# MARKET ORIENTATION AND BUSINESS PERFORMANCE

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## Abstract

Market orientation is as final stage developing of business organization and it is along development of different business orientations. Market orientation strategy is made customer orientation, competitor orientation, and Interfunctional coordination. Market-based companies (market orientation) should apply the broad definition of customer so that they include hidden needs. These companies are committed to understand the needs of their customers declared and undeclared and planning and abilities of their competitors through the collection and analysis of market information.

Keywords: Market Orientation, Customer Orientation, Competitor Orientation, Interfunctional Coordination

## 1. INTRODUCTION

The literature on the theory and effects of an organization being “market oriented” has grown rapidly in the last few years. Most of the recent research on the theory and effects of market orientation builds on two papers published in 1990, Kohli and Jaworski, and Narver and Slater. With increasing competition, become local markets to global markets and diverse of customer needs and cultural diversity, social and ... In different markets felt growing need for market-oriented. The marketing concept is introduced as a new business philosophy. Market orientation helps to the actual implementation of this concept. Therefore it can be said that marketing is background of market orientation. Market orientation is noted that due to competition between manufacturers has increased customer choice and thus market-oriented have consider customer in the center of attention and seek to create superior value for them. Market orientation consider to the creation of superior value for customers, competitors and their strengths and weaknesses, as well as Interfunctional coordination (Faryabi Et al, 2011).

## 2. MARKET ORIENTATION

A market orientation is a culture in which all employees are committed to the continuous creation of superior value for customers (e.g., Narver and Slater, 1990; Deshpande, Farley and Webster, 1993; Day, 1994). A market orientation contains three major behavioral components: “customer orientation”— the continuous understanding of the needs of both the current and potential target customers and the use of that knowledge for creating customer value; “competitor orientation”—the continuous understanding of the capabilities and strategies of the principal current and potential alternative satisfiers of the target customers and the use of such knowledge in creating superior customer value; and “interfunctional coordination”—the coordination of all functions in the business in utilizing customer and other market information to create superior value for customers (Narver and Slater, 1990). Historically market orientation is defined as the organization's stage of development, or as reflecting the level of organizational maturity. Several authors such as Baker 1991, Kotler in 1996 and Dajik1992 have confirmed this definition. They know market orientation as the final stage of developing a business look and believe that Market orientation along the development of various business trends have emerged. These steps of development include a production-oriented, product-centric, sales-oriented marketing concept (Kotler, Amestrang, 1988).

Narver and Slater stated that a market-oriented culture is a business culture that all employees are continually committed to creating superior value for customers. One way to create a market orientation is approach of planning that by using educational programs and organizational change efforts to create the best benefit for our clients and the second approach is an empirical approach that business learns continuously trying to create superior value for customers. So the value of customers and continually develop their skills and resources and processes.

## 3. CUSTOMER ORIENTATION

The customer is the ultimate consumer. Customer orientation means that the focus of organization focused first customer and to satisfy their needs and desires based on the demands and needs of customers, be flexible. Peter Drucker said: Only a worthy goal for each enterprise is defined and it means "creating customer" .According to opinion of Drucker, wanted an enterprise is customer satisfaction. In the traditional approach, a business is considered process of buying and selling goods or services in exchange of money, but the new concept, the main process of business is the production of "value" that against 'satisfaction and loyalty "customer is sold. Exchange goods and services with money is considered only symbolic vehicle for this process. Service should constantly changed with people need and customer not be continued for a long time.

All of Customer oriented companies have three features:

1- They become customer orientation when everything knows about their customer and from individual needs in their past, present and future make comprehensive and accurate picture.

2- They know that if the employee doesn’t want that information about customers give to others, this image will be useless.

3. These companies not only to make decisions about their products and services but to create strategic and organizational structure from this view and the information will be properly used. Over time, these companies have create more coordination between internal departments and find new ways to manage the flow of information and find procedures for decision-making that are considered customer Interests and his/her needs.

