Measuring Market Orientation in the Context of Service Organizations: A Context-specific Study

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Abstract: This study examines the market orientation–performance link in the context of service organizations by comparing different approaches for measuring market orientation. Focusing on 54 shops of a Japanese automobile dealership firm, this study measures market orientation through both managers’ and salespersons’ perceptions as well as both the MKTOR and MARKOR scales. The results of the analysis reveal that market orientation measured through salespersons’ perceptions, particularly its cultural components, positively affects sales productivity. In fact, qualitative evidence suggests that salespersons’ perceptions of market orientation indicate their internalization of market-oriented values, which in turn leads to continuous improvement behavior.

Keywords: market orientation, organizational culture, measurement approach, continuous improvement behavior, automobile dealer

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Introduction

Since the late 1980s, marketing scholars have conceptualized market orientation as an organizational culture dedicated toward delivering superior customer value (Narver & Slater, 1990) or organizational-level behavior regarding generating, disseminating, and responding to customer and competitor information (Kohli & Jaworski, 1990). A number of previous studies have empirically examined antecedents and consequences of market orientation, measuring market orientation through the MKTOR (Narver & Slater, 1990) or MARKOR (Kohli, Jaworski, & Kumar, 1993) scales. Consequently, it has been shown that market orientation positively impacts performance (Kirca, Jayachandran, & Bearden, 2005; Kumar, Jones, Venkatesan, & Leone, 2011).

One issue that has not been thoroughly addressed in the literature is how market orientation should be captured and measured to examine the market orientation–performance link in the context of service organizations. Through a meta-analysis of the literature, Kirca et al. (2005) indicate that market orientation–performance link is weaker in service firms ($r = .26$) than in manufacturing firms ($r = .37$). The authors attribute the variance to the higher levels of customization that service firms require and to the subsequent costs involved. However, note that there has been no consensus regarding the manner in which market orientation should be measured (González-Benito, & González-Benito, 2005). Particularly in the context of service organizations, a critical issue emerges regarding who should be the respondent. Although some studies reveal that different respondents have different perceptions of market orientation (e.g., Jaworski & Kohli, 1993), only few studies have focused on both managers' and front-line employees' perceptions of market orientation in the context of service organizations (Kosuge, 2007b). Besides, there has not been a definitive agreement on which

type of scale (i.e., MKTOR or MARKOR) is the more appropriate in the context of service organizations. Note that while the MARKOR scale focuses only on the behavioral aspects of market orientation, the MKTOR scale emphasizes some cultural aspects of market orientation as well. In this regard, the choice of the scale affects what aspects of market orientation are highlighted.

This study explores the market orientation–performance link by comparing different approaches for measuring market orientation. This is a context-specific study that measures market orientation by focusing on 54 shops of a Japanese automobile dealership firm. Based on the analysis results, a possible mechanism behind the link is discussed.

Methodology

An automobile dealership firm in Japan was chosen because interesting observations were expected. That is, it was shifting toward market orientation from selling orientation that was widely adopted in the industry. The automobile dealer business typically comprises both new car sales and maintenance services. Although the latter are performed by technicians, this study focuses only on salespersons as front-line employees.

Data were obtained in 2007 through a questionnaire survey to both shop managers and salespersons belonging to the 54 shops. These respondents were asked to assess their shops using both the MKTOR and MARKOR scales. As for managers, 109 out of 118 questionnaires were returned from 51 shops (average 2.14 per shop). As for salespersons, 482 out of 506 questionnaires were returned from the 54 shops (average 8.93 per shop). By aggregating responses, while checking the intraclass correlation coefficient (ICC) as suggested by James (1982), four different scores of market orientation were obtained for each shop (i.e., Manager-MKTOR, Manager-MARKOR,

Salesperson-MKTOR, Salesperson-MARKOR).

As for performance, previous studies use either subjective or objective measures without clear guidelines. Although it has become clear that market orientation–performance link is stronger when subjective performance measures are used (Kirca et al., 2005), common method variance caused by collecting data from the same respondent has been cautioned (Harris, 2001). In this view, this study uses an objective performance measure: average sales productivity per employee over the past 12 months. This reflects both customer-perceived values and operational efficiency of the shops, and therefore indicates the overall capability of the service organization.

