The Effect of Market Orientation on a Company's Performance

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The article focuses on one of the business philosophies – market orientation, and its relationship to a company's performance. For this purpose, two questionnaires for market orientation measurement were developed (one adopted from Kohli and Jaworski, another – from Deng and Dart) and their reliability and validity were evaluated. Also analysed and evaluated were the relationship between the level of market orientation in a company and the subjective evaluation of a company's performance – the overall financial situation of the company, its financial situation in 1998 as compared to 1997, financial situation of the company compared to the situation in the industry, and the financial situation of the company compared to its competitors. The research was performed among Lithuanian furniture manufacturing companies.

Decreasing product demand or growing competition forces companies to pay more attention to new conditions in markets and changing consumers needs. Leaders such as Jan Carlzon from SAS and Kenichi Ohmae from McKinsey, argue that client and market oriented management ensure long term international advantages.

For more than half a century, marketing academics and practitioners have been interested in marketing concept. Even though most authors agree about the contents of marketing concept, they have different opinions about the ways of implementing a marketing concept. Some authors, (Brown [6] and Baker [4]) assert that marketing has two meanings – marketing as a function and as a philosophy. Thus it is possible to separate two types of companies – those, which understand marketing as a function, and those that value marketing as a philosophy. The first companies, in implementing marketing concept in their day-to-day life, develop their marketing departments, spread their functions and try to ensure the effective management of marketing functions – activities, which are usually limited to only one department. Such companies can be called marketing oriented. Other companies develop and implement a marketing strategy, which conforms to the company's business strategy, and

implementing it is a matter of the whole company. Such a company can be called market oriented.

Lithuanian companies developed their activities in the environment of Soviet economy for more than 50 years. There was no necessity to use marketing functions in their activities – naturally, they had no interest in using the marketing concept as well. As soon as the Lithuanian economy envolved into a market economy, a necessity to use marketing envolved as well. Unfortunately, for majority managers, as well as for the whole population, marketing was an obscure, mysterious and naturally needless activity. Such a situation existed in Lithuania ten years ago and still exists today. Therefore, the main problem in this research was to demonstrate to managers and the community the impact of marketing as a philosophical background for a company's performance.

During the last decade, research by different authors (Jaworski and Kohli [15], Deng and Dart [7], Greenley [13], Pelham and Wilson [21]) has shown that companies, which were market oriented, have reached better results than others. It is worth noticing that these studies were performed in highly developed countries – the USA, Great Britain and Germany. However, there have been no surveys (at least they have not been published in major marketing journals), which were performed in post-Soviet countries for evaluating business orientation and its impact on performance. Some authors (Kohli, Jaworski [17] and Selnes, Slater and Narver [25]) argue that becoming a market oriented company is dependent on macroeconomic factors (competitiveness level, purchasing power, political situation or business specifics), as well as on a company's internal factors. Therefore, it is possible that, due to some macroeconomic factors in Lithuania, market orientation is not a suitable philosophy for a company's development. Thus, the main goal of this research is to evaluate the relationship between the level of market orientation in Lithuanian companies and their performance. In order to reach this goal, several tasks were formulated: 1) to prepare the questionnaires for measuring market orientation (questionnaires developed by Kohli and Jaworski, as well as by Deng and Dart were used); 2) to evaluate their reliability and validity; 3) to determine the relationship between the level of market orientation and company's performance. Lithuanian furniture manufacturing companies have been chosen as the subjects of the research.

The article consists of two parts: theoretical and empirical. The theoretical part was based on an analysis of the literature (mainly articles). It includes 1) a description of market orientation, 2) an analysis of questionnaires for measuring market orientation and 3) an evaluation of previous research related to determining the relationship between market orientation and a company's performance. The empirical part of this article was based on a survey of managers. In order to select respondents, secondary data about Lithuanian furniture producing companies was collected and telephone interviews were conducted. For evaluation of questionnaire reliability, the Cronbach alfa coefficient was used. To evaluate the relationship between the level of a company's market orientation and subjective evaluation of performance, correlation analysis and the Pearson coefficient were used.

Theoretical Background for Market Orientation

Problematical implementation of the marketing concept forces marketing academics and practitioners to look for new ways of implementing this business philosophy. The birth of

a new orientation is usually attributed to Kohli and Jaworski, who state that market orientation means: "1) organisation-wide generation of market intelligence information; 2) dissemination of market information across departments within the organisation, and organisation-wide responsiveness to this information" [17].

