Market Orientation: Journey from Antecedents to Business Performance in a Developing Economy
A Case-Study of Botswana’s Small and Medium Size Manufacturing Firms

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Abstract
This paper aims to investigate the link between antecedents of market orientation and performance of Botswana’s Small and Medium sized Manufacturing Firms. This study is primarily centered on empirically investigating two issues: test the applicability of MARKOR Scale (A widely used market orientation measure developed by Kholi and Jaworski (1990), amongst Botswana’s small and medium sized manufacturing firms, and investigating the factors (Antecedents) influencing the Botswana’s manufacturing firms Performance. This study’s participants are proposed to be owner managers from 160 small and medium sized manufacturing firms in Botswana. Regression analysis would be employed to analyze the data collected and it is envisaged that there would be a significant link between antecedents of market orientation and the manufacturing firm’s performance.
In almost all previous studies in this field, the primary emphasis has focused on the market orientation of manufacturing firms in developed economies, with acute paucity of such research in developing economies. Hence, this conceptual paper contributes to the extant literature by changing the research direction and studying Market orientation (MO) in manufacturing firms in developing economies. In addition, this paper provides owner managers with a more understandable guide to specific market oriented activities.

Keywords: Antecedents, Market Orientation, Business Performance, Small and Medium Sized Manufacturing Firms, Botswana, Developing Economy.

1. Introduction
Market orientation in both manufacturing and service industries has attracted a significant amount of interest in the extant marketing literature (Day, 1994; Han et al, 1998; Kholi and Jaworski, 1990). Since the implementation of the market orientation characterizes a firm’s intention to deliver superior values to its customers by satisfying their wants or needs on a continuous basis (Slater and Narver, 1994), there is a large body of literature dedicated to studying whether market orientation results in superior organizational performance. Some studies have verified a strong link between
Market orientation has emerged as a significant antecedent of organizational performance and is presumed to contribute to the long-term success of a firm. The growing number of academic studies on market orientation and the mixed findings they have reported complicate the efforts among managers and academics to identify the real antecedents and outcome of this construct (Vieira, 2010). For Gray and Hooley (2002), there is equivocal evidence of the moderating effect of industry type (Service Versus Manufacturing) on the relationship between market orientation and business performance. The implementation of market orientation could entail a higher degree of customization in service firms than in manufacturing firms, which implies that the correlation between these two constructs might vary (Cano et al., 2004).

Though previous results are conflicting, the significance of including market orientation in an integrated model of determinants of performance is highlighted by several research findings which indicate that there is an influence of market orientation on customer orientation, organizational commitment, sales growth, financial performance, and profitability (Jaworski and Kholi, 1993; Narver and Slater, 1990). This is exacerbated by the absence of empirical research conducted on market orientation construct amongst Botswana’s manufacturing firms, thus representing both an empirical and theoretical gap to which this proposed pragmatic study seeks to fill, using MARKOR Scale, with manufacturing enterprises as a study context. Small, Micro, and Medium Enterprises (SMMEs) play a crucial role towards achieving industrial and economic development objectives of the Botswana economy (LEA, 2009).

2. Manufacturing Enterprises in Botswana

An outlook of the Botswana economy still presents a picture of mineral-led growth and pronounced dependence on one commodity-Diamonds. Despite diversification being the current main policy objective and the initiatives that have been introduced to achieve this, very minimal headway has been made BIDPA (2008).

The manufacturing sector in particular, continues to post very unimpressive performance. Manufacturing enterprises, unlike Tourism enterprises experience the greatest number of challenges (including particular concerns relating to accessing government contracts), and have a higher prevalence of companies in the winding down stage (LEA, 2009). As a share of GDP, it accounts for less than 5%, and its share of exports is still dwarfed by that of Diamonds. It is notable, however, that there has been some diversification within the manufacturing sector since independence: the share of meat and meat products had fallen from 95% to about 15% in 1994 as the share of other manufactured products (beverages, textiles, agro-products, metal and metal products) increased BIDPA (2008). The quest to enlarge and develop further the SMMEs and manufacturing sector has for a long time been evidenced by the formulation and implementation of different policies. The Financial Assistance Policy (FAP) of 1982 was in existence for almost two decades, and has made some strides in employment creation and industrial development. The FAP has since been replaced by Citizen Entrepreneurial Development Agency (CEDA), which is continuing to provide financial assistance, but with greater emphasis on the mentoring of businesses. The Manufacturing SMMEs share access to this valuable assistance. Complementary to the FAP and other existing policies, in 1999, the Small, medium and micro Enterprises (SMMEs) policy was adopted.

