

**Market Orientation, Marketing Innovation as Performance Drivers:
Extending the Paradigm**

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Exploring the Link Between Marketing Orientation/Marketing Innovations and Performance in Indian Firms

Introduction

Recent academic literature suggests that there is a link between organizational market orientation and firm performance (see, e.g. Han et al., 1998). There is debate regarding the nature of this link, with some literature indicating positive relationships (Narver and Slater, 1990; Pelham, 2000) and others suggesting no significant relationship (e.g. Hart and Diamantopoulos, 1993). Other findings suggest that there may be a stronger positive relationship between innovation and performance rather than between market orientation and performance (Han, Kim and Srivastava, 1998). One recent study (Matear, Osborne, Garrett and Gray, 2002) found a strong, positive relationship between market orientation and performance in service firms. An understanding of the nature and strength of the relationship between market orientation and market performance, together with any moderating or intervening variables such as size or age of the firm, industry in which it operates, etc., is important for strategic planning. Our study researched this link through a survey of middle and senior level executives of Indian companies.

India's situation is somewhat unique. It has remained a closed market for a long time (45 years), and its industry has been exposed to real competition only since liberalisation in 1991. The other unique aspect about India is that though it is a country of over one billion people, only a fraction of this population has the money to spend on many consumer goods. But at the rate of growth of around 5 percent per year in its GDP, this market could grow to become perhaps the third or fourth biggest in the world, in a few years time.

There are firms, both domestic and of foreign origin, that have done very well in marketing their products and services in India. Some multinationals like Philips, Bata, Hindustan Lever (part of the Unilever group) have become an integral part of India through their long association. On the other hand, there are Indian companies like Amul, BPL, Bajaj Auto, Haldiram's, Ranbaxy, Raymond, Reliance, Nirma, and many more, who have successfully carved out huge markets in India, using many of the principles that mark the best companies anywhere in the world. Some of the lowest cost producers in the world exist in India (for example Tata Steel, Maruti Udyog) and so do many domestic brand leaders in various categories of consumer goods (Amul butter, HCL computers, BPL, Onida and Videocon in colour TVs, etc.). Some of India's public sector companies like Bharat Petroleum and ICICI are transforming themselves into savvy marketers and quickly restructuring themselves to face increasing competition. There is also a boom in the number of foreign brands coming into the country and trying to establish their brands (Whirlpool, Samsung, LG, Hyundai, and Thomson are some examples).

Against this backdrop of a rapidly transforming market scenario, it is important to study and document the level of Market Orientation that exists in Indian firms. It is also

important to answer questions such as- Is there a clear link between market orientation and performance (financial and market) in these firms ? What role does innovation, particularly marketing innovation, play in determining if a company is a good performer in terms of market share, profit, sales growth etc.? Thus, our study addressed these questions. Other interesting hypotheses were related to the role played by the firm's Strategic Orientation, and its link with performance. The role of moderating variables like the Age of the firm, its Size, Listing Status, and the Industry in which it operated, in the relationship between market orientation and performance was also a subject of our investigation.

Market Orientation Defined:

Narver and Slater (1990) define market orientation as the organizational culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continuous superior performance for the business. They identify, on the basis of a substantial literature review, three principal components of market orientation:

1. Customer orientation: the understanding of a firm's target buyers in sufficient detail to be able to create superior value for them on an on-going basis,
2. Competitor orientation: whereby the short and long-term capabilities and strategies of both current and future potential competitors are understood,
3. Inter-functional coordination: the utilization of company resources is coordinated to focus on creating superior value for target customers.

Narver and Slater also suggest that there are two decision criteria. The first is a long-term focus, including appropriate tactics and investments to prevent competitors from overcoming a firm's competitive advantage. This focus is, of course, implicit in a marketing orientation. The second criterion, profitability, is seen as both a component of market orientation and also a consequence of it.

Jaworski and Kohli (1993) offer a complementary alternative to the Narver and Slater model, suggesting that the three principal components of market orientation are:

1. Organization-wide generation of marketing intelligence pertaining to current and future customer needs,
2. Dissemination of the intelligence across departments
3. Organizational responsiveness to it.

They expand on the responsiveness component, stressing the importance of

- a) response design – using marketing intelligence to develop plans, and
- b) response implementation – plan execution.

