MARKETING ORIENTATION AND ORGANIZATIONAL PERFORMANCE AMONG ATLANTIC TOP 101 FIRMS

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This study focuses on the marketing orientation and the impact of marketing orientation on the performance of 21 firms in the Top 101 Atlantic firm ranking by Atlantic Progress Magazine. Using the MARKOR scale in a mail survey, the research analyzed the level of marketing orientation among leading Atlantic firms, and its impact on organizational performance. The results were then compared to those in the literature using international studies based on the MARKOR scale for marketing orientation. An analysis using the MARKOR marketing orientation scale revealed that leading firms in Atlantic Canada varied little from the firms other with regards to the causes and impacts of marketing orientation.

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Causes, Processes and Impacts of Marketing Orientation

The marketing literature has repeatedly argued that the marketing orientation had to be fully integrated into the physical structure of the organization in order to be effectively implemented by the firm (Jaworski and Kohli 1993; Kotler, et.al., 1999). But research has shown that the prevailing organizational culture (and organizational climate) must be compatible in order for such changes to be instituted throughout the system (Weick, 1993; Turner and Spencer, 1994; Slater & Narver, 1995). In firms where the culture does not support integration of the marketing concept throughout the firm, such changes are likely to be ineffective. The firm must also be able to seek out and employ innovative changes within the organization in order for the marketing orientation to result in optimal performance. Not all firms are able to adapt in such ways in order to derive maximum benefit from being market-oriented.

Researchers have argued that the most successful firms must be market-oriented, that the focus on customer needs and satisfaction is the most critical factor in success (Houston, 1986; Narver and Slater, 1990; Conduit et.al, 2001; Harris, et.al., 2001; Harrison-Walker, 2001; Lai, 2003). But there is growing evidence that the marketing concept may not suit all firms equally well. For example, a high technology firm creating discontinuous innovations is not likely to be able to test their concepts effectively on an uninformed buying public. In such cases, it is not possible for this firm to fully utilize a marketing concept based on identifying customer needs and satisfying them, before the product is produced and commercialized (Blotnicky, 1991).

A definitive study is the work of Jaworski and Kohli (1993). Their work was based on a large, empirical sample of a variety of firms located in the United States. Their research confirmed that every firm is not organized, or does not possess the subjective makeup, to successful adopt a marketing orientation. Specifically, the research confirmed:

- The existence of both an attitudinal predisposition towards embracing the underlying tenets of the marketing orientation, as well as a behaviour pattern which is based on the values in the underlying attitude, are important to adoption of the marketing orientation
- The completion of market research is needed to gain the required market intelligence prior to implementing action plans
- A company-wide acceptance of a market focused attitude, combined with the sharing of information gained from market research, is necessary for the marketing orientation to evolve
- The marketing orientation requires company-wide involvement in developing strategic plans based on market intelligence which is shared
- Market-orientation is not a natural state-of-mind in most firms, and that it must be taught and embraced purposefully by the firm to be successfully adopted
- Unless firms have open minded managers with a more informal and decentralized authority structure, the organization is unlikely to make the necessary adjustments to become market-oriented
- The market-orientation is not a generic concept, but that it can be accepted at varying levels, or degrees, throughout the firm
- Firms that are very risk-averse are less likely to embrace the marketing concept because the act of making a shift in orientation is risky, in and of itself
- Risk-aversive firms tend to have highly centralized and formal organization structures designed to enhance control and limit the freedom of others, both of which contribute to an inability to embrace, and enact, the marketing concept.

Hampton and Hampton (2002) determined that adoption of a marketing orientation enhanced employee morale and professionalism in a health care environment, while also determining that rewards are positively related to adoption of the marketing orientation. Pelham (2000) determined that marketing orientation has a stronger impact on organizational performance than strategy selection, size of the firm or industry characteristics.

