

Market Orientation of Saudi Banking Sector by MKTOR Market Orientation Measure Scale

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Received date: December 06, 2014, Accepted date: December 24, 2014, Published date: March 31, 2015

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Abstract

Many studies conducted in different context have shown the importance of market orientation for the companies and have used Narver and Slater's market orientation measure scale to evaluate it. However, the market orientation has never been studied and evaluated using MKTOR in an Arab culture context. This study evaluated the market orientation of Saudi banking sector, women's branches in Al Qassim region. Data from 50 banks' managers were collected using the MKTOR scale after translation in Arabic. The factor analysis shows that the market orientation of women's branches is moderate. It is therefore recommended that the top management of banks should focus on the co-operation between the different functions/departments within the organization and ameliorate the information's coordination. It should take care of assessing customer needs and competitors' strengths and weaknesses. To be market oriented those banks should have a strategy and objectives driven by customer satisfaction which require the commitment of top management.

Keywords: Market orientation; MKTOR; Women's branches; Cooperation; Information; Coordination; Customer needs; Competitors' strengths and weaknesses; Customer satisfaction; Commitment; Top management; Saudi banking sector

Introduction

Since Shapiro's studies [1], the number of scholars interested to the Market orientation has increased, the discussion of this concept has occupied a remarkable place in the Marketing's literature [1-7].

Following Kohli and Joerski and Narver and Slater's research, many conceptual and empirical studies have found a positive effect of market orientation on the organizational performance and on the enterprise's success in the current hostile business environment [6-10].

There was also a need for measuring the market orientation into different industries and cultural contexts. Therefore Narver and Slater [6] and other researchers have studied how to construct a valid market orientation measuring scales such as: the market orientation measure scale MKTOR which was examined in different context [6].

Despite of the importance of the market orientation for enterprises acting in different context, most of the research on this concept has been done in the United States and other Anglophone countries. The market orientation has been rarely investigated in the other industrialized countries. Also, few studies have evaluated the market orientation by the different measure scales across developing countries' culture and especially across the Arab world.

Kohli and Jaworski's market orientation model and its measure scale "MARKOR" was examined in Saudia Arabia [11]. While Narver and Slater's market orientation model and its measure scale "MKTOR" has never been used to evaluate market orientation in an Arab culture context.

Consequently, this study aims to evaluate the market orientation of Saudi Banking Sector using MAKTOR [6], and to give suitable recommendations concerning the market orientation for the studied banks.

Literature Review

Market orientation

There was a large confusion between the marketing concept and market orientation. So many studies have clarified the difference between the marketing as a management philosophy and the market orientation as a tool required to implement this philosophy successfully in the activities and behaviors of an organization [5,12].

Market orientation's research has established two perspectives: cultural and behavioral [13,14]. For the cultural perspective, market orientation depends on an efficient and effective organization culture developing the necessary behaviors to create a superior value for buyers [6]. While, the behavioral perspective conceives that market orientation is the group of activities undertaken to implement the market concept [5].

Concerning the market orientation definitions, they have been based on two important and widely accepted definitions which were proposed by Narver and Slater [6] and Kohli and Jaworski [5]. For Kohli and Jaworski [5], market orientation has three components: intelligence generation, intelligence dissemination, and responsiveness. Narver and Slater [6] conceives three behavioral components for market orientation: customer orientation, competitor orientation, and interfunctional coordination. These two definitions are consistent and uniform.

Deshpandé et al. [3] established a more cultural definition of market orientation, and they focused on the importance of a customer focus in an organizational culture that not excludes the other

stakeholders: owners, managers and employees, to increase the enterprise's profit".

So, we conclude that cultural perspective focused on the enterprise's values and beliefs. While the behavioral perspective privileges the concrete enterprise's activities. Than the two perspectives had common points such as: the customer's role, customer responses; other stakeholders (competitors for example), external orientation) [15].

Jaworski and Kohli concluded also that the behavioral perspective is more practical than the cultural one, because managers are all the time interested in activities more than its culture [15]. This behavioral perspective establishes new definitions of market orientation based on customer orientation. While the Narver and Slater market orientation's definition was distinguished by the insistence on the enterprise's stakeholders (customers and competitors) more than the insistence on the organization's activities. Also this market orientation's model has been the most used and validated in several context [15].