Thus, even allowing for differences in the definition of market orientation, there appears to be agreement among the principal writers in the field that a market oriented philosophy centers on

- learning about market developments through customers, competitors, dealers etc.
- absorbing and sharing this learning with relevant people within the organisation
- adapting offerings or processes to meet customer needs and preferences.

Some writers, e.g. Kumar et al. (1997) question whether different forms of market orientation may be necessary, depending on the nature of the product or service range offered and the demands of myriad potential stakeholder groups. Others such as Appiah-Adu (1997), focusing on small firms, suggest that market orientation is impacted by a number of external factors. He suggests that highly turbulent market conditions do have a significant moderating effect, as does competitive intensity.

Pelham and Wilson (1996) suggest that market orientation assumes more importance in small firms as these firms usually lack financial resources to pursue other sources of business profitability such as research and development. In India, a developing country, most organizations would be short of financial resources for things such as R&D investments. Thus, market orientation can be expected to be an area of significant focus, especially post-liberalisation.

Subtle definitional differences have emerged from the literature regarding *marketing orientation* versus *market orientation*. Wrenn (1997) suggests that a marketing orientation is the implementation of a customer-focussed corporate philosophy, whereas a market orientation widens the focus to consider both current and potential customers AND competitors. Recent literature has built on this latter definition and focussed on different approaches to being market oriented: *market-driven* versus *market-driving*. Market-driven orientation focuses on making decisions based on understanding and reacting to the preferences and behaviours of customers /consumers within a 'given' / accepted market structure. As such, this represents a rather narrow and somewhat passive philosophy.

Market-driving implies a more aggressive and proactive approach, centred on influencing the structure of the market and/or the behaviours of market players, including customers/ consumers and competitors in order to improve customer value and/or the performance of the specific organization. Jaworski et al. (2000) posit three ways of changing the structure of the market:

- deconstruction: eliminating players, be they wholesalers, distributors or retailers;
- construction: building new 'webs' of players
- functional modification: the functions of players in the market may be changed through activities such as forward or backward integration.

It should be noted that the Internet offers the potential to substantially change distribution channels and thus all three suggested ways of driving the market.

An additional perspective is provided by Harris (1999) who suggests that too little focus has been placed on examining the *barriers* to the development of market orientation, in spite of indications of 'enormous difficulties' for practitioners in both developing and sustaining orientation levels. He suggests that the management literature at best shows a

progression from awareness to interest to evaluation ... to possible mistrust because of the difficulties encountered and offers a classification of studies of barriers to market orientation into employee focused and organisation /systems focused. Employee focused studies have highlighted executive inexperience, lack of management skills and irrational, status-seeking behaviour as major barriers. However, the main barriers to market orientation do not necessarily involve only managers. Resistance by employees at all levels to new orientation strategies; tactics and plans are seen as a recurring theme throughout many studies. More recent studies have suggested that a culture and climate is needed which maximises organisational learning on how to create superior customer value. Successful changes to orientation require changing the fundamental way in which a company and its employees see themselves, their business environment and the future.

Our own view, after considering the several views cited above, was that in the Indian context, Market orientation is still an evolving construct. We therefore constructed a short market orientation scale consisting of nine items which could broadly be divided into some customer-orientation items, and some competitor-oriented items including some items that are completely new. In addition to using some items adapted from existing scales, we added items like the use of CRM and the use of IT for customer interface, which were not a part of the original scales developed in the early 90s. We felt that our scale was suitable to measure market orientation in the environment that we have described earlier. Our objective was both to explore the construct in an Indian setting, and update and reinvigorate the scale with some parsimony. We felt that in the Indian setting, where mailed questionnaires are rarely returned, a short questionnaire would facilitate us in limiting personal interviews to a reasonable duration, increasing compliance with our requests to busy executives to participate in the research.

An understanding of the nature and strength of the relationship between market orientation and market performance, together with any moderating or intervening variables, is important for strategic planning. At the first level, this study therefore sought to replicate the findings of various earlier studies in the rapidly changing Indian environment. India is a strong emerging market with high potential, but also several weaknesses that are being addressed in its march towards greater globalization. As a part of this change process, the level of market orientation is also changing in many Indian organizations. They are increasingly becoming market and customer-oriented to a greater degree than a few years ago. Our study captures this link between a changing market orientation level and performance through a sample of middle and senior executives from a cross-section of organizations based in India.