It is worth mentioning that such a structure is closely related to the three main postulates of the marketing concept. According to the authors, the core issue is market information. However, this term is much broader than consumers' needs and preferences in the marketing concept. Market information covers the marketing environment (competition, legal, economic environment, etc.) that influences consumers needs and preferences, as well as their current and future needs. Moreover, the generation of market intelligence has to be carried out by individuals and departments throughout the company. Plus, all departments are responsible for the dissemination of information among other departments in the company. This information should be transfered using formal and informal, vertical and horizontal communication channels in the company. Finally, all departments and employees have to react to this information.

According Narver and Slater, market orientation has three fundamental behavioural components: customer orientation, competitor orientation and interfunctional co-ordination, as well as two decision components: long-run focus and profit objective. According to the authors, a customer orientation requires that the seller understand the entire value of the buyer chain, not only as it is today, but also as it will evolve over time. Plus, the seller must understand the economic and political environment, since this allows him to determine how potential clients are today and how they will be in the future. A competitor orientation means that the seller knows its current and potential competitors, their short-term strengths as well as weaknesses, and long term capabilities and strategies. Interfunctional co-ordination means effective integration of a company's resources (material and human) to creating superior value for buyers. Finally, a long-run focus and profit objective motivate a company to look for better solutions [21].

Deng and Dart have joined these two descriptions of market orientation and prepared one of their own: "market orientation is market information related to current and future customers' needs and competitive abilities to satisfy these needs, generation, integration and dissemination across departments and co-ordinated development and execution strategic plans of the company" [7]. The authors distinquished four components, which comprise market orientation – customer orientation, competitor orientation, interfunctional co-ordination and profit goal.

In summary, it can be said that a market oriented company continuously generates information about the market (consumers, competitors and marketing environment), disseminates this information across its departments and reacts accordingly, in order to reach its long-term goals.

Questionnaires for Measuring Market Orientation

The literature provides a number of questionnaires for measuring market orientation. However, the background for most of these has been prepared by Kohli, Jaworski and Kumar, Narver and Slater or Deng and Dart.

In 1993 Kohli, Jaworski and Kumar prepared a questionnaire for measuring market orientation level in the company. It consisted of 32 items. Ten of these items were intended to

measure a company's activity related with intelligence generalisation, eight – with intelligence dissemination, and fourteen – with the understanding of a company's responsiveness to market intelligence. The answers were presented using a five-point scale. In order to increase the reliability of the questionnaire, part of the items were omitted and 20 items remained. Six of them were devoted to measure intelligence generalisation, five – intelligence dissemination, and nine – market intelligence. This questionnaire is called MARKOR [18]. Pitt, Caruana and Berton have also used this questionnaire for market orientation measurement, however they used a seven point scale [22]. The MARKOR questionnaire was used by Raju [23], Diamontopolous and Hart [9].

Narver and Slater prepared a 21 item questionnaire for measuring a market orientation. Six of these items were used for measuring consumer orientation, four – the orientation of competitors, five – interfunctional co-ordination, three measured long-term objectives, and three – profit objectives. The seven-point scale was used [21]. The MKTOR questionnaire was used to measure market orientation by Greenley [14;15], Pelham and Wilson [21]. However, both of above mentioned questionnaires have shortcomings. According to Gauzente, the MARKOR is oriented toward organisational aspects of market orientation, while MKTOR – toward consumer orientation [11]. Farrell and Oczkowski have used both the MARKOR and MKTOR questionnaires for measuring market orientation in the Australian business environment [10]. However, the authors used modified MARKOR and MKTOR questionnaires, which consisted of 20 items and 14 items respectively. The authors have drawn the conclusion, that for the Australian business environment, the MARKOR is the most suitable questionnaire, however a modified version consisting of ten items only.

Deng and Dart prepared a questionnaire for measuring market orientation from 33 items. Twelve of these were related to measuring consumer orientation, six – competitor orientation, eight – interfunctional co-ordination and seven – evaluation of profit objectives. However, some of the items were omitted and the final questionnaire consisted of 25 items, based on a five-point scale [7].

Gray, Matear, Boshoff and Matheson, used certain parts of the questionnaires prepared by Deng and Dart, Kohli and Jaworski, and Narver and Slater, in order to prepare a better questionnaire. The authors developed a questionnaire, consisting of 44 items, for measuring market orientation in companies of New Zealand. Eight of these measured consumer orientation, six – competitors orientation, another six evaluated interfunctional co-ordination, four – profit objectives, five –intelligence generation, five –intelligence dissemination, and ten measured responsiveness to market intelligence. Since most of the items were omitted, the final version consisted of 20 items [12].