Subsequently, in 2003, the Small Business Act was enacted, which established the Local Enterprise Authority (LEA) and Small Business Council (SBC).

From the late 1970’s, the mining sector, which is chiefly dominated by the diamond industry and to a lesser extent the copper-nickel industry, became the main economic contributor to GDP, government revenue and export earnings. During the period 1990 to 2003, the share of the mineral sector to real annual GDP averaged 35.1%, to government revenue 50.2%, and to export earnings 82.3%. However, the average annual real growth of the sector was modest 4.7% Bank of Botswana (1999). During the period 1990 to 2003, the trade and government sectors represented 17.4% and 15.7% of average real GDP. The average annual real growth for the trade sector was the highest during the period (8.7%), whilst the manufacturing sector on the other hand recorded a 4.4% share of annual average GDP during the period, and registered real average annual growth of 4.3%. Manufacturing sector output increased between 1990 and 1992, declined slightly between 1993 and 1994, increased steadily up to 2001, and stagnated thereafter, following closure of Hyundai vehicle assembly plant in 2000, as well as reduction in cattle slaughtered by the Botswana Meat Commission (Bank of Botswana, 2003).

3. Market Orientation in Manufacturing Firms in Developing Economies

In almost all previous studies in this field, the primary emphasis has focused on the market orientation of manufacturing firms in developed economies, with acute paucity of such research in developing economies. Hence, this conceptual
paper contributes to the extant literature by changing the research direction and studying Market orientation (MO) in manufacturing firms in developing economies. Despite the importance of market orientation in the modern business world, the need for market orientation investigations in the developing countries is still ignored by researchers. Companies worldwide of different sizes and sectors are operating in an increasingly dynamic, complex and unpredictable environment O’Regan et al. (2006). This suggests many firms would seek new ways of conducting their business through some kind of innovation to make a profit and stay ahead of the competition.

In particular, the new manufacturing environment is characterized by intense global competition, rapid technology changes and product variety proliferation Pun (2004). While large manufacturing companies can often invest in new technologies and equipment, providing world-class skills, training to their workforce and winning new markets, this is hardly the case for small companies Laforet and Taun (2006). However, successful innovation is a complex task for a SMMEs that does not have the means and know-how to invest in R&D activities Avermaete et al. (2003) or cannot always convert research and development into effective innovation. Furthermore, O’Regan et al. (2006) noted the many difficulties SMMEs have are often organization-specific.

In mature economies characterized by prevalence of buyer’s markets, stable growth and intense competition, firms that are more oriented towards customers’ needs and competitors action will do better as per the claims of MO scholars Ellis (2005). In contrast, in developing economies characterized by ill-defined market boundaries and strong or burgeoning demand, firms may be able to “get away with” a minimal amount of MO Kholi and Jaworski (1990). Until recently; however, there has been relatively little research into the applicability of the market orientation construct in developing economies Hooley et al. (2003).

4. Statement of the Problem

There are scholarly arguments pertaining to the application of marketing philosophy or knowledge in developing economies including Botswana. For example, the implementation of marketing philosophy in developing economies has attracted some criticisms with respect to such constraining factors as strong government control, economic shortages, and general behavior towards marketing knowledge and activities Winston and Dadzie (2002). However, some scholars have argued that these environmental factors do not detract from the implementation of marketing knowledge, and that marketing should be of benefit to all companies would over, including developing countries such as Botswana, Drucker (1958), Emley (1958).