Marketing Innovation-A New Dimension

But at another level, our endeavour was to extend the paradigm of the Market Orientation-Performance link to include a new construct that we have called "Marketing Innovation". The word innovation almost always conjures up an image of a scientist in a laboratory, working to develop new products. But marketing innovations in the laboratory of the marketplace are frequently as important in creating and sustaining market performance. Yet, very little research has actually addressed this issue explicitly. According to Damanpour (1991), "organizational performance may depend more on the congruency between innovations of different types...". Taking this observation to the

context of marketing innovations led us to hypothesize that good marketing innovation is linked to good performance in the marketplace. We established an exploratory construct called “Marketing Innovation” and investigated if a link exists between it and Performance.

The drivers for marketing innovation are primarily one of the three “C”s of business strategy (Ohmae, in his book *The Mind of the Strategist*) – Customers, Competitors, or the Company itself. A lot has been written about the customer and competitor orientation as major parts of the Market Orientation concept, but it is also possible for companies to be self-motivated and actively pursue marketing innovations (that may include product innovation, as Product is one of the four recognized Ps of marketing). Our study included explicitly the innovations in all four Ps of marketing. This was a unique feature of this study compared to all earlier market orientation studies.

There is another emerging dimension of innovation in terms of I.T. (Information Technology) Enablers being used either for better customer-interface, or for back-end processing. The I.T. enablers could be used directly for processing of sales orders or service requests, or could be information providers as in the case of websites for hotels or airlines. Frequently, there is a big difference in the level of adoption of I.T. Therefore, in the new market orientation paradigm, it is necessary to include a measure of the extent of use of I.T. by the organization, and attempt to correlate it with organizational performance. Of course, it may be possible that the benefits of such I.T. based initiatives take a few years to show on the bottom line, but it is a worthwhile link to investigate. We included the use of I.T. by an organization as one of our independent variable items, and tried to determine if this explains organizational performance, in conjunction with other items measuring market orientation. The use of Information Technology as a marketing enabler is also particularly relevant to India because Indian companies are increasingly playing the role of I.T. enablers to other global corporations, through outsourced back end jobs as well as some of the traditional front end processes.

Han, Kim and Srivastava (1998) also cite the restrictive definition of ‘Innovation’ in marketing literature to mean largely product innovation. We seek to explore a broader construct called **marketing innovation**, that includes product innovation. This may imply some radical innovations or it may mean a series of well-orchestrated changes in marketing plans consisting of the marketing mix elements- Product, Price, Promotion and Place. The existing constructs of market orientation, though they measure the elements of customer orientation and competitor orientation fairly well, fall short on the specific areas of responses in terms of changes in marketing strategy-in particular, innovative handling of the marketing mix elements.

To cite some examples from the Indian industry where this study is based, there has been a company that radically altered the way TVs were marketed, by launching aggressive print advertising combined with trade-in offers for exchange of old TVs for new at discounted prices. This is an example of a radical innovation. Another example is of a fabric whitener (brand named Ujala) which broke in with a smart TV campaign to become the leader in a market which had a well-entrenched market leader. Again, the

major elements of innovation were in positioning and promotion, with TV advertising being the key driver. There have been other examples in the last decade of a company that launched packaging innovations, particularly small sachets of shampoos, to take away major share of the market from bigger, well-entrenched players.

There is also the possibility that companies are systematic (but not radical) with marketing innovations in any of the broad areas of Product, Pricing, Promotion and Distribution. For example, an Indian company in the business of marketing pumps altered its sales and distribution structure to a decentralized and intensive mode to achieve a higher penetration of its target market, over a period of about 3 years. This resulted in capturing a large share of the market which was earlier neglected. This qualifies as a marketing innovation in the area of Sales and Distribution, because no other organized competitor was following this channel mix.