Even though different authors have developed their own questionnaires for measuring market orientation, there is no one agreed upon best questionnaire. Moreover, the authors of these questionnaires suggest using different questionnaires in order to evaluate their reliability and validity in different contexts.

Previous Research on the Relationship between Market Orientation and a Company's Performance

In attempt to evaluate the impact of market orientation on a company, much research has been conducted in Western countries. All of

these studies had a single goal – to identify the relationship between market orientation and a company's performance. Usually, a subjective evaluation is applied for understanding a company's welfare. Narver and Slater have studied 140 strategic business units in one corporation. They found a positive correlation between the level of market orientation and subjective evaluation of the companies and competitors' return on investment [21]. Deshpande, Farley and Webster analysed 50 companies from different industries. They identified a positive correlation between market orientation and subjective evaluation of profit, market share, company size and growth, as compared to competitors [8]. Jaworski and Kohli, analysed 222 strategic business units from different USA industries. They identified a positive correlation between market orientation and overall subjective evaluation [15]. Deng and Dart, conducted research on 248 companies from different industries. According to them, there was relationship between the level of market orientation and subjective evaluation of financial results and sales volume [7]. Greenley searched 240 companies from various British industries. He argued that correlation between market orientation and subjective evaluation of ROI, success of new product and growth of sales might be both positive and negative depending on competition [13; 14]. Pelham and Wilson stated that a positive correlation existed between market orientation and subjective evaluation of the real situation in business compared to expectations. This conclusion was based on a research of 68 companies from different US industries [21]. Pitt, Caruana and Berthon have studied 1.000 companies from various British industries and a sample from different Maltese industries. They determined a positive correlation between market orientation and subjective evaluation of return on assets and growth of sales [22]. Balakrishnan identified that a positive correlation existed between market orientation and subjective evaluation of profit, satisfaction of profit and retention of consumers. He has researched 139 companies from the tool industry [5]. Avlonitis and Gounaris conducted an analysis of 444 companies from various Greek industries. They found a positive correlation between market orientation and subjective valuation of profit, turnover, ROI and market share [3]. Deshpande and Farley surveyed 82 managers from various European and American companies. They found that positive correlation existed between market orientation and subjective evaluation of sales growth, retention of consumers and ROI [8]. Appiah-Adu researched 74 companies from different Ghana industries. He identified a positive correlation between market orientation and subjective evaluation of sales growth and ROI compared to expectations, and this correlation depended on environmental factors [1].

Some of the studies have used an objective evaluation of a company's performance. Ruekert analysed two strategic business units in one large corporation: one with low ROI, and another with high ROI [24]. He found a positive correlation between market orientation and ROI. Diamantopoulos and Hart performed a survey of 87 companies from different British industries. According to them, there was a positive correlation between market orientation and sales growth, as well as profit, compared to the industry average [9]. Au and Tse chose 41 hotels in Hong Kong and 148 hotels in New Zealand for their survey. They found a low correlation between market orientation and hotel occupation level [2]. Tse researched 13 Hong Kong property development companies and found no correlation between market orientation and the financial data presented by governmental institutions [27].

The previous studies of market orientation were performed in different countries (USA, Great Britain, Malta, Greek, Ghana, Hong Kong and New Zealand) and various industries. In most cases, a positive correlation between market orientation and company's performance was found. However, no surveys of this kind have been carried out in the post Soviet countries. Specific inheritance, which companies and their managers acquired from the past, or the specific business environment might have an impact on companies' activities, on their philosophy. According to Greenley, the relationship between market orientation and a company's performance depends on the level of competition. Appiah-Adu argues that this relationship depends on environmental factors.

Methodology

Type of survey and sample size. In order to measure the market orientation of Lithuanian furniture producing companies and the correlation between market orientation and a company's performance, the survey was conducted by mail. Companies' managers were chosen as respondents. The questionnaires were sent to each manager personally.

According to the Lithuanian Department of Statistics, there were 310 furniture producing companies in Lithuania in 1999. Information about the activity of companies, the addresses and names of directors was obtained during the telephone interview. It was found out, that only 162 companies were producing furniture in July-September of 1999 in Lithuania. Some of these companies had less than 9 employees. After excluding these companies from the sample, the sample size decreased to 111 companies. In order to increase the response rate, a cover letter was prepared. In addition, a return-envelope was added to the questionnaire. Also, respondents, who did not return questionnaires, were called twice – first after one month and the second time – three months later. As a result, 49 suitable questionnaires (44 %) were returned. Moreover, in order to identify the relationship between response and date of questionnaire return, the time of return was noted. It was found, that there was no correlation between the date of questionnaire returns and response type.