## 4. COMPETITOR ORIENTATION

Narver, and Slater in 1990 competitor orientation is means continuing understand the capabilities and potential and current strategies of major competitors that the customer’s needs provides organization goals and the use of knowledge (knowledge of competitors recognize) in order to create superior customer value. Davis identify that competitor orientation is strengths and weaknesses, abilities and strategies of competitors, so that they can react against activities. Every company, whether it is market leader or centralized and seeking excellent, should have a marketing policy. Companies have always been accommodating their policy to changing conditions of the competitive environment. Competitor-oriented firm is firm that regulates practices and activities used to influence the actions and reactions of competitors. In such a situation, company of competitor orientation spend their time on more important issues of the movements of competitors and the market and trying to find policies that can apply against them. Sometimes companies based on their strengths and weaknesses relative to competitors and an analysis of competing strategies are planned (Heiens Richard, 2000).

When a business have tend to competitor orientation, constant re-evaluate of the strengths and weaknesses of their competitors. This performance evaluation could include manufacturing productivity, pricing, delivery time, customer satisfaction, innovation, and employee retention and market share. In a competitive economic system, each financial institution trying to to maximize the benefits for themselves at the expense of their competitors.

## 5. INTERFUNCTIONAL COORDINATION

Interfunctional coordination is coordinate all functions of the organization and operation of customer and market information in order to create value for the customer. Also Tse & et al stated that Interfunctional coordination is dissemination of information about customers and competitors among all sections of staff and organizations In order to make a correct understanding of the needs and wishes of the customer and planning to overcome in competition. They divided interfunctional coordination to four parts: functional integration in strategy, information shared among functions, dissemination of information and coordination among all units towards creating value for the customer.

## 6. BUSINESS PERFORMANCE

Various researchers have used several components to measure business performance and there isn't any similar and fix practices in this field. Common practice is that in the first selected few components associated with business performance and then, under a questionable objective or subjective methods, components is measured. Mental indicators of performance are used widely in studies of the relation to market orientation and firm performance. Few studies have examined the relationship between objective and subjective indicators of performance. John Dawes (2000) in his study concluded that there is a strong correlation between performance objective and subjective indicators. Researchers in studies related to the business performance are used the different components to measure it. For example Pelham (1997) performance components is divide to three categories organizational effectiveness, growth / share and profitability.

Chico (2002) the performance components are placed in two categories:

Market performance: includes components: customer retention, attract new customers

Financial performance: includes components; rate of return on assets, market share, sales growth

Table 1) summary of researches about market orientation

| **Researchers & year** | **Country** | **Sample of research** | **Market Orientation based on Study** | **Performance criteria and their relation to market trends** |
|---|---|---|---|---|
| Narver and Slater (1990) | America | 113 independent unit of Commerce in a Enterprises | literature review | Rate of return on assets(+) |
| Ruekert (1992) | America | 5independent business unit within a company | Interviews with managers | Sales growth (+), profitability(+) |
| Jaworski and Kohli (1993) | America | 222 independent business unit within a company | literature review | Market share (0), organizational commitment (+), overall performance (+), sympathy(+) |
| Narver and Slater (1994) | America | 257 independent business unit within two companies | Narver and Slater (1990), Jaworski and Kohli (1993) | Rate of return on assets (+), sales growth (+), the success of new products(+) |
| Pelham and Wilson (1996) | America | 68 small companies | Narver and Slater (1990) | New product success (+), sales growth / market share (0), product quality (+), profitability(+) |
| Pelham (1997) | America | 160 Manufacturing | Narver and Slater (1990), Jaworski | Corporate Effectiveness (+), sales growth / market |

| | | | | |
|---|---|---|---|---|
| | | Company | and Kohli (1993) and other studies | share (0) |
| Deshpande & et al (1993) | Japan | 87 Production Company | Jaworski and Kohli (1993) | Overall performance (+) = profitability + size + market share + growth |
| Tse & et al (2003) | Hong Kong | 41 hotel | Kotler (1997) | Rate of hotel accommodation (0) |

## 7. CONCLUSION

Market orientation is as final stage developing of business organization and market orientation is along development of different business orientations. So far the theatrically has repeatedly claimed that market orientation have a relationship business performance of companies and is caused pushing performance of organization forces towards market and the customer. Market orientation strategy is made customer orientation, competitor orientation, and interfunctional coordination. Dimensions of customer orientation include customer analysis and customer responsiveness and competitor orientation dimensions include competitor analysis and reaction against competitors and also interfunctional coordination include dimensions of interfunctional correlation in strategy formulation, the resource sharing in other units, information dissemination and coordination among all units in order to create value for the customer.

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