Therefore, it may be stated that while market orientation practices may be beneficial for some businesses, it may not be for some other businesses as a result of variations in environments, practices, contexts and cultures Sundqvist et.al. (2000). Bhuian (1998) also posit that generalizability of the market orientation construct and its variants to other environments are also questionable.

Moreover, a review of the marketing and management literature reveals that only anecdotal empirical research in this area of market orientation was focused on issues concerning its relationship to the performance of small business enterprises (Dauda, 2010) with no such a study conducted in Botswana. Yet as earlier noted, business firms cannot assume that market orientation findings in one firm or culture context work well in other countries with different business cultures (Aziz and Yassin, 2010). Thus the disagreement on the relationship between market orientation and business performance amongst scholars and the theoretical gap in Botswana and particularly in the manufacturing SMEs sector as a new empirical context, underpins the basis of this study, using MARKOR scale. This will help small business firms in the manufacturing sector in Botswana, still compounded with marketing challenges and above all do not seem to understand the concept of market orientation, to guide them in their market orientation implementation efforts and thus realise superior business results, with a competitive advantage.

Thus the purpose of this study is to investigate market orientation journey from antecedents to business performance, using manufacturing SMMEs in Botswana, in order to discern the relationship between antecedents, MO and performance, test applicability of MARKOR scale in a developing economy, and develop MO framework to guide practitioners in their marketing efforts, so that their level of market orientation ensures that they deliver superior customer value and as a result, realize superior business results, with a competitive advantage over those that are not market oriented.

5. Research Objectives

This proposed research attempts to significantly contribute to the theory and practice of market orientation by testing the hypotheses envisaged, and there by achieving the following objectives:

i) To identify the internal and external antecedents/factors that significantly determines levels of Market Orientation components of manufacturing firms in Botswana.
To identify the effects of Market Orientation on business performance of manufacturing firms in Botswana.

6. Literature Review

The concept of market orientation (MO) came into pragmatic scholarly research two decades back. This can be traced from the conference organized by the marketing science institute (MSI) in Massachusetts in 1987, under the topic “developing a marketing orientation” convened with a main purpose to articulate the need for a strong, scholarly research to better define, measure, and model the construct (Deshpande, 1999). The key outcomes of the conference indicated: a need for measurement of the level of a firm’s MO; a need for understanding whether there is an optimal level of MO given the firm’s strategic context; and a need for thinking of MO as a basis of, rather than a substitute for innovation in a business firm (Deshpande, 1999; Kirca et al. 2005).

Market orientation research has been published since early 1990s when Kohli and Jaworski (1990), Jaworski and Kohli (1993) and Narver and Slater (1990) offered two views on the concept of market orientation antecedents and consequences. Market orientation is a central tenet of marketing (Morgan and Strong, 1997). Kohli and Jaworski (1990,1993) published seminal work that provided the early conceptual framework, organizational antecedents and expected organizational consequences of a market orientation and led to the development of early scales (e.g., Narver & Slater,1990;Kohl,Jaworski & Kumar,1993; Deshpande, Farley &Webster,1993).

Kohli and Jaworski (1990) define market orientation as organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization wide responsiveness to this intelligence. Market intelligence not only pertains to monitoring customer’s needs and preferences, but also includes an analysis of how customers might be affected by factors such as government regulation, technology, competitors, and other environmental forces (Kara et al., 2005). It mainly represents a response of firms to current and future market demand for a sustained competitive advantage. The eventual outcome of MO within an organization is an integrated effort by individuals and across departments, which in turn, delivers superior organizational performance (Kohli and Jaworski, 1990).

Narver and Slater (1990) define market orientation as an organizational culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for customers and thus superior performance for the business firm. They conceptualized an organization’s degree of MO as the sum total of its emphasis on five components: customer orientation; competitor orientation; inter-functional coordination; long-term focused; and profit emphases (Dauda, 2010) and thus their causal model, consisting of five constructs.