Our construct of Marketing Innovation is thus quite different from the one used by Han, Kim and Srivastava (1998), and defined by Damanpour (1991). Han, Kim and Srivastava use the terms Technical and Administrative innovations, which pertain to “products, services and production process technology” and “organizational structure and administrative process” respectively. Our study on the other hand, explicitly links “Marketing Innovation” with company performance in the Indian context. Our view of looking beyond conventional product innovation to explain firm performance is supported by Kim and Mauborgne (1997), who argue that value innovation is what distinguishes between high growth and low growth companies. Value innovation, according to them, can occur on three “platforms”- Product, Service or Delivery. We are actually looking at the 4 Ps of marketing as potential value innovation platforms, to use the words of Kim and Mauborgne. We came across several instances in Indian companies (some of which we have cited in the earlier in this discussion), where non-product innovations in marketing have apparently benefited companies a great deal. We therefore decided to investigate innovation in all the 4 Ps of marketing. We also decided to club marketing innovations into two types, Radical and Non-radical (Dewar and Dutton, 1986). This was based on our view that different companies may seek to innovate in different ways. Some might go for aggressive, radical innovations which seek to strike out drastically different paths in any of the marketing Ps of Product, Pricing, Promotion or Place, while others may opt for other types of “slow and steady” streams of innovations in these four Ps. Our hypothesis was that both types of innovation could in fact lead to superior performance.

Research Objectives:

We expected our study to fill an important gap in understanding the market-orientation and performance link as applicable to Indian companies. The more specific objectives of this study were as listed below:

1. To investigate the degree of market-orientation in Indian companies.
2. To investigate if there is a clear link between the market orientation and the financial performance of Indian companies.
3. To define marketing innovation, for the purpose of this study.

4. To investigate the link between marketing innovation and financial performance.

Research Methodology

Variables and Scales

Variables of interest were primarily three major categories of independent variables and three major dependent variables measuring performance. These are discussed in detail later.

Model

The main model was a regression based one, with performance variables being the dependent variables and the marketing orientation, marketing innovation and strategic orientation variables being the independents.

Sample

The sample consisted of senior/middle level marketing executives or general managers aware of marketing issues and policies in companies spanning FMCG (Fast Moving Consumer Goods), Durables, Business to Business and Service industries. In small companies, they included managing directors, owners or CEOs.

Targeted sample size was about 200, spread out all over India. Actual sample size achieved within the time and budget constraints gave us 170 usable replies. Only one executive from an SBU of a company was interviewed. In the case of large companies, sometimes executives from different SBUs were interviewed and used in the sample.

Geographically, the cities of Hyderabad, Bangalore, Mumbai, Delhi and Chennai were covered during the survey. The data were collected through personal interviews in the months of September, October and November 2002.

An attempt was made to collect data from large and small companies, listed and unlisted companies, young and old companies, and Indian and foreign companies. By and large, this was achieved, and we feel the sample is representative of the large variety of companies present in India at this time. Service and manufacturing companies are both adequately represented in the sample, improving the generalizability of the results. Details of the sample demographics are presented in Tables 4 through 6. Size distribution by sales is in Figure 2.

Measuring market orientation

In the literature regarding measurement of **market orientation**, we find the most significant often used scales are: MKTOR and MARKOR developed by Narver and Slater (1990), and Kohli, Jaworski, & Kumar (1993) respectively (Gauzente, 1999).

Based on our research objectives, we adopted a modified scale incorporating elements of both.

We developed a combination Market Orientation scale based broadly on the MKTOR and MARKOR scales, after two rounds of discussion with a cross section of practising marketing executives in different types of industries. We checked the scale items for comprehension, relevance and meaningfulness to our targeted respondents. The resulting scale consisted of nine items (Table 1 lists these), further subdivided into two components. We called these components MKTOR1 and MKTOR2. MKTOR1 consisted of six items (items 1, 2, 3, 4, 7 and 8 from Table 1) out of nine original ones which related to customer orientation. MKTOR2 consisted of the remaining 3 items (items no. 5, 6 and 9 from Table 1), which were competitor-oriented. MKTOR1 and MKTOR2 were used as the two Market Orientation variables in all our analyses. MKTOR1 can be termed Customer Orientation and MKTOR2 can be termed Competitor Orientation.

Table 1. The market orientation scale items

Market Orientation is represented by 9 different items listed as follows.

