

# Market orientation and business performance in a Chinese business environment

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## Abstract

Market orientation (MO) is the prerequisite for a successful business operation. To test the assertion empirically, this study looks into the nature of the correlational relationship between MO and company performance using sample data from firms engaging in China trade in Hong Kong. Narver and Slater's scale for measuring the extent of MO is tested and used. The results show that there is a significant positive correlation between MO and business performance. In other words, there is a significant difference in the performance of China trade companies that are market-oriented and those that are not market-oriented.

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## 1. Introduction

During the last decade, market orientation (MO) has received a great deal of attention from marketing scholars (e.g., Day and Wensley, 1988; Kohli and Jaworski, 1990; Narver and Slater, 1990; Ruekert, 1992; Wong and Saunders, 1993; Slater and Narver, 1994; Greenley, 1995; Kumar et al., 1998). Despite the continual assertion that MO is positively related to business performance (e.g., Webster, 1992; Slater and Narver, 1994; Hunt and Morgan, 1995), improved employee attitudes (Jaworski and Kohli, 1993), and more customer-oriented sales forces (Siguaw et al., 1994), systematic inquiries for a richer understanding of the construct have only recently begun, following the pioneer works of Kohli and Jaworski (1990) and Narver and Slater (1990). Subsequently, a number of empirical studies have attempted to assess the association of MO with profitability (e.g., Bhuian, 1997; Greenley, 1995; Raju et al., 1995; Ruekert, 1992), market share (e.g., Deshpande et al., 1993; Pelham and Wilson, 1996), new product success (e.g., Appiah-Adu, 1997; Atuahene-Gima, 1995), and customer satisfaction (e.g., Gray et al., 1998).

Although the body of research related to MO is flourishing, most of the past studies on MO have been undertaken in

the context of western countries like the US. Virtually no serious study has attempted to validate the MO model and its scale in a Chinese context. With this in mind, this study was undertaken to examine the applicability of Narver and Slater's (1990) MO model within a Chinese business environment. More specifically, this study has two objectives each designed to contribute to the emerging body of empirical literature on the MO and business performance relationship. The first objective is to reexamine the scale properties of the MO construct in a Chinese marketing environment. The second objective is to empirically test the hypothesized relationship between MO and business performance in such an environment.

## 2. Background and previous research

### 2.1. Marketing concept and market orientation

The marketing concept was formally introduced in the writings of McKitterick (1957), Felton (1959), and Keith (1960). These authors defined the marketing concept as a corporate state of mind that insists on the integration and coordination of all the marketing functions that, in turn, are melded with all other corporate functions, for the basic purpose of producing maximum long-range corporate profits. McNamara (1972) regarded the marketing concept as a

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Table 1  
Summary of empirical studies on the relationship between MO and business performance

Study	Country	Sample	MO instrument based on	Performance measure	MO/performance association
<i>I. US studies</i>					
Narver and Slater (1990)	USA	113 SBUs in 1 corporation	literature review	ROA	ROA (+)
Ruekert (1992)	USA	5 SBUs in 1 company	discussions with managers	sales growth, profitability	sales growth (+), profitability (+)
Jaworski and Kohli (1993)	USA	Sample 1: 222 SBUs from 102 companies Sample 2: 230 companies	literature review	market share, organizational commitment, esprit de corps, overall performance	market share (0), organizational commitment (+), esprit de corps (+), overall performance (+)
Slater and Narver (1994)	USA	81 SBUs in 1 forest company and 36 SBUs in 1 manufacturing company	Narver and Slater (1990)	ROA, sales growth, new product success	ROA (+), sales growth (+), new product success (+)
Raju et al. (1995)	USA	176 hospitals	Jaworski and Kohli (1993)	financial performance, market/product development, internal quality	financial performance (+), market/product development (+), internal quality (+)
Pelham and Wilson (1996)	USA	68 small firms	Narver and Slater (1990) and Jaworski and Kohli (1993)	new product success, sales growth/market share, product quality, profitability	new product success (+), sales growth/market share (0), product quality (+), profitability (+)
Pelham (1997)	USA	160 manufacturing firms	Narver and Slater (1990), Jaworski and Kohli (1993), and other studies	firm effectiveness, sales growth/market share	firm effectiveness (+), sales growth/market share (0)
Kumar et al. (1998)	USA	159 hospitals	Narver and Slater (1990)	growth in revenue, return on capital, success of new services/facilities, success in retaining patients, success in controlling expenses	growth in revenue (+), return on capital (+), success of new services/facilities (+), success in retaining patients (+), success in controlling expenses (+)
Van Egeren and O'Connor (1998)	USA	289 responses from 67 service firms	Narver and Slater (1990)	organizational performance	organizational performance (+)
<i>II. Non-US studies</i>					
Deshpande et al. (1993)	Japan	50 “quadrads” from public firms and their customers	personal interviews and literature review	overall performance = profitability + size + market share + growth	overall performance (+) based on customers’ assessment, overall performance (0) based on managers’ assessment
Diamontopoulos and Hart (1993)	UK	87 manufacturing firms	Jaworski and Kohli (1993)	sales growth and profit	sales growth and profit (weak association)
Deng and Dart (1994)	Canada	248 companies	Narver and Slater (1990)	marketing performance	marketing performance (+)

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