Questionnaire. Two questionnaires for measuring market orientation were used in this survey. The first was based on the questionnaire prepared by Kohli and Jaworski MARKOR (see appendix items A1–A20). It consisted of 20 items. Six of them measured intelligence generation, five – intelligence dissemination and nine – responsiveness to market intelligence. The second questionnaire was prepared according to Deng and Dart's questionnaire for measuring market orientation (see appendix items A21–A52). It consisted of 32 items. Eleven measured consumer orientation, six – competitors' orientation, eight – interdepartmental co-ordination, and seven – profit objectives. Both questionnaires used five-point scales.

For evaluation of a company's performance, subjective evaluations of a company's financial situation, its change compared to the previous year, the financial situation of the company compared to the industry average and competitors, were used.

Results

Demographic data of respondents. 22 % of companies that participated in the survey were established before 1988 and had activity experience from the Soviet era. 51 % of the companies were established during 1988–1995. The remainder was new – their working experi-

ence was less than two years. Almost 80 % of company's managers had a bachelor or master degree, the rest – secondary and higher education. Participants were divided into three groups according to age: less than 31 years – 21 %, 31–40 years – 34 %, and 41 and older – 45 %. Other two demographic criteria – turnover and the number of employees, were used as well. 29 % said that their annual turnover in 1998 was less than 0.25 mln. USD, 33 % indicated 0.25–1.25 mln. USD turnover, and 38 % – more than 1.25 mln. USD. According to the number of employees, the companies were distributed accordingly: 28 % had from 9 to 19 employees, 30 % – between 20 and 100, and the rest (42 %), employed more than 100 employees.

Reliability of the questionnaire. The Cronbach alfa coefficient was used to evaluate reliability of the questionnaire. Malhorta and Birks pointed out that Cronbach alfa coefficient values less than 0.6 show low reliability of a questionnaire [20]. Hung Ngai and Ellis found that the Cronbach alfa coefficient for the MKTOR questionnaire was 0.854. Pitt, Caruana and Berton obtained the Cronbach alfa coefficient of 0.8799 for the MARKOR questionnaire, which was used in Great Britain, and in Malta – 0.8376 [22]. Greenley obtained Cronbach alfa coefficient value of 0.80 for his questionnaire [13].

The MARKOR reliability. The original MARKOR questionnaire was found to have a Cronbach alfa coefficient value of 0.513. After deleting some items (see app.; A1, A3, A5, A11–A13, A18 and A19 items), its value was increased to 0.8265.This shows that the Kohli and Jaworski questionnaire, if shortened to twelve items, can be used for measuring market orientation in the Lithuanian furniture production industry.

The Deng and Dart questionnaire reliability. The Cronbach alfa coefficient for the original Deng and Dart questionnaire (32 items) was 0.7569. After excluding some items (see app.; A21, A23, A25, A28, A31, A44, A46, A48–A51 items), the coefficient was 0,8596, which shows a high reliability of the questionnaire.

Table 1. Correlation of the MARKOR and Deng & Dart questionnaires

		Market orient. (MARKOR)	*Market orient. (Deng & Dart)*	*Intelligence generation*	*Intelligence dissemination*	*Reaction to intelligence*	*Customer orientation*	*Competitor orientation*	*Interfunctional co-ordination*	*Profit orientation*
Market orient. (MARKOR)	Pearson corr.	1.000	0.704**	0.824**	0.820**	0.811**	0.184	0.600**	0.572**	0.486**
	Sign. (2-tailed)	.	0.000	0.000	0.000	0.000	0.205	0.000	0.000	0.000
Market orient. (Deng & Dart)	Pearson corr.		1.000	0.561**	0.452**	0.698**	0.468**	0.724**	0.823**	0.617**
	Sign. (2-tailed)		.	0.000	0.001	0.000	0.001	0.000	0.000	0.000
Intelligence generation	Pearson corr.			1.000	0.595**	0.497**	0.318*	0.371**	0.420**	0.391**
	Sign. (2-tailed)			.	0.000	0.000	0.026	0.009	0.003	0.005
Intelligence dissemination	Pearson corr.				1.000	0.428**	0.048	0.427**	0.351*	0.359*
	Sign. (2-tailed)				.	0.002	0.745	0.002	0.013	0.011
Reaction to intelligence	Pearson corr.					1.000	0.117	0.638**	0.608**	0.436**
	Sign. (2-tailed)					.	0.424	0.000	0.000	0.002
Customer orientation	Pearson corr.						1.000	0.0530	0.1940	0.1330
	Sign. (2-tailed)						.	0.7160	0.1820	0.3630
Competitors orientation	Pearson corr.							1.000	0.520**	0.308*
	Sign. (2-tailed)							.	0.000	0.032
Interfunctional co-ordination	Pearson corr.								1.000	0.297*
	Sign. (2-tailed)								.	0.038
Profit orientation	Pearson corr.									1.000
	Sign. (2-tailed)									.