Number	Variable Name	Description
1	complain	Mechanism for Recording Customer Complaints
2	service	Equal Emphasis on Sales and Service
3	satisfac	Measure Customer Satisfaction Formally
4	crm	Have Implemented CRM
5	compdata	Regularly Collect Competitor data
6	discuss	Discuss data collected in regular meetings
7	topmgt	Our Top Mgt. emphasizes Customer Orientation
8	infotech	Our use of IT for Cust. Interface is significant
9	response	Formulate responses based on competitor data

Measures of Marketing Innovation

Marketing innovation was defined in terms of two sub-constructs- the first involved regular fine-tuning done in any of the 4 Ps (defined as incremental or non-radical marketing innovation), and the second, radical changes adopted in any of the 4 Ps (defined as radical marketing innovation). The marketing innovation construct is an exploratory construct defined in terms of four items, one on each of the four Ps of marketing. We also treated innovation in each of the 4 Ps at two levels- *incremental* (non-radical) and *radical*. This led to eight statements, four each measuring incremental innovations and radical innovations in the four areas representing the classical 4 Ps of marketing- Product, Price, Promotion and Place.

For the purpose of our study, we combined the radical innovations in the 4 Ps into one construct called Radical Innovation. Similarly, we combined the four items on incremental innovation in the 4 Ps, and called it Non-radical Innovation. The items used

to measure marketing innovation are listed in Table 3. This gave us two independent variables (Radical Innovation and Non-radical Innovation) for examination of their impact on firm performance.

Table 3: Marketing Innovation Scale Items

Marketing Innovation is of two types, Radical and Non-radical. Radical innovation covers all 4 Ps, and so does Non-radical innovation. The following 8 variables were combined into two – RADICAL INNOVATION (sum of variables 10, 12, 14 and 16) and NON-RADICAL INNOVATION (sum of variables 11,13, 15 and 17).

10	pricerad	Our pricing strategies are radically innovative
11	pricenon	pricing strategies are non-radically innovative
12	prodrad	Our product strategies are radically innovative
13	prodnon	Product strategies are non-radically innovative
14	promorad	Our promotion strategies are radically innovative
15	promonon	Promotion strategies are non-radically innovative
16	distnrad	Our distribution strategies are radically innovative
17	distnnon	Distribution strategies are non-radically innovative

Measuring Strategic Orientation

In addition, we tested the hypothesis that a company’s **strategic orientation** can directly influence its performance. Strategic orientation has been defined in terms of three Cs- *Company objectives, Customer Orientation and Competitor Orientation* (based on Ohmae, 2002). We postulated that some of the strategic orientation variables will significantly affect firm performance. The strategic orientation scale items are listed in Table 2.

Table 2: The Strategic Orientation Scale Items

Strategic Orientation is of three types- Customer-driven, Competitor-driven, or Company Objective-driven, measured by the following variables on the survey instrument.

18	custdriv	Strategies are predominantly Customer Driven
19	compdriv	Strategies are predominantly Competitor Driven
20	objdriv	Strategies are predominantly Objective Driven

Scale of Measurement

All independent variables and dependent variables were measured on a seven point Likert type scale. Moderating variables were nominal-scaled for industry type, company age category, listed or unlisted status, and interval-scaled (actual sales turnover measured in million Indian Rupees per year) for size. Later, this size measure was converted into two categories (Large, or greater than Rs. 1 billion per year and Small, Upto Rs. 1 billion in sales) for the analysis.

Financial and Market Performance

In large companies, there is a separation between ownership and management and in such companies growth seems to be the most plausible goal of managers while owners are most interested in profit maximisation (Penrose, 1959; Baumol, 1967). So based on the literature we used two measures of performance – profitability and growth. Profit measures include net profit, and return on assets, whereas growth measures include growth in sales, and growth in market share. We used three different measures of performance- Profit, Market Share and Sales Growth.

There are two types of performance measures available to measure performance – subjective and objective. Dawes (1999) empirically investigated the relationship between these two measures and found a strong relationship between them. Given this, we decided to use subjective measures of performance. This approach is already in use in this field of study (Ngai & Ellis, 1998). These are also amenable for easier collection from respondents than objective measures, particularly for unlisted companies.

Control variables: There are of course a myriad other influences that can impact on company performance, and we could not include all of these. However, we did control for four likely effects – age, industry type, listing status and size. We discuss each in turn.

Age: We expect that older firms will outperform the younger ones. An old firm may grow faster and earn a higher rate of return because it has established itself in the market and has certain core skills and experiences which its younger counterparts may not have. Four categories of the Age variable were used- Less than 6 years, 6-10 years, 11-20 years, and Over 20 years.