Narver and Slater, Kohli and Jaworski [5] and others have also studied in different context the effect of market orientation on the organizational performance to demonstrate its big importance for the enterprise's success and survival. So they found that the market orientated enterprises are more performant than the other which aren't market oriented or having low level of market orientation.

Despite of the importance of the market orientation for enterprises acting in different context, most of the research on this concept has been done in the United States and other Anglophone countries and they used the different market orientation's models such as Narver and Slater's. The market orientation has been rarely investigated in the other industrialized countries. Also, very few studies have studied and validated a market orientation model and its measure scales like MKTOR across developing countries' culture, and especially across the Arab countries.

So we have to adopt necessarily in this study Narver and Slater's market orientation model, because of its importance mentioned above, and it has never been investigated in an Arab country.

A measure of market orientation

The examination of the market orientation's literature review shows that three market orientation's measure scales have been adopted and validated in different context to measure the market orientation concept and its impact on company performance:

Narver and Slater market orientation's measure scale: MKTOR

This scale contains 15 items measured with a likert- seven- point. They found that the Cronbach's alpha for measurement of the dimensions 'reliability was higher than 0.7. The Narver and Slater's dimensions are: Customer orientation, Competitor orientation, and interfunctional coordination.

MKTOR has been the most adopted measure scale in the empirical studies established in different context (especially: USA and Anglophone countries). However this scale has never been used and validated in an Arabic cultural context.

Jaworvski and Kohli [16]: MARKOR

This scale is longer than the first one. It contains twenty items: Six of them measure intelligence generation, five measure intelligence

dissemination and nine measure responsiveness. This scale was used by these authors in a study done in Scandinavia and in Saudi Arabia [11].

Deshpandé et al. [3]:

These authors studied the impact of corporate culture and innovation on the performance of Japanese companies and they found out a nine – item scale based on the two previous measure scales "MKTOR and MARKOR". This scale was used and validated in: the USA, Germany, France, England, India, Vietnam, Thailand, Hong Kong and China

Deshpandé and Farely, did a study in 1998 that synthesized and validated the measure scales: MAKTOR, MARKOR, Deshpandé, Farley and Webster's measure scale [3] and they came up with "MORTN" composed with ten items and focused more on activities related to customer orientation than the other market orientation's components.

This study shows that the three scales defined above are complement, comparable and interchangeable.

Few studies on market orientation's measurement and its relationship to performance have been done in Latin America [17]. MAKTOR has been the most used measure scale in these studies [18-20] and the combined scale [21].

We conclude after this measure scales' literature reviews that:

Narver and Slater market orientation' measure scale "MKTOR" is the most reliable and valid scale and it has been frequently used in different studies and cultural context. However this scale has never been used and validated in an Arabic cultural context.

MARKOR was used in Scandinavia and in "Saudi Arabia" [11].

Deshpandé, Farley and Webster's measure scale [3], was used and validated in: the USA, Germany, France, England, India, Vietnam, Thailand, Hong Kong and China.

MAKTOR has been the most used measure scale in studies on market orientation's measurement and its relationship to performance done in Latin America [18-20].

Consequently, we have to adopt necessarily in this study Narver and Slater's market orientation measure scale "MKTOR" which has never been used to assess market orientation in an Arabic country.

Methodology

Research design and instrument for data collection

The study was based on the survey method. Primary data is most suitable for this kind of study. Hence, a closed-ended questionnaire was designed for effective collection of primary data from the target respondents. The questionnaire and interview were identified as the main instruments used in generating data in survey. The questionnaire consisted of one section. It comprised 14 items proposed by Narver and Slater [6], dealing with customer orientation (six items), competitive orientation (four items) and interfunctional coordination (four items).

Arabic translation pre-tested in Saudi Arabia

The questionnaire was translated into Arabic by a bilingual business professor from Saudi Arabia. To ensure its consistency with original

version was translated back into English by an independent translator and the necessary rectification of the differences between the two versions was done. Next, the Arabic translation was pretested in Qassim Saudi Arabia by a collaborator from local banks to ensure that the questionnaire had cultural validity.

Research population, sample size and sampling procedure

At the time of the study, the research population contained 60 women branches’ managers in all the Saudi banks located in Qassim – Saudi Arabia. 50 managers from 60 were chosen randomly. The randomly sampling was adopted in this study because it was difficult to obtain answered questionnaires from all the interviewees.

