



# Market orientation and customer satisfaction: Evidence from British machine tool industry

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## Abstract

This paper examines empirically the relationship between market orientation and business performance in the context of British machine tool industry. An industry-specific market orientation scale was developed. Factor analysis revealed that there were four latent dimensions underlying the market orientation: customer orientation, competitor orientation, departmental responsiveness, and customer satisfaction orientation. Findings suggest that customer orientation and customer satisfaction orientation have a stronger impact on performance than the other dimensions, and that competitor orientation has a U-shape relationship with performance. Departmental responsiveness did not appear to be significantly related to the business performance. Managers could use the multidimensional conceptualization to develop particular kinds of orientations required for better performance.

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## 1. Introduction

The environments of most businesses are currently characterized by increasing competition and environmental turbulence. Most firms have had to find ways of dealing with this stark reality or face the possibility of extinction. As a consequence of the increasing efforts by managers to develop a competitive edge in their respective business sectors, the management literature is filled with conceptual propositions for sound business practices and strategies for success in today's competitive marketplace (Day & Wensley, 1988). In this context, marketing philosophy has received considerable attention from practitioners as well as academic researchers because marketing is regarded as a driving force for business strategies and operations. Although earlier research on market orientation tended to focus on cross-sectional studies in order to contribute to theory building and examining the universal importance of the concept, recent empirical efforts have tended to be industry specific (Chee & Peng, 1996; Liu, 1995; Morgan

& Morgan, 1991). One particular feature of the literature is that most studies have focused on the relationship between market orientation and performance, with the majority of studies reporting a positive association between the two variables. Clearly, findings from studies on the consequences of a market orientated stance are important since they can provide managers with the knowledge associated with factors required for developing a market-oriented culture.

This study intends to contribute to the existing literature on market orientation in a number of ways: Firstly, an industry-specific market-oriented scale was developed and tested; secondly, the characteristics of underlying factors of market orientation and performance in the UK machine tool sector were examined; thirdly, from a theoretical viewpoint, the degree to which market orientation factors were related to performance were considered; and finally, from an empirical perspective, this study has avoided the conventional focus on single-authored measures of market orientation, and rather adopted a multifaceted view of the concept. Similarly, the performance measures are based on a multi-dimensional view of financial and other organisational performance indicators.

In the following sections, a brief review of the literature on the market orientation concept and its applicability in the machine tool industry is presented together with an argu-

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ment as to how it may influence business performance. Background information on the industrial context, the research methodology adopted for the development of the measures, the sampling frame, and data collection procedure are presented later. In the analysis section, a variety of statistical techniques are used to confirm the reliability of the redeveloped market orientation scale and some aspects of validity are examined. Multiple regression analysis and one-way ANOVA results are utilized in assessing the influence of factors underlying market orientation on business performance. Next, the findings of the study in relation to the previous research are discussed. The paper concludes by discussing the implications of the findings to machine tool business executives and practitioners, as well as the limitations of the current study.

## 2. Rationale for the study

A review of the literature reveals that the majority of the most recent industry-specific market orientation studies appear to be either on service firms or cross industry in nature (Appiah-Adu & Singh, 1988; Deshpande & Webster, 1989; Jaworski & Kohli, 1993). It appears that there has been no empirical research in this area in the British machine tool sector; therefore, this study seeks to examine the market orientation–performance link in this sector. This sector is also acknowledged as an indicator for the health of the entire manufacturing industry as many other industry sectors rely on the machine tool industry for the supply of innovative and new machines.

Despite the growing interest in market orientation and recent advances made in its measurement, few attempts have been made to tailor the constructs to a particular sector. In this particular study, an attempt is made to reconcile the three dominant market orientation constructs (Deng & Dart, 1994; Jaworski & Kohli, 1993; Narver & Slater, 1990) in order to redevelop an industry-specific market orientation domain. In this context, Jaworski and Kohli (1993) suggest that such integration would be beneficial for the purpose of future empirical research. Applying the construct within the machine tool industry and investigating the operational modifications were regarded as a means of taking the research forward.

The British research studies were cross sectional in nature (Diamantopoulos & Hart, 1993; Greenley, 1995; Pitt, Caruna, & Berthon, 1996). The samples were drawn from all sectors of the UK industry, e.g., consumer products, consumer services, industrial products, and industrial services. These undifferentiated sectarian studies create their own problems of the difficulty surrounding the understanding of the effects of environmental variables, such as technology change, market growth, etc. Therefore, by carrying out this research within the machine tool industry, some of the environmental variables, such as market growth, buyer power, seller concentration, competitive

intensity, and technology, among others, have the same control effects for all the players in the sector. This is particularly true in the machine tool industry, as this is characterized by a large number of small- and medium-sized enterprises (SMEs) making a wide variety of types and sizes of products (Thorn, 1996). This industry is divided into two subsectors: the computer numerical control (CNC) machine tools and non-CNC machine tools manufacturers.

## 3. Market orientation definition and the research instrument

Different authors have developed different market orientation scales. Some market orientation scales are based on a set of marketing activities (Deng & Dart, 1994; Jaworski & Kohli, 1993; Narver & Slater, 1990), whereas others are based on organisational strategy (Ruekert, 1992). Kohli and Jaworski (1990) have conceptualized the market orientation scale as a combination of three components, i.e., information generation, information dissemination, and responsiveness. They have further bifurcated responsiveness into two sets of activities: response design and response implementation. On the other hand, Narver and Slater (1990) have hypothesized market orientation as one dimension construct consisting of three behavioral components—customer orientation, competitor orientation, and interfunctional coordination—and two decision criteria—a long-term focus and a profit objective. Finally, Deng and Dart (1994) have conceptualized the market orientation construct as a combination of four factors that are very similar to Narver and Slater's construct. These components are customer orientation, competitor orientation, interfunctional coordination, and profit organisation.

Although these three market orientation constructs are different in terms of the selection of items representing the construct, there is clearly an overlap on a conceptual and operational basis. Cadogan and Diamantopoulos (1995) have performed a comparative analysis between the components of Kohli and Jaworski (1993) and Narver and Slater (1990) and have shown the conceptual and operational overlap between these two constructs.

The domain specification in the context of market orientation seems to be complex, as there is no single definition of the philosophy of market orientation. The literature reveals that there are a number of meanings ascribed to market orientation. For example, Konopa and Calabro (1971) place greater emphasis on customer than production- and cost-related activities. Whereas according to Felton (1959) and McNamara (1972), involvement of marketing executives in the strategic decision making process and integrating activities within marketing function is regarded as being crucial to companies wanting to be market oriented. Although, these authors differ in their preferred conceptualizations, it is evident that there are three main underlying dimensions: customer orientation—information

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