Industry type: Industry characteristics are vital in the analysis of firm performance. For example, firms in new and expanding industries are expected to outperform those operating in old and declining industries. Firms in a particular industry may be earning profits that are comparatively above normal due to certain attributes of the economy of the country or by virtue of some favourable structural variables. Similarly, some structural variables may allow firms in particular industries to be in a better position to implement their strategies successfully and profitably (Pant, 1991). Hence we have reasons to believe that industry type affects the performance of firms (Hamilton & Shergill, 1993; Grant & Others, 1988). For the purpose of this study, we divided the type

of industry into Manufacturing (FMCG, durables and industrial products) and Service companies. Analysis was separately done for manufacturing and service companies.

Listing Status:

One other dimension of importance in a company's behaviour is its stakeholders. Listed companies are answerable to a larger body of stakeholders, and have to make more disclosures. Since that may drive their attitude towards the customers and show in their performance, we also included an analysis of listed and unlisted companies separately.

Size: There have been several studies of the relationship between size and financial performance. The big firms have been considered to be endowed with certain advantages such as lower costs and higher returns on account of access to capital market (Hall and Weiss, 1967), and economies of scale (Montgomery, 1979). Hence, we expected size to moderate the market orientation-performance link.

For all the moderator variables, our hypothesis was limited to asking the question "Does this variable moderate the Market Orientation-Performance relationship?"

Research Questions

The basic questions the research study deals with are the following

- 1. Is market orientation a good predictor of firm performance?**
- 2. Is marketing innovation a good predictor of firm performance?**
- 3. Is firm performance dependent on whether it is Customer-driven, Competitor-driven or Objective-driven?**

The Major Hypotheses

The major hypotheses we tested are listed below, and illustrated in Figure 1.

H1: There is a significant relationship between Company Market share and Strategic Orientation.

H2: There is a significant relationship between Company Market share and Market Orientation.

H3: There is a significant relationship between Company Market share and Marketing Innovation.

H4: There is a significant relationship between Company Profit and Strategic Orientation.

H5: There is a significant relationship between Company Profit and Market Orientation

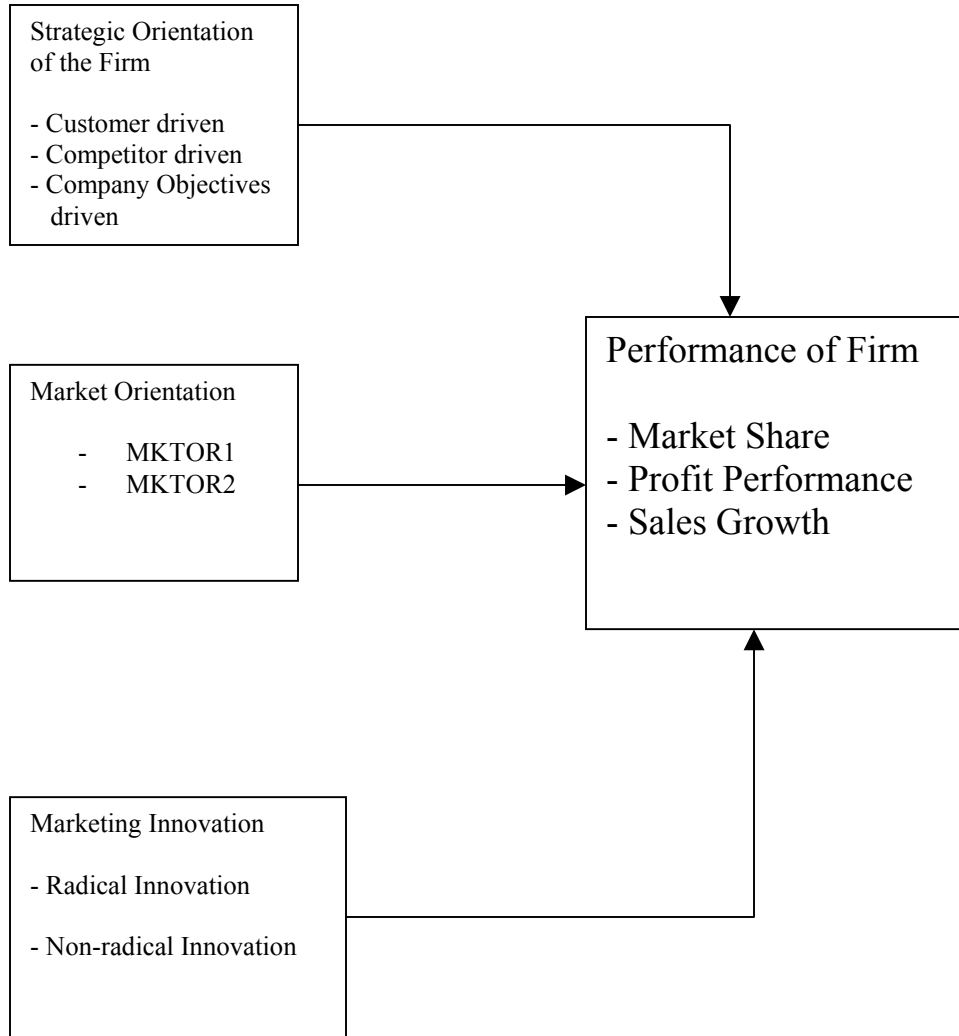
H6: There is a significant relationship between Company Profit and Marketing Innovation.