Jaworski and Kohli (1993) indicated that there are external constraints to the adoption of the marketing orientation. These constraints about market or economic situation make it difficult for firms to adopt the marketing concept even if they are willing to do so. But the competitive nature of the industry, the amount of power that the consumer has over the purchase process, and degree of market growth, were constraining factors. The easier it is for competitors to enter the market, the greater the market volatility, and the more likely the firm is to do proactive research and adopt the marketing orientation. As the buyers gain more control over the purchase process (as has happened with the Internet and other direct selling tools) the more important market intelligence becomes and the more market-oriented firms are likely to be. Finally, the more dynamic the environment, the more marketing oriented firms are required to be (Hooley, Cox, Fahy, Shipley, Beracs, Fonfara and Snoj, 2000).

Firms in very placid and stable markets tended not to be market-oriented because the forces weren't present to move them towards using the approach to maintain a market presence. This indicates that for many firms the adoption of a market-orientation is not a natural phenomenon, and that they need to be pushed to do so. There was also mixed evidence that adoption of the marketing concept always has a positive effect on organizational performance (Langerak, 2003).

Bhuian, Menguc and Bell (2003) determined that entrepreneurialism is a moderating factor in the relationship between marketing orientation and organizational performance. Firms that were overly entrepreneurial, interpreted as being overzealous and risk-seeking, were less successful in meeting organizational goals than were firms with moderate levels of entrepreneurialism. Firms with low levels of entrepreneurial activity also underperformed when compared to moderately focused entrepreneurial firms.

Bailey and Dangerfield (2000) attributed limited business success to being customer led, as opposed to market oriented. Firms with customer orientations focus more on meeting customers' immediate needs instead of considering long term growth potential. Firms which were marketing oriented were focusing on future needs instead of solely focusing on the current needs of customers.

The Atlantic Canadian market has undergone some fundamental shifts in the last several years. These have included the growth of a knowledge economy and movement from a resource-based economic infrastructure. The transition has been far from painless, but the last two years have seen increased economic growth and record low unemployment in major urban centres. If the findings of the Jaworski and Kohli (1993) study are relevant in the Canadian marketplace, one would believe that the volatility of these market shifts would lead most firms to become market-oriented.

There are a variety of reasons for questioning the relevance of the US study to Atlantic Canadian firms. The most compelling reason is that the organizational culture in many American firms is more research-oriented than in Atlantic Canadian firms. These are indicators that the organizational structure and risk-orientation of Atlantic firms may run counter to those elements required to successfully adopt the marketing concept.

Methodology

Research Goals and Hypotheses

This paper duplicates some of the existing research within the field, focusing only on leading firms based in Atlantic Canada. The MARKOR scale has been well developed and used internationally to investigate marketing orientation over the past 15 years. This research project utililized the MARKOR survey to study the implementation and application of the marketing orientation among firms in the Atlantic Top 101 rating.

The MARKOR consists of 101 statements that provide additive scales for 17 different indices. Four indices (Information Generation, Information Sharing, Marketing Approach and Marketing Plan Implementation) constitute the Marketing Orientation measure. The Marketing Approach and Marketing Plan Implementation scales, when combined, constitute a measure of Market Responsiveness. The remaining statements provide additive scales for each of the constructs which either contribute to marketing orientation, or emanate from it. These scales include: Managerial Focus, Risk Attitude, Organizational Conflict, Organizational Communication, Formal Organization Structure, Organizational Control, Rewards. All items were measured using a five-point Likert scale from Strongly Disagree (1) to Strongly Agree (5) with reverse scoring for negatively skewed statements. Terminology in the survey was changed slightly to be more suitable for the Canadian marketplace.

This study duplicates the Jaworski and Kohli (1993) study in the Atlantic Canadian environment by focusing on several hypotheses. The first set of hypotheses deals with factors contributing to the market orientation. Three sets of factors were identified by Jaworski and Kohli (1993) including: top management attitude, organizational dynamics and organizational systems. The specific hypotheses resulting from these assumptions include:

H1: The marketing orientation is impacted by a top management emphasis on marketing oriented goals and ideas. As top management emphasis on such factors increases, so does marketing orientation.

H2: The marketing orientation is impacted by managerial risk focus, such that risk aversion has a limiting impact on marketing orientation.

H3: Marketing orientation is limited by conflict within the organization, such that increased levels of conflict inhibit marketing orientation.

