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## Market Orientation in Service Firms – An International Comparative Study

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### Abstract

The purpose of this study is to investigate how market orientation is applied in service firms to resolve complexity with intangibility and heterogeneity while offering services to the customers. To conduct this study, two interest-free banks from Sweden and Bangladesh have been compared. It is argued in the paper that these niche banks will emphasize on tangibility and heterogeneity to have competitive advantage over the traditional banks. As interest-free banking is intricate and the research purpose is theory development, a case method has been used to conduct this study. A theoretical framework is developed based on trust and network which influence market orientation, tangibility and heterogeneity resulting to value creation. In the Swedish bank, value creation is found to relate with supporting ecological thinking, visible banking, customers' friendly terms & conditions and offering normal banking facilities. Partnership, risk sharing, problem solving approach, trust and interest-free borrowing are considered value creating components in the Bangladeshi bank. Future research can include all service characteristics and also compare between pure Islamic banks focusing marketing orientation.

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*Keywords:* trust; interest-free; performance; heterogeneity; market orientation; network

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### 1. Introduction

Islamic banks are known for interest-free banking which makes them different from the traditional banks. But both the banks focus on profit earning. There is also another category of banks which are emerging to handle non-profit

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and interest-free activities (called hereafter “non-profit banks”). Dusuki and Abdullah (2007) identified three areas where Islamic banking differs from its conventional counterparts: (1) it strives for a just, fair and balanced society; (2) it is constructed upon the principle of brotherhood and cooperation, which stands for a system of equity sharing, risk taking and stake taking; (3) it is characterized by ethical norms and social commitments. From this perspective non-profit bank is close to Islamic bank but differs on the issue of risk sharing as the former is not engaged in dealing with profit and loss.

Although Islamic banking is expected to grow at the rate of 15% per annum (Chong and Liu, 2009), studies on marketing remain modest in this field. A limited number of studies concentrate on marketing strategy, consumer behaviour and marketing practices of Islamic banking (Amin et al. 2014; Haq, 2014; Dusuki et al. 2007; Erol et al. (2007). Likewise, lack of interest in marketing is also evident for non-profit organizations (NPOs). Bhagat (2004) claims that these organizations are not professional in targeting and satisfying their customers. According to Dolnicar and Lazarevski (2009), non-profit organizations show a lack of understanding on principles of marketing and mainly focus on sales and promotion. González et al (2002) argue that it is essential, particularly for private NPOs, to adopt a marketing orientation centred on the ‘customer’. Similar observation is also made by Padanyi and Gainer (2004) who claim that market orientation (MO) is directly applicable to this sector.

MO can be described as how successful an organization is in actualizing the marketing concept (Liao et al., 2011). According to Kohli and Jaworski (1990), MO refers to the organization-wide generation, dissemination, and responsiveness to market intelligence. This concept suggests that the whole firm through gathering unique information requires to know what customers’ needs are and to get prepared for responding those needs. Vázquez et al. (2002) argue that studies on MO will help meet the real needs of the organizations’ beneficiaries, and the expectations created by the resource donors with their contributions. A large number of studies have examined the link between MO and performance (Day, 1994) and found MO has a positive impact on performance (Kumar et al., 2011; Wong and Ellis, 2007; Wang and Wei, 2005). But there is a lack of guidance in the MO literature to organizations on how to become market-oriented (Greenly, 1995; Foley and Fahy, 2009). Further relatively little is known about the extent to which MO has been applied effectively in NPOs (Zhou et al., 2009). To our knowledge, no study has so been far conducted on MO in Islamic banking context. So we find two gaps: one is related to the application of MO and the other is the effectiveness of applying MO in these organizations. To fill these gaps, this study aims to compare through an in-depth study, how MO can be effectively applied in for-profit bank like Islami Bank Bangladesh Limited (IBBL) and non-profit banks like JAK of Sweden for better performance.

JAK is a Swedish cooperative bank that operates by strictly following the members’ ideology. JAK started its operation during 1970 but became a full-fledged bank in 1997. A typical NPO has main obligations to two stakeholders i.e. donors and beneficiaries but in JAK there is no donor or beneficiary. JAK is run professionally like any other for-profit organization because it must meet the requirements of the customers.

IBBL is considered to be the first interest free bank not only in Bangladesh but in the whole Southeast Asia region. It was incorporated on 13-03-1983 as a Public Company with limited liability under the companies Act 1913. The bank began operations on March 30, 1983, with major share by the foreign entrepreneurs. IBBL is an interest free bank that operates by strictly following the Islamic ideology but IBBL is not a NPO.

More specifically, this study addresses the following research question:

How MO can be applied by interest free banks for better performance?

## 2. Market Orientation

According to Kohli and Jaworski (1990), market orientation is the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments and organization-wide responsiveness to it. The view of Kohli and Jaworski is also supported by Narver and Slater (1990) as they described MO in terms of three behavioural components – customer orientation, competitor orientation and inter-functional coordination and two decision criteria – long-term focus and profitability to give superior value to customers. Kumar et al. (2011) recognize that MO is vital to an organization because it helps assess the constraints and opportunities created by the environment. According to Shoham et al. (2005), MO helps firms track and respond to changing customer needs; hence, high-MO firms should outperform low-MO firms. This is also supported by Liao et al. (2011) as they specified that MO affects performance either by providing a customer oriented focus or reshaping an organization’s culture for developing superior value for customers.

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