** Correlation significant at 0.01 level (2-tailed)

* Correlation significant at 0.05 level (2-tailed)

Validity of questionnaires for market orientation measurement. Validity of a scale may be defined as the extent to which the differences in observed scale scores reflect true differences among objects on the characteristics being measured, rather than systematic or random error. Malhorta and Birks point out that questionnaire validity can be evaluated by using content validity. It is a subjective, but systematic evaluation of how well the content of a scale represents the measurement task. However, more formal evaluation can be obtained by examining convergent validity. It is the extent to which the questionnaire correlates positively with other measures of the same construct. Therefore, the relationship between two questionnaires was evaluated. Since both questionnaires were prepared for market orientation measurement, a strong correlation between them must exist [20]. Table 1 shows that there was a strong correlation between the responses to the MARKOR (KOHLIBE) questionnaire and responses to the Deng and Dart (DARTBE) questionnaire. The correlation is significant at 0.01 level (the $p<0.01$).

In addition, a significant correlation was observed among separate parts of the MARKOR and Deng-Dart questionnaires. This correlation was significant among almost all components at 0.01 or 0.05 significance levels. The exception was the part of the Deng and Dart questionnaire measuring customer orientation (V_OR).

Relationship between Market Orientation and a Company's Performance

In order to identify the relationship between market orientation and subjective evaluation of company's performance, the analysis of correlation and Pearson coefficient was used. The analysis of data proved, that a positive correlation between market orientation in the company and overall evaluation of its financial situation does exist (see Table 2). This relationship was found using both the MARKOR and Deng and Dart questionnaires ($P_{MARKOR} = 0.287$, $P_{Deng\ and\ Dart} = 0.305$ at the 0.05 significance level). The correlation between a company's market orientation and financial situation compared to its competitors was identified as well. A positive correlation, significant at 0.01 level, was found when market orientation measured with the MARKOR questionnaire, and significant at 0.10 level when market orientation measured using the Deng and Dart questionnaire. In addition, a positive correlation was found between market orientation and a company's financial evaluation, compared to its competitors. This association was identified while measuring market orientation with the MARKOR questionnaire.

It is worth noting that market orientation had no correlation with evaluation of a company's financial situation during 1998 and 1997. No correlation was identified using neither the MARKOR questionnaire, nor the Deng and Dart questionnaire for measuring market orientation.

The companies were divided into three groups according to the level of market orientation in the company. When measuring market orientation using the MARKOR questionnaire it was noticed that there is a correlation between the level of market orientation and overall financial situation in the company. Most of the companies, which had a low or average market orientation level, evaluated their overall financial situation as normal, however 69 %, which had high level of market orientation, evaluated their overall financial situation as good (see Table 3).

The same correlation result was obtained using the Deng and Dart questionnaire for

Table 2. ***Correlation between market orientation (MARKOR) and company's performance***

		Overall financial situation	*Financial situation in 1998 compared to 1997*	*Financial situation compared to the industry*	*Financial situation compared to competitors*
Market orientation (MARKOR)	Pearson correlation	0.287	0.084	0.247	0.415
	Sign. (2-tailed)	0.048**	0.578	0.09*	0.003***
Market orientation (Deng and Dart)	Pearson correlation	0.305	0.021	0.275	0.245
	Sign. (2-tailed)	0.035**	0.89	0.074*	0.093*

*** Correlation significant at 0.01 level (2-tailed)
** Correlation significant at 0.05 level (2-tailed)
* Correlation significant at 0.10 level (2-tailed)

Table 3. ***Correlation between market orientation (MARKOR) and company's overall financial situation***