Measurement of research variables

All the variable used in the study – Customer orientation (CUSO), Competitor orientation(COMO), Interfunctional coordination (INTERCOO)– were measured using nominal scale- the 5 point Lickert type rating scale. Specifically, the respondents were asked to rate each one of the 6 items of CUSO, each one of 4 items of COMO and each one of the 4 items of INTERCOO. The responses were analyzed using descriptive statistics (frequency, mean, grand mean, and deviation). A single index (in form of mean) was obtained for each variable. Consequently, any score (mean and / or grand mean) between 1 to 1.99 was considered as an indication of very low CUSO, COMO, INTERCOO, 2 to 2, 99 was an indication of low CUSO, COMO, INTERCOO, 3 to 3.49 was an indication of moderate CUSO, COMO, INTERCOO, 3.5 to 3.99 was an indication of high CUSO, COMO, INTERCOO, and finally 4 to 5 was considered to be very high CUSO, COMO, INTERCOO.

Data Presentation and Analysis

Reliability and validity assessment

To test the validity of the scale, the principal components factor analysis was used to determine the number of the market orientations factors. An Eigen value criterion of greater than one was used to determine the number of factors. The results of the factor analysis showed clearly three dimensions of the market orientation scale: customer orientation, competitor orientation and interfunctional coordination as shown in the Appendix 6.

Factor	Number of Items	Cronbach's Alpha
Market Orientation	13	0.894
Customer Orientation	5	0.754
Competitor Orientation	4	0.747
Interfunctional Coordination	4	0.767

Table 1: Reliability of market orientation measure scale. Source: Survey Data (2014).

The analysis of items’ contribution to factors showed that the sixth item of the customer orientation’s scale had a weak contribution to the customer orientation variable, therefore, it was eliminated as shown in the Appendix 6.

The reliability of the scale was tested using Cronbach’s alpha method. Cronbach’s alpha measures the average of measurable items and its correlation, and the result is considered reliable if it is generally above 0,5 (or 50%).

Analysis revealed that Customer Orientation scale is reliable by 75%, Competitor Orientation by 74%, Interfunctional Coordination by 76% and market orientation scale is reliable by 89% as shown in the Table 1.

Market orientation of the studied banks

Analysis revealed the mean scores for each 13 items of the market Orientation (See Appendix 1 and 2 for frequency distribution of market orientation). Results show that studied banks are moderately market oriented (mean=3.22).

Customer orientation of the studied banks

Analysis revealed the mean scores for each 5 items of the customer Orientation (See Appendix 3 for frequency distribution of customer orientation). On a five-point scale, analysis revealed a mean score between 2.98 and 3.46 for the five items measuring the customer orientation; this indicates a moderate level of the customer focus.

The mean score for OBJCUST is 2.980 (Std. Deviation=.9792), COMMIT is 3.46 (Std. Deviation=.813), COMPADV is 3.44 (Std. Deviation=.675), GREATVALUE is 3.30 (Std. Deviation=.580), CUSTSATISF is 3.44 (Std. Deviation=.611) as shown in the Table 2.

The results indicate that business objectives are not driven by customer satisfaction. However, the results show a moderate level of commitment to serve customers’ needs.

According to respondents, the strategy for competitive advantage is moderately based on understanding customer needs. Concerning the business strategies, they are moderately driven by the bank beliefs about how to create a greater value for customers. Also, the results indicate that women branches rarely measure customer satisfaction.

	Mean	Std. Deviation
Our business objectives are driven by customer satisfaction (OBJCUST)	2.98	0.9792
We monitor our level of commitment and orientation to serving customers’ needs. (COMMIT)	3.46	0.813
Our strategy for competitive advantage is based on our understanding of customer needs.(COMPADV)	3.44	0.675
Our business strategies are driven by our beliefs about how we can create greater value for customers (GREATVALUE)	3.3	0.58
We measure customer satisfaction systematically and frequently. (CUSTSATISF)	3.44	0.611
We give close attention to after-sales service. (eliminated item)(AFTERSALE)	3.42	0.609

Table 2: Studied banks’ (women branches’) level of customer orientation. Grand mean =3.324. Source: Survey Data (2014).