MO has three fundamental behavioural components: customer orientation, competitor orientation, and inter-functional coordination (Narver and Slater, 1993). Customer orientation is the sufficient understanding of the buyer’s value chain within end-use segments such that the business continuously concentrates on activities that will either increase benefits or decrease costs to the buyer. Competitor orientation is the on-going assessment of the value of the business offerings and capabilities relative to those of competitors; whereas inter-functional coordination means that information on buyers and competitors is shared throughout the business (Deshpande, 1999).

In all the above two definitions of MO, a common ground of understanding can be drawn on the basis that market oriented firms are those that are well informed about the market and that have the ability to use that information advantage to create superior value for their current and potential customers (Raaij and Stoelhorst, 2008). Furthermore the two conceptualizations of MO have strong similarities, in that they all put the customer in the very heart of the definition, stress the importance of being responsive to customers, and all consider interests of other stakeholders in all efforts (Dauda, 2010). Despite these common threads in the two definitions, they are conceptually different and thus for this empirical research, the researcher will adopt Kohli and Jaworski (1990) definition of MO concept; operationalize its three key activities - intelligence generation, intelligence dissemination, and responsiveness.

After a substantive review of MO seminal literature available on both MARKOR and MKTOR scales above, the researcher chose to operationalize the former, by Kohli and Jaworski (1990), in this pragmatic research. This decision is based on content analysis of the MARKOR and MKTOR scales conducted by Gauzente (1999, cited in Rojas-Mendez et al., 2006) who concluded that MARKOR is better to evaluate MO because it measures not only the present state of the firm but also its capabilities. MARKOR scale allows the assessment of reactivity and proactivity of the business, which is not possible with MKTOR scale (Kara et al. 2005). The main weakness with MKTOR scale is partly due to the inconsistency with its own definition and its excessive emphasis on customer orientation (Rojas-Mendez et al., 2006). Furthermore, the choice of MARKOR scale is solidly underpinned by the fact that it has been less frequently studied especially in SMMEs in developing economies (Rojas-Mendez, et al. 2006) and with no such a study conducted on manufacturing SMMEs in Botswana to date. Kara et al. (2005) acclaim MARKOR scale on the basis of its ability for
application in different locations and contexts. Thus it is expected to be perfectly applicable in the manufacturing SMMEs industry in Botswana.

Equally to note, the choice of MARKOR scale in this empirical research is based on the fact that this scale has been widely used in the measurement of the degree of MO and has been considered valid in various studies conducted in diverse countries and cultures (Rojas-Mendez et al., 2006). Kohli et al. (1993) and Bhuian (1997) have suggested further testing of MARKOR scale in divergent settings, and thus the choice of MARKOR scale is in response to these suggestions where the researcher believes that the Botswana manufacturing SMEs environment represents a new empirical context that will permit an in-depth measurement of MO implementation. The study also provides a test of applicability of MARKOR scale developed in the western markets to developing economies, and particularly Botswana.

Antecedents to a market orientation refer to organizational factors that enhance or impede the implementation of the MO concept (Deshpande, 1999). In a study conducted by Kohli and Jaworski (1993) on several US firms, corroborating with the literature on the subject area, provide an explicit list of three main antecedents to MO: senior management factors (role of senior management); interdepartmental dynamics (formal and informal interactions and relationships among an organization’s departments); and organizational systems (organization wide characteristics relating to structure). Thus for a proper implementation of MO in business firms, senior managers must be convinced of its value and communicate this commitment to junior employees, and develop positive attitudes towards change (Deshpande, 1999).

Raaij and Stoelhorst (2008) have also extensively studied antecedents of a MO, from an implementation perspective as they provide clues of how to develop a MO in a firm. They clearly distinguish between external antecedents like environmental factors that stimulate a firm’s adoption of a MO, and internal antecedents like organizational factors that enable the adoption of a MO concept. Other external antecedents available in the literature are market dynamism and competitive intensity (Kohli and Jaworski, 1990). They add that in a stable business environment, few adjustments to the marketing mix are needed, requiring slow level of MO. Internal antecedents empirically proposed and tested in the literature include the three organizational processes that foster a MO: recruiting and selecting customer focused individuals, market oriented training, and market oriented reward and compensation systems (Ruekert, 1992, cited in Raaij and Stoelhorst, 2008).

