Market Orientation and Kaizen Readiness in the Automobile Dealership Context

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Abstract: Based on the findings of Kosuge and Takahashi (2016) and existing literature, this paper hypothesized that market orientation leads to continuous improvement and tested this hypothesis using a measure of “kaizen readiness.” The results, based on responses from all the salespersons at 54 shops of an automobile dealership company, demonstrated that market orientation certainly has a strong positive correlation with kaizen readiness. The hypothesis was supported from a 2×2 cross table where market orientation and kaizen readiness were divided into high and low groups, even though it was revealed that four highly performing shops had low market orientation but high kaizen readiness. Additional investigation revealed that these four shops were not shifting toward a market orientation because they could achieve their sales targets by following their customary method of doing business.

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A version of this paper was presented at the ABAS Conference 2017 Winter (Kosuge, 2017).

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Keywords: market orientation, continuous improvement, kaizen readiness, automobile dealership operations

Introduction

With the accumulation of research on market orientation since the 1990s (Kohli & Jaworski, 1990; Narver & Slater, 1990), a consensus seems to be emerging regarding the impact of market orientation. Briefly put, it has been indicated that market orientation has a positive impact on performance through innovation, perceived quality, and loyalty (Kirca, Jayachandran, & Bearden, 2005). However, as most prior studies assume that the unit of analysis is the SBU (Kohli & Jaworski, 1990; Narver & Slater, 1990), limited attention has been paid to the nature of market orientation in the context of service where direct interaction with customers is required (Kosuge, 2015). This paper empirically examines the impact of market orientation in such a context.

Specifically, this paper focuses on continuous improvement, or “kaizen,”¹ which is a key concept in operations management, to test the hypothesis that market orientation leads to continuous improvement. The basis of this hypothesis is the idea that a value system that emphasizes sensing and responding to existing and latent customer needs promotes opportunities to improve existing work methods and tools. This hypothesis is based on the findings of Kosuge and Takahashi (2016), who considered the process through which a Japanese automobile dealership company developed a market orientation and is also supported by existing literature. If this hypothesis is true, it would suggest that market orientation is far more than a “hygiene” factor in the service

¹ This paper uses “continuous improvement” and “kaizen” interchangeably.

context (Kirca et al., 2005).

Market Orientation and Kaizen Readiness

Kosuge and Takahashi (2016) describe a case of an automobile dealership company that made a long-term shift from a traditional selling orientation dependent on individual skills to a process-focused market orientation. An overview of this case is provided below.

- The market orientation program focuses on processes; moreover, the team was perceived by salespersons as threatening their concept of themselves as “lone wolves.” It was thus rejected by most of them.
- However, among the 54 shops, three shops that were performing poorly adopted market orientation. Subsequently, these shops began a continuous reassessment of their existing work methods and tools and devised various improvements. As the staff accumulated successful experiences, shops that had merely been groups of individualistic salespersons began to function as a single organization.
- The top management selected managers from these three shops and modified the existing evaluation and reward system to spread the form of market orientation within the organization.

It is particularly noteworthy that at these shops, the adoption of market orientation engendered values geared toward sensing and responding to customers’ needs; this consequently promoted a continuous update of operations. For example, in the past a particular salesperson had been assigned to each customer. The shops moved to a system whereby a sales team, and not just a particular salesperson, would be responsible for taking care of the customer. Further, “follow-up cards” were employed in the past to

monitor and control such customer contact activities, reminding them to ensure that their car was inspected. These “follow-up cards” were refined as tools for salespersons to ensure dialogue with their supervisors about customers.

Kaizen, or continuous improvement, can be viewed as a learning process, so the above findings are consistent with prior studies that highlight learning orientation as being a mediator between market orientation and performance. For example, Slater and Narver (1995) stated that market orientation is the principal cultural foundation of the learning organization. In other words, a market-oriented organization will create a cultural framework that leads to the development of learning orientation (Farrell, 2000).

Based on the above observation and discussion, rather than the idea of market orientation being a “hygiene factor” in the service context (Kirca et al., 2005), the following hypothesis can be formulated:

Hypothesis: In the context of service, market orientation leads to continuous improvement.

Methods

This analysis used data compiled from the 54 automobile shops mentioned above. A questionnaire survey was administered in August 2007. The unit of analysis was the shop, though the survey used the responses obtained from salespersons. The questionnaire was distributed to 506 salespersons working at 54 shops. Responses received from 482 salespersons were used in the analysis. All questions were answered using a five-point Likert scale (5 being “I completely agree” and 1 being “I completely disagree”) to indicate the level of agreement with the question.