H4: Greater organizational integration and networking creates a more fertile ground for the collection and sharing of information inherent in applying the marketing orientation. Therefore, as organizational communication is enhanced, marketing orientation will be enhanced.

H5: Highly formalized organization structures can result in limited marketing orientation by binding organizational processes in rules and regulations.

H6: The greater the degree of centralization of control in the organization, the more limited the marketing orientation of the firm. Centralization limits the ability of the organization to respond to changes and to share information in a timely fashion.

H7: Organizational reward systems that are based on market factors result in a greater marketing orientation than reward systems that are based on short-term goals.

The second set of hypotheses deal with the outcomes of marketing orientation within the organization, focusing on internal processes and organizational performance. The specific hypotheses resulting from these assumptions include:

H8: Marketing orientation enhances organizational performance.

H9: Marketing orientation results in more team spirit among employees. This is due to a common focus on the market and the sharing of information throughout the organization.

H10: Marketing orientation enhances employee commitment by uniting employees towards achieving common, market-oriented goals.

H11: A volatile marketplace, reflecting the need for increased innovativeness to service customers and maintain product positioning, creates the need for a stronger market orientation to ensure stronger organizational performance.

H12: A more competitive market creates the need for a stronger market orientation to ensure stronger organizational performance.

H13: The more technologically innovative the environment facing the firm, the more that a stronger market orientation is needed to ensure stronger organizational performance.

The Sample

Firms were drawn from the Atlantic Canada Top 101, a list of leading firms developed annually by Atlantic Progress Magazine. The Top 101 list was further refined to include firms where contact information could be obtained for the top ranking marketing executive, or the President or CEO. The refined list included 89 firms.

To be included in the Atlantic Progress Top 101 Atlantic list, a firm must be evaluated in an annual competition that is conducted Corporate Research Associates in Halifax, N.S. To be eligible to complete the survey, firms must be headquartered in Atlantic Canada, or be managed by an independent board of directors based in the Atlantic region. The leading firms are chosen because they are leaders in their sectors, and in the Atlantic region.

By using the Top 101 list in this research only the practices of successful firms were evaluated. This was important because successful firms provide credibility to marketing management methods in ways that a sample of the overall business community cannot. The Top 101 list crosses industry sectors, spans all four Atlantic provinces, and features public, private and family-owned businesses, as well as exporting firms. This provides enough variability in the study to give depth to the understanding of marketing management in the Atlantic region.

The economic and social climate in Atlantic Canada differs from other regions of the country. Firms that are successful and that are based in Atlantic Canada, or are managed by an independent Atlantic Board of Directors, have overcome many of the limitations imposed on them by their location within the country, and the difficult economic climate. These firms have had to overcome challenges that were not visited upon their counterparts in the west, or in central Canada. Such challenges have included: broad shifts from a resource-based to a knowledge-based economy due to loss of coal-mining and fisheries industries and tremendous growth of a fledgling high technology and biotechnology industry. The region has also been rocked by redundancies caused by merging of large corporations in the energy, telecommunications and grocery sectors.

Firms were approached to complete the survey a total of five different times. The first four requests were completed electronically, directing respondents to an online survey. The final attempt included a mail survey, sent out to the refined list of 89 firms. A total of 21 firms completed the survey using both online and offline methods. The 24% of the firms responded to the survey resulting in a margin of error of plus/minus 0.25 when estimating average ratings for the MARKOR scales.

Data Analysis and Limitations

The limited sample size made it difficult to conduct multivariate analyses. Therefore, bivariate approaches were used. Techniques used included regression and correlation analysis. Regression analyses were performed to identify the impacts of management focus, organizational dynamics and organizational systems on marketing orientation. Then, regressions were used to analyze the impact of marketing orientation on team spirit, employee commitment and organizational performance. Correlation analyses were used to determine whether or not market volatility, competitive intensity and technological importance were correlated with adoption of the marketing concept. Then each of the uncontrollable environmental factors were regressed against business performance to determine the impact of each.

Increased Type I error is one limitation of using many bivariate analyses. The Bonferroni correction can be applied to reduce this limitation, however, the Bonferroni approach may inflate Type II errors. Therefore, a decision was made not to use the Bonferroni approach. Since the sample size is limited, the results should be considered exploratory in nature.