Analysis and Results

Table 1 presents a summary of descriptive statistics and pairwise correlations of the four different scores. It is evident that the degree of manager-perceived market orientation is higher than that of salesperson-perceived market orientation. Among the four different scores, only Salesperson-MKTOR showed a significant positive correlation with sales productivity ($r = .39$).

Notably, the correlation between manager-perceived and salesperson-perceived market orientation is relatively weak, although significant ($r = .46$ with the MKTOR scale and $.32$ with the MARKOR scale). This result is consistent with the existing research suggesting that managers and salespersons differently perceive market orientation (e.g., Jones, Busch, & Dacin, 2003).

Tables 2 and 3 present the results of an item-level analysis for the MKTOR and MARKOR scales respectively.

It is shown that sales productivity is related more with cultural components as included in the MKTOR scale than with behavioral

Table 1. Descriptive statistics and pairwise correlations

	Average	SD	α	Correlation with sales productivity	Manager-MKTOR	Manager-MARKOR	Salesperson-MKTOR	Salesperson-MARKOR
Manager-MKTOR	3.43	.39	.89	.14	1.00			
Manager-MARKOR	3.52	.30	.84	.24	.75**	1.00		
Salesperson-MKTOR	2.83	.36	.96	.39**	.46**	.33*	1.00	
Salesperson-MARKOR	2.96	.28	.96	.27	.38**	.32*	.92**	1.00

Note: ** $p < .01$ * $p < .05$

Table 2. MKTOR scale items: Descriptive statistics and pairwise correlations

Manager: $N = 51$ Salesperson: $N = 54$

		Average		SD		Correlation with sales productivity	
		Manager	Salesperson	Manager	Salesperson	Manager	Salesperson
MKT1	Salespersons share information concerning competitors' strategies.	3.18	2.51	.57	.45		.38**
MKT2	Business objectives are driven by customer satisfaction.	3.67	3.04	.57	.46		.33*
MKT3	We respond to competitive actions that threaten us.	3.23	2.62	.49	.42		.39**
MKT4	We monitor our level of commitment and orientation to serving customers' needs.	3.48	3.00	.51	.41		
MKT5	Managers visit our current and prospective customers.	2.58	2.04	.70	.45		
MKT6	We communicate information about our successful and unsuccessful customer experiences across functions.	3.95	3.10	.52	.56		
MKT7	Our strategy for competitive advantage is based on our understanding of customer needs.	3.55	3.05	.55	.40		.30*
MKT8	Our business functions (i.e., sales and service) are integrated in serving the needs of our target markets.	3.65	3.05	.56	.53		.41**
MKT9	Our business strategies are driven by our beliefs about how we can create greater value for customers.	3.35	2.89	.59	.44		.39**
MKT10	We measure customer satisfaction systematically and frequently.	3.27	2.73	.61	.46		
MKT11	We give close attention to after-sales service.	3.66	3.16	.60	.43		
MKT12	Managers regularly discusses competitors' strengths and strategies.	3.14	2.63	.64	.59	.31*	.34*
MKT13	Managers understand how everyone in our company can contribute to creating customer value.	3.46	2.92	.62	.40		.47**
MKT14	We target customers where we have, or can develop, a competitive advantage.	3.50	3.02	.48	.37		.35*
MKT15	We share resources with other shops.	3.57	2.91	.60	.42		

Note: ** $p < .01$ * $p < .05$

Table 3. MARKOR scale items: Descriptive statistics and pairwise correlationsManager: $N = 51$ Salesperson: $N = 54$