H7: There is a significant relationship between Company Sales Growth and Strategic Orientation.

H8: There is a significant relationship between Company Sales Growth and Market Orientation.

H9: There is a significant relationship between Company Sales Growth and Marketing Innovation.

Figure 1: The Major Hypothesized Relationships



Preliminary Analysis and Reliability Testing

Description of sample companies

Tables 4 through 6 describe the sample of companies in the sample.

Company Demographics: Table 4 to Table 6

Table 4: Sample Distribution by Industry type

	Freque ncy	Percent
FMCG	26	15.3
Durables	13	7.6
Service	91	53.5
Industrial Goods	40	23.5
Total	170	100.0

Table 5: AGE Distribution of Firms in Sample

	Frequency	Percent
Less than 5 years	38	22.4
6-10 Years	36	21.2
11-20 Years	22	12.9
More than 20 Years	74	43.5
Total	170	100.0

Table 6: Listed or Unlisted

	Frequency	Percent
Listed	94	55.3
Unlisted	76	44.7
Total	170	100.0

Correlations Among the 9 MKTOR Items

There were some moderate correlations. Most were below 0.5. Only one, TOPMGT versus SERVICE, was .698, and significant.

Factor Analysis

We also performed an exploratory factor analysis to find the underlying structure of the data, with all the independent variable items. A factor analysis of the 14 independent variables (9 **MKTOR** variables, 3 **Strategic Orientation** variables, and 2 **Innovation** variables (Radical and Non-radical) was performed. Principal Components analysis with Varimax rotation was used.

Results showed 3 Factors with Eigen Values of more than 1. The first combined many customer-oriented and service-oriented features, and customer-oriented strategic orientation. The second factor combined competitor-driven strategic orientation and inclination to implement this through data collection and response.

The third factor isolated CRM and measurement of customer satisfaction, with use of Information Technology for customer interface also moderately loading on to this factor.

This seems to indicate that the CRM / I.T. / Measurement combination is a level higher than normal response of a company which is either customer-driven or competitor-driven. Maybe the third is a high level combination of the two earlier ways of competing, or a completely different perspective on the entire business philosophy. This analysis broadly supported our view of looking at the market orientation paradigm, particularly the decision to look at MKTOR1 and MKTOR2 as customer and competitor orientations.

The results of the factor analysis are in Table 7.

Table 7: Factor Analysis: Rotated Component Matrix

Rotated Component Matrix

	Component		
	1	2	3
COMPLAIN	.636	.170	.174
SERVICE	.736	.309	.257
SATISFAC	.139	1.799E-02	.780
CRM	5.735E-02	.199	.777
COMPDATA	.399	.676	.212
DISCUSS	.362	.708	.109
TOPMGT	.822	.312	3.108E-02
INFOTECH	.604	.118	.474
RESPONSE	.390	.708	.134
CUSTDRIV	.728	.280	9.869E-02
COMPDRIV	8.785E-03	.746	-9.103E-03
OBJDRIV	.749	.165	5.170E-02
Non radical 4 Ps	.145	.305	.131

Radical 4 Ps .269 .405 .424
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

Reliability Testing

We also tested the reliability of our scales. First, we tested the reliability for all 9 items on the Market Orientation Scale. The value of alpha for the 9 items came out as .8482, and standardized item alpha was .8528, indicating high reliability.

Next, we tested the reliability for the MKTOR1 six-item construct (including customer initiatives and customer orientation items). This yielded an alpha of .7753, and a standardized item alpha of .7815.