Jaworski and Kohli (1993) also advanced eight antecedents: top management emphasis on MO, top management risk aversion, interdepartmental conflict, interdepartmental connectedness, degree of formalization, degree of decentralization, degree of departmentalization, and reliance on market-based factors for evaluations and rewards systems. Kirca et al. (2005) in their meta-analysis of the eight antecedents of Jaworski and Kohli, sum them up to form the three most important antecedents commonly used in modern literature on MO: top management emphasis, interdepartmental conflict and connectedness, and reward systems. These equally harmonize naturally with those earlier espoused by Deshpande (1999). Thus conclusions about antecedents of MO provide critical levers for implementing and increasing MO within a firm, critical for SMEs in Botswana for which this study seek to address.

Business Performance is organized into four categories: organizational performance; customer consequences; innovation consequences; and employee’s consequences (Jaworski and Kohli, 1996; Kirca, et al., 2005).

Organizational performance: the marketing strategy literature posits that MO provides a firm with market-sensing and customer-linking capabilities that lead to superior organizational performance (Kirca et al., 2005). Organizational performance consists of cost-based performance measures, which reflects performance of a firm after accounting for the cost of implementing the strategy (profit measures) and revenue-based performance measures (sales and market share) (Dauda, 2010). Jaworski and Kohli (1996) also identified the need to consider global measures that provide overall business performance mostly through comparisons of competitor performance:

Customer consequences: includes the perceived quality of the products or services with which a firm provides customer satisfaction and loyalty with the organization’s products and services (Jaworski and Kohli, 1996). MO enhances customer-perceived quality of the organizations’ products and services by helping to create superior customer value and thus enhances customer satisfaction and loyalty (Kirca et al., 2005). This is because, such firms are better positioned to anticipate customer needs and to provide such goods and services that meet and even exceed these needs.

Innovation consequences: this includes firms’ innovativeness, in terms of creating and implementing new ideas, products and processes, and new product performance (Jaworski and Kohli, 1996). Thus MO should enhance an organization’s level of innovativeness and new product performance since it drives a continuous and proactive disposition towards meeting customer expectations, with greater emphasis on information usage (Dauda, 2010).

Employees’ consequences: MO enhances organizational commitment by instilling a sense of pride and camaraderie amongst employees (Kohli and Jaworski, 1990). In this case, organizational commitment includes: willingness to
sacrifice for the organization, team spirit, and customer orientation (motivation of employees to satisfy customer needs), and job satisfaction. Further still, MO can reduce role conflict amongst employees (Dauda, 2010).

7. Research Hypotheses

A focused search and scrutiny of both empirical and theoretical seminal literature on market orientation in relation to the statement of the problem above, the researcher managed to generate the following scientific hypotheses that the study will seek to test as evident on the framework:

H1: for Manufacturing SMEs in Botswana, Market orientation has a significant effect on Business Performance.
H2: Senior management Factors has a significant effect on Business Performance.
H3: Interdepartmental dynamics has a significant effect on Business Performance.
H4: Organizational systems have a significant effect on Business Performance.

8. Research Design

This study’s participants are proposed to be owner managers from 160 small and medium sized manufacturing firms in Botswana. Regression analysis would be employed to analyze the data collected and it is envisaged that there would be a significant link between antecedents of market orientation and the manufacturing firm’s performance. The study also provides a test of applicability of MARKOR scale developed in the western markets to developing economies, and particularly Botswana. In this study, a quantitative strategy will be taken in the design, data collection and analysis. Particularly, a cross-sectional survey will be conducted, on a sample size of 160 owner managers as study subjects, selected using a convenience sampling technique on the basis of sub-sectors, size, and location. Data will be collected using a survey questionnaire, to be tested for reliability and validity using Cronbach alpha coefficient, and confirmatory factor analysis respectively. Finally the survey questionnaire will then be self-administered by the researcher using a drop-pick method, and data collected, analysed using descriptive statistics and hypotheses tested with SPSS for windows 18.0.

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Figure 1. Conceptual Framework of Antecedents to and Consequences of a Market Orientation