion has a significant and positive effect on strategic performance of the organizations.

Then a questionnaire has been sent to 150 experts of food industry in Tehran with 75% of return rate. According to the model shown in Fig. 1, because of the intermediate variables existence, SEM

method seems capable of formulating this model in LISREL software. Based on the result of conducted Path analysis tests, each hypothesis can be accepted or rejected. Table 3 demonstrates the hypothesis of this study and determines the state of their acceptance through the data analysis.

### 3. The results

In this section, details of testing nine hypotheses are presented. The Impact coefficient demonstrates impact value of each variable on others.

**Table 3**  
Hypotheses Test Results

Hypotheses	Results (Chi-Square)		
	Impact value	Impact coefficient	Acceptance Result
H <sub>1</sub> : perceptual uncertainty of market environment has a significant and positive effect on market orientation strategy	6.66	0.46	Accept
H <sub>2</sub> : perceptual uncertainty of market environment has a significant and positive effect on the organization of organizational structure.	-3.46	-0.26	Accept
H <sub>3</sub> : perceptual uncertainty of market environment has a significant and positive effect on strategic performance of organizations.	7.37	0.49	Accept
H <sub>4</sub> : organization of organizational structures has a significant and positive effect on market orientation strategy	-2.30	-0.13	Accept
H <sub>5</sub> : market orientation strategy has a significant positive effect on strategic performance of organization.	3.57	0.22	Accept
H <sub>6</sub> : perceptual uncertainty of market environment has a significant and positive effect on the top manager risk aversion.	5.71	0.36	Accept
H <sub>7</sub> : top manager risk aversion has a significant and positive effect on market orientation strategy.	3.85	0.22	Accept
H <sub>8</sub> : top manager risk aversion has a significant and positive effect on the organization of the organizational structures.	1.08	0.07	Reject
H <sub>9</sub> : top manager risk aversion has a significant and positive effect on strategic performance of the organizations.	5.03	0.27	Accept

According to the results, impact value of each variable can be ranked. Table 4 demonstrates total impact (direct and indirect impact) of these variables on performance of organizations. Perceptual uncertainty of market environment with 0.712 score has the highest impact on business performance. The proposed model of this survey is shown in Fig. 1.

**Table 4**  
Overall impact of factors affecting performance

Factors Affecting Organization Performance	Direct	Overall Impact	Overall
		Indirect	
Perceptual uncertainty of market environment	0.49	+ (0.22 × -0.13 × 0.07 × 0.36) (0.27 × 0.36) + (0.22 × 0.22 × 0.36) + (0.22 × -0.13 × -0.26) + (0.22 × 0.46)	0.712
Top management risk aversion	0.27	+ (0.22 × -0.13 × 0.07) (0.22 × 0.22)	0.224
Market orientation	0.22	0.00	0.148
Organized structure of organization	0.00	0.22 × -0.13	- 0.028

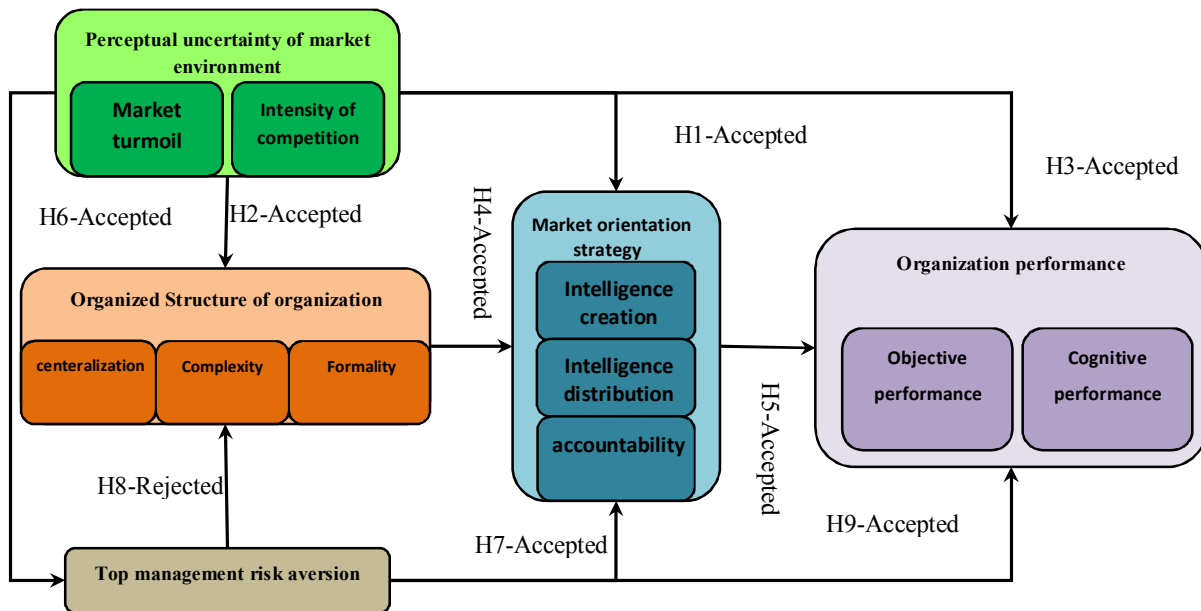


Fig. 1. The Proposed Model

#### 4. Conclusion

In this paper, an empirical investigation to identify the correlation between market-oriented strategy and organization performance has been performed. Some hypotheses have drawn to test the quality of relations between the proposed variables. Results obtained from this survey have confirmed the correctness of eight hypotheses and rejected one. Survey results have indicated that perceptual uncertainty of market environment has the highest impact on organization performance. Top management risk aversion takes second place on influencing the organization performance. Through these results, we can deduce that organizations should trigger their practitioners on studying all dimensions of market environments to formulate a structure for uncertainty in their businesses and have more focus on their managers risk aversion to be able to exploit from environment opportunities toward the highest performance.

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