		Average		SD		Correlation with sales productivity	
		Manager	Salesperson	Manager	Salesperson	Manager	Salesperson
MAR1	In this shop, we meet with customers at least once a year to find out what products or services they will need in the future.	3.88	3.44	.57	.40		
MAR2	In this shop, we do a lot of in-house market research.	2.66	2.41	.66	.43	.40*	
MAR3	We are slow to detect changes in our customers' product references. (R)	3.02	2.79	.64	.33		
MAR4	We survey end users at least once a year to assess the quality of our products and services.	2.79	2.67	.64	.39		
MAR5	We are slow to detect fundamental shifts in our industry (e.g., competition, technology, regulation). (R)	3.23	2.87	.56	.33		
MAR6	We periodically review the likely effect of changes in our business environment (e.g., regulation) on customers.	3.12	2.80	.69	.33	.37**	
MAR7	We have intersectional meetings at least once a quarter to discuss market trends and developments.	3.41	2.85	.90	.46		
MAR8	Persons in charge of marketing spend time discussing customers' future needs with other functional sections.	2.77	2.60	.69	.41	.29*	
MAR9	When something important happens to a major customer of market, the whole section or organization knows about it within a short period.	4.07	3.03	.42	.42		.29*
MAR10	Data on customer satisfaction are disseminated throughout the shop on a regular basis.	3.91	3.05	.47	.45		
MAR11	When either sales or service section finds out something important about competitors, it is slow to alert the other. (R)	3.48	3.02	.65	.33		.31*
MAR12	It takes us forever to decide how to respond to our competitor's price changes.	3.60	3.00	.60	.38		
MAR13	For one reason or another we tend to ignore changes in our customer's product or service needs. (R)	3.90	3.25	.60	.33		.35**
MAR14	We periodically review our efforts to develop services or events to ensure they are in line with what customers want.	3.64	3.10	.63	.39		
MAR15	Sales and service sections get together periodically to plan a response to changes taking place in our business environment.	3.41	2.88	.76	.47		
MAR16	If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.	3.52	2.92	.74	.41	.37**	
MAR17	The activities of the different sections in this shop are well coordinated.	3.79	3.04	.62	.48		.36**
MAR18	Customer complaints fall on deaf ears in this shop. (R)	4.44	3.77	.41	.35		.31*
MAR19	Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion. (R)	3.76	3.07	.52	.40		
MAR20	When we find that customers would like us to modify a product or service, the sections involved make concerted efforts to do so.	3.86	3.18	.44	.38		.32*

Notes: ** $p < .01$ * $p < .05$ (R) denotes reverse-scored items

components. Out of the 15 MKTOR items, nine items rated by salespersons and one item rated by managers indicated significant correlations with sales productivity. In contrast, out of the 20 MARKOR items, six items rated by salespersons and four items rated by managers indicated significant correlations with sales productivity. The results suggest that salesperson-perceived market orientation, especially cultural aspects including beliefs associated with the MKTOR scale, positively affects sales productivity. On the other hand, manager-perceived market orientation seems to fit relatively well with organizational-level behavior as emphasized in the MARKOR scale. In sum, market orientation exhibits the greatest explanatory power for sales productivity when it is captured and measured through salespersons' perceptions, particularly with a focus on cultural components.

Discussions

The results of this study suggest that market orientation, particularly the cultural components perceived by front-line employees, positively affects sales productivity. Qualitative data collected from eight shops around the time of the questionnaire survey suggest the mechanism behind the market orientation–performance link. In brief, observations and interviews revealed that salespersons come to perceive their shop's market orientation when they internalize market-oriented values as espoused by managers, which in turn leads to continuous improvement behavior. This implies that market-oriented values drive them to improve effectiveness and efficiency of operations. For example, at one of the shops that exhibited a high score of salesperson-perceived market orientation, unlike many other shops, salespersons proactively collaborated with technicians to develop promotion plans, facilitate demand leveling for services, and

implement team-based customer contact in the shop. This would result in higher customer-perceived value, operational efficiency, and capacity utilization. Such a mechanism is consistent with the concept of “lean,” or continuous improvement, that emphasizes the identification of customer value and creation of smooth value flow toward the customer (Fujimoto, 2012; Kosuge, 2014a; Womack & Jones, 1996).

As this is a context-specific study, the results of this study need to be tested using samples from different service industries. Nonetheless, the results seem to have potentially important implications for both theory and management practices. While some of the existing studies seem to assume that managers are able to capture organizational culture as a variable in an objective manner (Kosuge, 2007a), this study suggests that market orientation in the context of service organizations is based on front-line employees’ perceptions. This is in accordance with the perspective that focuses on employees’ cognition as the basis of organizational culture (Deshpandé & Webster, 1989). In order to develop market orientation as an organizational culture (Narver, Slater, & Tietje, 1998), managers are recommended to focus on the reality faced by front-line employees and help them understand and internalize market-oriented values through training, coaching, and mentorship.

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