A MKTOR scale consisting of 15 items was used as the measure for

Table 1. Overview of kaizen readiness items

N=54

	Average	SD
(1) In this shop, the vision of ideal operations is shared by everyone.	3.07	.48
(2) In this shop, better ways of working are constantly sought for.	3.04	.48
(3) In this shop, we are not afraid of critically reflecting on the existing ways of working.	3.05	.41
(4) In this shop, we endeavour to revise standards and rules.	3.16	.42
(5) In this shop, there is a momentum to reveal and solve problems.	3.17	.45
(6) In this shop, whenever a problem is detected, someone takes the initiative to address it.	3.06	.46

market orientation. The market orientation score for each shop was obtained by the simple mean of the scores for each item (Average 2.85, SD 0.37, Cronbach's alpha 0.96).²

As for continuous improvement, we created a new construct that would be applicable to any industry: "kaizen readiness." This demonstrates the organization's inclination for continuous improvement where all members are actively engaged in improving day-to-day operations. Based on the insights gained from our case studies and interviews, as well as literature that considers the nature of continuous improvement in manufacturing (e.g., Fujimoto, 1999, 2012; Imai, 1986; Ohno, 1988), we developed a scale that comprises six items related to: (1) sharing of an operational vision, (2) revision of standards, and (3) problem solving.³ Table 1 demonstrates the mean and standard deviation for each item. A kaizen readiness score for

² See Kosuge (2015) for details on each item.

³ Some items reference those in oractika (organization activation karte, a registered trademark of the Global Business Research Center (GBRC), a nonprofit organization) (Takahashi, 1997). See Takahashi (2002) and Takahashi, Ohkawa, and Inamizu (2014) for representative research using oractika.

each shop was calculated as a simple mean of the scores for each item.

Results

The Pearson correlation coefficient between market orientation and kaizen readiness was 0.81 ($p < .01$), indicating a strong positive correlation.

Subsequently, to understand the distribution of the 54 shops, we divided market orientation and kaizen readiness into high and low groups according to their median values and created a cross table provided in Table 2.

A significant positive correlation ($\chi^2 = 26.741$, $df = 1$, $p < .01$) was observed between the low and high groups for market orientation and for kaizen readiness, which can be interpreted as the link between market orientation and kaizen readiness.

In Table 2, the four shops in the bottom left cell, which denoted a high market orientation and low kaizen readiness, were perhaps those in the transitional phase between the development of a market

Table 2. Distribution of the shops

<i>N</i> =54		Kaizen readiness		
		Low	High	Total
Market orientation	Low	23	4	27
	High	4	23	27
Total		27	27	54

$\chi^2=26.741$, $df=1$, $p<.01$

orientation and development of kaizen readiness. However, we also considered the four shops in the top right cell, which had low market orientation but high kaizen readiness. Actually, these four shops had a common trait: their environment allowed them to achieve a high level of performance. Three of these four shops had predominantly corporate, rather than individual, customers, and therefore, the salespersons worked mostly outside the office. In this circumstance, sales could be achieved through individual efforts; thus, even though they may have embraced “customer-orientation,” shop-level market orientation is questionable. As for the remaining shop, even though customers were mostly individual consumers, the excellent physical location allowed salespersons to ensure sales without much effort. All four shops achieved sufficient sales under the current circumstances, and that seemed to be the reason why shifting toward market orientation did not work. Actually, our hypothesis was supported when we used average per-capita sales (in KJPY) as an objective measure of performance.

As indicated in Table 3, average per-capita sales of ¥4,042,000 in the four shops with high market orientation and low kaizen readiness

Table 3. Average per capita sales in each cell

N=54		Kaizen readiness		
		Low	High	Total
Market orientation	Low	3504 (23)	4042 (4)	3584 (27)
	High	3744 (4)	3985 (23)	3950 (27)
Total		3540 (27)	3994 (27)	3767 (54)

was higher even when compared with average per-capita sales of ¥3,985,000 in the 23 shops that had both high market orientation and kaizen readiness. It can certainly be interpreted that the four shops were not shifting toward market orientation because of high performance.

In addition, data from qualitative studies suggest that the high kaizen readiness of the four shops did not reflect any attempt to sense and respond to customer needs but rather reflected an attempt to ease the workload involved in sales. In other words, it was continuous improvement based not on market orientation but on operational necessity.

Discussion

The above results indicate a connection between market orientation and continuous improvement in the context of an automobile dealership. This suggests that market orientation is not merely a “hygiene factor” in the service context (Kirca et al., 2005), but it does play a defining role in organizations. Therefore, managers should not underestimate the significance of developing a market orientation.

At the same time, the results suggest that in certain circumstances where performance is already high, shifting toward market orientation can be challenging. Excellent performance may indicate that the organization has a functional fit with the environment. However, it should be noted that as long as there is vigorous customer demand, cars and car-related services will sell, irrespective of the organization’s values. In other words, excellent performance does not necessarily reflect high customer satisfaction and loyalty. As has been noted by Kosuge and Takahashi (2016), competitive isomorphism that corresponds to a functional fit with the environment does not necessarily advance in a superior form. To put

it in a different way, leaving things to “natural selection” does not engender a market orientation (Kosuge & Takahashi, 2016). Top management must decide whether to shift to a market orientation, even if they know that performance may deteriorate.

Acknowledgements

This work was supported by JSPS KAKENHI Grant Number JP16K21487 and JSPS Grant-in-Aid for Publication of Scientific Research Results, Grant Number JP16HP2004.

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