Results and Discussion

Sample Firms

Sixty-two percent of sample firms had gross revenues of $50 million of above in the previous year, and sixty-two percent of firms also exported their products outside of Canada. The most common export market was the United States (52%), followed by Central/South America (29%). While eight sectors were represented within the sample, the key sectors represented were manufacturing (19%), retailing/ wholesaling/distributing (19%), financial services/banking/real estate/land development (14%), telecommunications/information technology (14%).

Over 70% of firms had less than 500 employees, with slightly more than half of firms responding having less than 250 employees. Approximately 53% of respondents were the chairman, president or CEO/general manager of the firm, while another 29% were vice presidents or senior vice presidents. Eighty-one percent of respondents had been with the firm for five years or more, and nearly half had been in their present position for five years or more. About 29% had been in their current position for two to three years, and another 14% had been in their position for more than three years to four years.

Contributing Factors to Marketing Orientation

Managerial factors, organizational dynamics and organizational systems were regressed against marketing orientation to determine whether or not they contributed to a market-oriented philosophy. The results revealed that while managerial factors were not statistically significantly linked to marketing orientation, some organizational dynamics were linked, as were some organizational systems. Statistically significant relationships were found between organizational conflict and marketing orientation, as well as between organizational control, organizational communication and marketing orientation. The relationship between organizational conflict and marketing orientation was positive and strong (R^2 = .52, b = .72, p = .003). The relationship between organizational control and marketing orientation was negative and relatively weak (R^2 = .28, b = -.53, p = .042). The relationship between organizational communication was moderately strong and positive (R^2 = .37, b = .61, p = .017). The results are summarized in Table 1.

The Impact of Environmental Factors on Organizational Performance

The assumption that as environmental factors increase in severity and volatility so does marketing orientation, was tested using correlation analysis. The analysis would reveal if stronger marketing orientations emerged to deal with more challenging marketing environments. The correlation analysis did not reveal such relationships. The results showed weak coefficients, none of which was statistically significant. The correlations revealed that market orientation increased with increased market volatility and competitive intensity, but that it decreased with technological volatility. The results are summarized in Table 2.

Regression analyses on organizational performance for each of the environmental factors showed that none of the factors had a statistically significant impact on performance. The results are summarized in Table 3.

Table 1: Bivariate Regressions for Contributing Factors to Marketing Orientation

Dependent variable = Marketing Orientation	Top Management	Organizational Dynamics	Organizational Systems
	Managerial Focus	*Organizational Conflict*	*Rewards*
Constant (p)	27.862 (ns)	69.109 (.000)	69.900 (.017)
Std. Regression Coefficient (p)	.394 (ns)	.719 (.003)	.126 (ns)
R^2	.156	.517	.016
F-Ratio	2.396	13.889	.209
DF	14	14	14
P	ns	.003	ns
	Risk Attitude	*Organizational Communication*	*Organizational Control*
Constant (p)	81.585 (.000)	2.154 (ns)	113.787 (.000)
Std. Regression Coefficient (p)	.099 (ns)	.605 (.017)	-.530 (.042)
R^2	.01	.366	.280
F-Ratio	.118	7.507	5.065
DF	14	14	14
P	ns	.017	.042
			Organizational Structure
Constant (p)	-	-	58.108 (.014)
Std. Regression Coefficient (p)	-	-	.310 (ns)
R^2	-	-	.096
F-Ratio	-	-	1.384
DF	-	-	14
P	-	-	ns

Table 2: Correlations Between Environmental Factors and Market Orientation			
	Market Volatility	Competitive Intensity	Technological Importance
Market Orientation	.383	.033	-.280

Table 3: Bivariate Regressions for Environmental Factors on Organizational Performance			
Dependent variable = Organizational Performance	*Market Volatility*	*Competitive Environment*	*Technological Importance*
Constant (p)	5.750 (.002)	9.766 (.000)	10.136 (.000)
Std. Regression Coefficient (p)	.339 (ns)	-.218 (ns)	-.244 (ns)
R^2	.115	.047	.06
F-Ratio	2.338	.897	1.142
DF	19	19	19
P	ns	ns	ns

The Impact of Marketing Orientation on Organizational Performance

A regression analysis revealed that there was a positive impact from marketing orientation on organizational performance. The relationship was positive and moderately weak (R^2 = .316, b = .32, p = .029). The results are summarized in Table 4.