		Overall financial situation		
		Bad	*Normal*	*Good*
Level of market orientation (MARKOR)	Low	10 %	52 %	38 %
	Average	0 %	64 %	36 %
	High	15 %	15 %	69 %

Table 4. ***Correlation between market orientation (Deng and Dart) and company's overall financial situation***

		Overall financial situation		
		Bad	*Normal*	*Good*
Level of market orientation (Deng and Dart)	Low	13 %	50 %	38 %
	Average	11 %	63 %	26 %
	High	0 %	15 %	85 %

measuring market orientation. Even though 26–38 % of the companies that had a low or average level of market orientation pointed out that their overall financial situation was good, among the companies having a high level of market orientation this number was 85 % (see Table 4).

Just 14 % of the companies with a low level of market orientation (MARKOR) said that their financial situation was better than the industry average (see Table 5). At the same time, 62 % of the companies with a high level of market orientation noted that their financial situation was better than the industry average.

Table 5. ***Correlation between market orientation (MARKOR) and company's financial situation compared to industry average***

		Financial situation compared to industry		
		Worst	*The same*	*Better*
Level of market orientation (MARKOR)	Low	19 %	67 %	14 %
	Average	14 %	36 %	50 %
	High	15 %	23 %	62 %

The same trend was observed in measuring market orientation with the Deng and Dart questionnaire (see Table 6). More than two-thirds of the companies with a high level of market orientation pointed out that their financial situation was better than the industry average. However, only 21–25 % of companies with a low or average level of market orientation noted such a financial situation.

A strong correlation exists between the level of market orientation (MARKOR) and financial situation compared to the financial situa-

tion of competitors. Just 10 % of the companies with a low level of market orientation stated that their financial situation was better than that of their competitors (see Table 7). More than a half of the companies with a high level of market orientation claimed that their financial situation was better than that of competitors.

The same correlation was seen to exist in measuring market orientation with the Deng and Dart questionnaire. In this case, 62 % of the companies with a high level of market orientation noted that their financial situation was better than that of their competitors (see Table 8). However, only approximately 20 % of the companies with a lower level of market orientation indicated likewise.

Moreover, a correlation between separate elements of market orientation and company results was identified. While measuring market orientation with MARKOR questionnaire, it was found that intelligence generation correlated with the overall financial situation in a company and with its financial situation compared to its competitors. This correlation was significant at 0.05 level (see Table 9). Another component of market orientation – responsiveness to market intelligence – had a strong correlation with a company's financial situation compared to its competitors (at the 0.01 level). In addition, a correlation between responsiveness to market intelligence and overall financial situation in a company at the a 0.10 significance level was found, as well as correlation between responsiveness to market intelligence and financial situation compared to the industry was identified. The third element of market orientation – intelligence dissemination, had no correlation with any measurement of company performance.

Measuring market orientation with Deng and Dart questionnaire revealed that competitor orientation and profit orientation correlated with criteria for evaluation of company's performance. A strong correlation was identified between competitor orientation and financial situation in a company compared to its competitors. This correlation was significant at the 0.01 level (see Table 10). At the 0.05 significance level, a correlation between competitor orientation and overall financial situation in a company was found, as well as a correlation with

*Table 6. **Correlation between market orientation (Deng and Dart) and company's financial situation compared to industry average***

		Financial situation compared to industry		
		Worst	*The same*	*Better*
Level of market orientation (Deng and Dart)	Low	19 %	56 %	25 %
	Average	16 %	63 %	21 %
	High	15 %	8 %	77 %

*Table 7. **Correlation between market orientation (MARKOR) and company's financial situation compared to competitors***

		Financial situation compared to competitors		
		Worst	*The same*	*Better*
Level of market orientation (MARKOR)	Low	24 %	67 %	10 %
	Average	21 %	36 %	43 %
	High	8 %	39 %	54 %

*Table 8. **Correlation between market orientation (Deng and Dart) and company's financial situation compared to competitors***

		Financial situation compared to competitors		
		Worst	*The same*	*Better*
Level of market orientation (Deng and Dart)	Low	25 %	50 %	25 %
	Average	21 %	63 %	16 %
	High	8 %	31 %	62 %

the financial situation compared to the industry. Another component of market orientation – profit orientation, had a strong correlation with a company's financial situation compared to the industry (at the 0.05 significance level). Plus, at the 0.10 significance level a correlation between profit orientation and overall financial situation was also found. However, the remaining components of market orientation – customer orientation and interfunctional co-ordination, had no correlation with any other criterion for evaluating company performance.