Competitor orientation of the studied banks

On a five-point scale, analysis revealed a mean score between 3.24 and 3.54 for the four items measuring the competitor orientation; this indicates a moderate level of competitor orientation (See Appendix 4 for frequency distribution of customer orientation). Concerning the information share the mean is 3.30 which indicate that salespeople rarely share information about competitors' strategies. Results indicates also a moderate level of responding to competitive threats (mean=3.34). According to respondents, banks rarely target customers and customer groups where they have, or can develop, a competitive advantage (mean=3.54) as shown in the Table 3.

	Mean	Std. Deviation
Our salespeople share information within our business concerning competitors' strategies. INFOSHARE	3.3	0.678
We respond to competitive actions that threaten us. COMPACT	3.34	0.745
We target customers and customer groups where we have, or can develop, a competitive advantage. TARGET	3.54	0.676
The top management team regularly discusses competitors' strengths and strategies. TOPMAN	3.24	0.771

Table 3: Level of competitor orientation among the studied women's branches. Grand mean =3.355. Source: Survey Data (2014).

Interfunctional Coordination in the studied banks

On a five-point scale, analysis revealed a mean score between 2.88 and 2.98 for three indicators measuring VISIT, COMMUNIC and CONTRIBUT; and 3.16 for the items measuring INTEGRAT.

	Mean	Std. Deviation
Our top managers from every function visit our current and prospective customers. VISIT	2.98	0.82
We communicate information about our successful and unsuccessful customer experiences across all business functions. COMMUNIC	2.92	0.804
All of our business functions (eg. marketing/sales, manufacturing, RandD, inance/accounting, etc.) are integrated in serving the needs of our target markets. INTEGRAT	3.16	0.866
All of our managers understand how everyone in our company can contribute to creating customer value. CONTRIBUT	2.88	1.003

Table 4: Level of interfunctional Coordination among the studied women's branches. Grand mean=2.985. Source: Survey Data (2014).

This indicates a low level of interfunctional coordination (See Appendix 5 for frequency distribution of interfunctional

coordination). Concerning the visit of customers by top managers the mean is 2.98 which indicate that Top managers don't visit current and prospective customers. Results indicates also a low level of communicating information about the successful and unsuccessful customer experiences of banks across all business functions (mean=2.92). According to respondents, the business functions of the studied banks are modestly integrated in serving the needs of the target markets (mean=3.16). Finally, the results show that banks' managers don't understand how everyone in the bank can contribute to creating customer value (mean=2.88) as shown in the Table 4.

Discussion of Findings

The study investigated the level of market orientation of women's branches (In Qassim, region) and found that the researched banks are moderately market oriented. This moderate level is due to a low level of interfunctional coordination, and more especially the study found that managers don't understand how everyone in their company can contribute to create customer value. Also, the research revealed that business functions didn't communicate enough the successful and unsuccessful customer experiences in the banks.

In one of research revelations, top managers didn't visit their current and prospective customers; this could be attributed to the fact that there are a new, cheap and speed means of contact used by those managers like telephone, mailing, fax, and internet.

The study also revealed that customer's orientation is moderated. This is due to a modest level of customer focus, in particular the studied banks don't focus on satisfying the customer's needs better than their competitors by providing superior value. Also, the business objectives of studied banks aren't driven by customer satisfaction.

Essentially, the research revealed a moderate level of competitor orientation. Which means that the studied banks have a modest level of understanding and communicating the strengths and weaknesses of existing and potential competitors as well as their responsiveness to competitors' threats. The studied banks have a problem in their targeting and don't focus on the customers where they can develop a competitive advantage.

Conclusions and Recommendations

In general the level of market orientation of this sector of Saudi banks is founded to be moderated. More specific, the interfunctional coordination across departments in the studied banks is low, the Customer and competitor orientation are moderate. Noting that it was remarkable that a majority of respondents were neutral which indicates a lack of information's dissemination [22].

Therefore, this study recommends that the studied banks should take care of assessing customer needs and competitor data. As well as, banks should be involved in generating, disseminating and responding to marketing information about current and future customer needs and competitors' strengths and weakness. To be market oriented those banks should have a strategy and objectives driven by customer satisfaction which require the commitment of top management and interdepartmental cooperation [23].

It's highly recommended that studied banks should focus on the co-operation between the different functions/departments within the organization and ameliorate the information coordination. It is important to gain information about customers and competitors, analyze it and then use the results to be market oriented.

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