Table 4: Bivariate Regression for Marketing Orientation on Organizational Performance	
Dependent variable = Organizational Performance	*Marketing Orientation*
Constant (p)	5.456 (.001)
Std. Regression Coefficient (p)	.562 (.029)
R^2	.316
F-Ratio	6.011
DF	14
P	.029

The Impact of Marketing Orientation on Team Spirit and Employee Commitment

Regression analyses were conducted to determine whether or not marketing orientation had an impact on team spirit and employee commitment within the firm. The results revealed that marketing orientation had a moderate and positive impact on team spirit (R^2 = .50, b = .71, p = .003), with a weaker, but still positive impact on employee commitment (R^2 = .273, b = .52, p = .046). The results are summarized in Table 5.

Table 5: Bivariate Regression for Marketing Orientation on Team Spirit and Employee Commitment			
Dependent variable = Team Spirit	*Marketing Orientation*	Dependent variable = Employee Commitment	*Marketing Orientation*
Constant (p)	4.638 (ns)	Constant (p)	15.488 (.000)
Std. Regression Coefficient (p)	.707 (.003)	Std. Regression Coefficient (p)	.522 (.046)
R^2	.50	R^2	.273
F-Ratio	13.013	F-Ratio	4.880
DF	14	DF	14
P	.003	P	.046

Conclusions and Recommendations

The Top 101 Atlantic firms set the standard by which other firms model themselves for success. As such, they are benchmark firms. The MARKOR analysis has revealed that leading firms in Atlantic Canada varied little from the sample of firms in the Jaworski and Kohli (1993) study, as well as from other studies in the literature with regards to the causes and impacts of marketing orientation.

The contributing factors to marketing orientation were consistent across both the American and Top 101 studies analysis for risk attitude, organizational communication, organizational structure, organizational control and reward systems. In both studies, there were no statistically significant differences between a risk aversive attitude and adoption of the marketing orientation. As organizational communication increased, marketing orientation was enhanced. Also, a strongly centralized method of organizational control did function to limit marketing orientation in both studies. Both studies also found no statistically significant relationship between formalized organization structures (organizational control) and level of adoption of the marketing orientation. Reward systems also had no impact on marketing orientation in either study.

Opposite results were evident in the Top 101 Atlantic Study for the impact of conflict within the organization. The American study determined that there was an statistically significant and inverse relationship between organizational conflict and marketing orientation, while the Atlantic firms showed at as conflict increased, so did marketing orientation. This could be due to the ability of conflict to force firms into a more competitive or innovative posture. It is also possible that different cultural orientations towards conflict management impact how organizational conflict affected processes within firms.

Identical results prevailed across the two studies with regards to how market orientation enhances organizational performance, team spirit, employee commitment, and the impacts of environmental factors on organizational performance. In both studies, marketing orientation had a positive and significant impact on organizational performance. It also enhanced team spirit and employee commitment in the workforce. In both studies, there was no statistically significant difference in organizational performance with regards to market volatility, technological change or competitive intensity.

This study has revealed that the marketing orientation is a positive factor in organizational performance and that it has an impact regardless of market conditions facing the firm. It also has the ability to bring employees closer together to achieve a common goal.

The role of organizational conflict in determining marketing orientation is not clear, functioning to stymy marketing orientation in the US study while facilitating marketing orientation in the Atlantic study. In both studies, centralized control also stymied integration of the marketing concept.

Marketing orientation appears to play a critical role in the success of leading firms. The Atlantic Top 101 firms seem to have the same overall contributing factors and outcomes for marketing orientation that firms do in other cultures, and across sizes and sectors. Marketing orientation seems to be pivotal in achieving conditions for success. Such conditions include employee commitment and team spirit. Further research should address this topic in greater depth, utilizing larger samples with more diverse firms. A large scale Canadian sample is strongly recommended.

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