Conclusion and Recommendations

The research results allow for several conclusions to be made.

1. It is possible to use both the modified Kohli and Jaworski questionnaire, as well as Deng – Dart questionnaire to measure market orientation among Lithuanian furniture producing companies. The fact that these questionnaires can be used for measuring market orientation indicates a strong correlation between responses to both of these questionnaires.

*Table 9. **Correlation of separate components of market orientation (MARKOR) with company's performance***

		Overall financial situation	*Financial situation in 1998 compared to 1997*	*Financial situation compared to the industry*	*Financial situation compared to competitors*
Intelligence generation	Pearson corr.	0.325	0.049	0.235	0.321
	Sign. (2-tailed)	0.024	0.744	0.108	0.026
Intelligence dissemination	Pearson corr.	0.117	0.117	0.086	0.23
	Sign. (2-tailed)	0.43	0.439	0.56	0.116
Reaction to intelligence	Pearson corr.	0.266	0.026	0.277	0.444
	Sign. (2-tailed)	0.068	0.861	0.056	0.002

*Table 10. **Correlation of separate market orientation (Deng and Dart) components with company's performance***

		Overall financial situation	*Financial situation in 1998 compared to 1997*	*Financial situation compared to the industry*	*Financial situation compared to its competitors*
Customer orientation	Pearson corr.	0.183	–0.104	–0.085	–0.119
	Sign. (2-tailed)	0.214	0.49	0.564	0.422
Competitors orientation	Pearson corr.	0.31	0.055	0.3	0.373
	Sign. (2-tailed)	0.032	0.719	0.038	0.009
Interfunctional co-ordination	Pearson corr.	0.17	–0.088	–0.009	0.134
	Sign. (2-tailed)	0.248	0.56	0.953	0.363
Profit orientation	Pearson corr.	0.156	0.229	0.325	0.242
	Sign. (2-tailed)	0.29	0.126	0.024	0.097

2. The Deng and Dart questionnaire obtained a higher Cronbach alfa value – its reliability is higher than that of the MARKOR questionnaire. The shortened Deng and Dart questionnaire had the highest Cronbach alfa value. It consists of 21 items. Six of items measured customer orientation, six – competitor orientation, seven – interfunctional co-ordination, and two – profit orientation.

3. While measuring market orientation with both the MARKOR and Deng-Dart questionnaires, it was found that a correlation between market orientation and subjective evaluation of a company's performance does exist. The higher the level of market orientation, the higher the percentage of companies that evaluate their overall financial situation better.

4. The same trend was noticed between the level of market orientation and a company's financial situation compared to its competitors. This means that companies with a high level of market orientation value their financial situation better compared to the industry average and competitors.

5. Another criterion for evaluating company's performance – the financial situation in 1998 as compared to 1997, showed no correlation with the level of market orientation.

6. Separate components of market orientation were correlated with a company's performance as well. Measuring market orientation with the MARKOR questionnaire, intelligence generation and reaction to intelligence had a positive correlation with the overall evaluation of a company's performance, the financial situation compared to its competitors and financial situation compared to the industry. Measuring market orientation with Deng and Dart questionnaire, a correlation was identified only between competitor orientation and a company's performance, as well as profit orientation and a company's performance.

Some recommendations might be useful for future research of market orientation.

1. Since some items were excluded from the original questionnaires, the measurement of one or another component of market orientation was limited to only several items. Therefore, it would be useful to develop more items for separate components of market orientation for future research.

2. In measuring the market orientation of a company, the main manager (general director, president and so on) should not be the only respondent. In fact, managers of functional departments, such as product managers, should also be included as respondents. This would allow for understanding whether the ideas of general managers are being accepted by other members of the managing team.

3. Some of the items from the Kohli–Jaworski and Deng-Dart questionnaires are suitable for measuring market orientation in large companies. However, there are many small companies (employing less than 10 employees) in Lithuania. Some items related to the activity of separate departments and their interaction are not applicable to such companies, as in some cases, one employee can represent a department. Thus, to evaluate the market orientation among small companies, it is necessary to modify the items of the questionnaire.

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Appendix Questionnaire

A1	In this company, we meet with customers at least once a year to find out what products or services they will need in the future.
A2	In this organisation, we do a lot of in-house market research.
A3	We are slow to detect changes in our customers' product preferences.
A4	We survey end-users at least once a year to assess the quality of our products and services.
A5	We are slow to detect fundamental shifts in our industry (e. g. competition, technology, and regulation).
A6	We periodically review the likely effect of changes in our business environment (e. g. regulation) on customer.
A7	We have interdepartmental meetings at least once a quarter to discuss market trends and developments.
A8	Marketing personnel in our company spend time discussing customers' needs with other functional departments.
A9	When something important happens to a major customer or market, the whole company knows it in short period.
A10	Data on customer satisfaction are disseminated at all levels in this business unit on regular basis.
A11	When one department finds out something important about competitors, it is slow to alert other departments.
A12	It takes us forever to decide how to respond to competitors' price change.
A13	For one reason or another we tend to ignore changes in our customers' product or service needs.
A14	We periodically review our product development efforts to ensure that they are in line with what customer want.
A15	Several departments get together periodically to plan a response to changes taking place in our business environment.
A16	If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response.
A17	The activities of different departments in this company are well co-ordinated.
A18	Customer complaints fall on deaf ears in this company.
A19	Even if we came up with great marketing plan, we probably would not be able to implement it in a timely fashion.
A20	When we find that customers would like us to modify a service, the departments involved make efforts to do so.
A21	For our customers, price is the most important selling feature.
A22	We encourage customer comments – even complaints – because they help us to do better job.
A23	After sales service is an important part of our business strategy.
A24	We concentrate on production and let distributors worry about sales.
A25	In our company "sales" and "marketing" are pretty much the same thing.
A26	We look for ways to create customer value in our products.
A27	We measure customer satisfaction on a regular basis.
A28	Our company would be much better off if our salesforce just worked a bit harder.
A29	In our company, marketing's most important job is promote our products and services to our customers.
A30	In our company, marketing's most important job is to identify and help meet the needs of our customers.
A31	We define product quality in terms of customer satisfaction.
A32	We regularly analyse our competitors' marketing programs.

Table continue

A33	We frequently collect market data to help direct our new product plans.
A34	Our salespeople are instructed to monitor and report on competitive activity.
A35	We respond rapidly to competitors' actions.
A36	Our top managers often discuss competitors' programs.
A37	We target opportunities based on competitive advantage.
A38	In our company, marketing people have a strong input into the development of new products.
A39	People other than sales reps (such as top management, research, and production) regularly call on customers.
A40	Market information is shared with all departments.
A41	All departments are involved in preparing company plans.
A42	We do a good job of integrating the activities of each department.
A43	The marketing people in our organisation interact frequently with other departments such as manufacturing, finance.
A44	In our company, marketing is confined to the sales / marketing department.
A45	In our company, marketing is seen as a guiding philosophy for entire organisation.
A46	Our company does very little formal marketing planning.
A47	Even though our company uses distributors, we have a good knowledge of the requirements of our ultimate customers.
A48	Our accounting system could fairly quickly determine the profitability of each of our product lines.
A49	Our accounting system could fairly quickly determine the profitability of each of our sales territories.
A50	Our accounting system could fairly quickly determine the profitability of each of our customers.
A51	Our accounting system could fairly quickly determine the profitability of each of our distribution methods.
A52	We have a good idea of the sales potential for each of our markets.

RINKOS ORIENTACIJOS ĮTAKA ĮMONIŲ VEIKLOS REZULTATAMS

Vytautas Dikčius

Santrauka

Straipsnyje analizuojamas rinkos orientacijos ir įmonės veiklos rezultatų ryšys. Įmonės rinkos orientacijos lygiui vertinti buvo naudojami du klausimynai: *Kohli* ir *Jaworski* bei *Deng* ir *Dart*. Įmonės veiklos rezultatams vertinti naudoti subjektyvūs vertinimai: įmonės finansinė padėtis, jos pasikeitimas, palyginti su praėjusiais metais, finasinė padėtis, palyginti su šakos vidurkiu ir su konkurentų finansine padėtimi. Apklausus baldus gaminančių Lietuvos įmonių vadovus, nustatyta, kad egzistuoja teigiamas įmonės rinkos orientacijos lygio ir bendro įmonės finansinės padėties vertinimo, įmonės rinkos orientacijos ir įmonės finansinės padėties, palyginti su konkurentais, rinkos orientacijos ir įmonės finansinės padėties, palyginti su šakos vidurkiu, ryšys. Tačiau nebuvo nustatyta įmonės rinkos orientacijos ir įmonės finansinės padėties įvertinimo, palyginus padėtį 1998 metais su 1997 metais, ryšio.

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