Similarly, the reliability of the MKTOR2 three-item construct (including competitor orientation and action related items). This yielded an alpha of .8494 and standardized item alpha of .8507.

Results

First, we performed a series of stepwise regressions that gave us the following findings.

1. A stepwise regression with Market share (COSHARE) as dependent and **Strategic Orientation** as independent (3 separate single item variables) was run. We found that Predominantly Customer-driven Strategic Orientation (CUSTDRIV) was significant in explaining Market Share (COSHARE). Competitor-driven (COMPDRIV) and Objective-driven (OBJDRIV) strategic orientation were not significant. This implied that hypothesis 1 was supported.
2. Next, a stepwise regression with Market share (COSHARE) as dependent, and **Market orientation** (represented by the variables MKTOR1 and MKTOR2) as independent, was run. MKTOR1 was significant in explaining Market share (COSHARE). Thus, there was support for hypothesis 2.
3. The third regression run was with Market share (COSHARE) as dependent, and **Radical Marketing Innovation** (4 items combined) and **Non-radical Marketing Innovation** (4 items combined) as the independent variables. Results showed that Radical Marketing Innovation was significantly related to Market share Performance. This finding supported hypothesis 3.
4. The fourth regression was between Profit (COPROFIT) and **Strategic Orientation**. Results showed that Customer driven Strategic Orientation (CUSTDRIV) was significantly related to PROFIT. This result supported hypothesis 4.

5. The fifth regression was between Profit (COPROFIT) and **Market Orientation**. Results showed that MKTOR2 was significantly related to PROFIT Performance. This result supported hypothesis 5.

6. The next regression model had PROFIT as the dependent, and **Radical Innovation** in 4 Ps, and **Non radical Innovation** in 4 Ps as independents. Results showed that Radical marketing Innovation (4Ps) was significantly related to Profit Performance, thus supporting hypothesis 6.

7. The next regression was between Sales Growth (SALESGRO) as dependent and **Strategic Orientation** as the independent variable. Results showed that Customer-driven Strategic Orientation (CUSTDRIV) was significantly related to Sales Growth. This result supported hypothesis 7.

8. The next regression was between Sales Growth (SALESGRO) as the dependent, and **Market Orientation** as the independent variables. Results showed that MKTOR1, one of the Market Orientation components, was significantly related to Sales Growth. This result supported hypothesis 8.

9. The next regression model had Sales Growth (SALESGRO) as the dependent, and **Radical Innovation** and **Non radical Innovation** as independents. Results showed that Radical marketing Innovation was significantly related to Sales Growth, thus supporting hypothesis 9.

The results of these major regression runs are summarized in Table 10.

Table 10: Summary of Major Regression Results (Without Moderators)

Model No.	Dependent	Independents	Significant	Model P-value	Moderator Value
1	COSHARE	MKTOR1, MKTOR2	MKTOR1	.001	None
2	COPROFIT	MKTOR1, MKTOR2	MKTOR2	.000	None
3	COSALGRO	MKTOR1, MKTOR2	MKTOR1	.000	None
4	COSHARE	RADICAL INNOVATION, NON-RADICAL INNOVATION	RADICAL INNOVATION	.008	None
5	COPROFIT	RADICAL INNOVATION, NON-RADICAL INNOVATION	RADICAL INNOVATION	.000	None
6	COSALGRO	RADICAL INNOVATION, NON-RADICAL INNOVATION	RADICAL INNOVATION	.031	None
7	COSHARE	CUSTDRIV, COMPDRIV, OBJDRIV	CUSTDRIV	.000	None
8	COPROFIT	CUSTDRIV, COMPDRIV, OBJDRIV	CUSTDRIV	.011	None
9	COSALGRO	CUSTDRIV, COMPDRIV, OBJDRIV	CUSTDRIV	.000	None

Table 11: Summary of Regression Results (With Moderator Effects of Size, Industry Type and Listing Status)

Model No.	Dependent	Independents	Significant	Model P-value	Moderator Variable / Value
1	COSHARE	MKTOR1, MKTOR2	MKTOR1 None	.027 ----	Size: Large Size: Small
2	COPROFIT	MKTOR1, MKTOR2	MKTOR2 MKTOR2	.022 .009	Size: Large Size: Small
3	COSALGRO	MKTOR1, MKTOR2	None	-----	Size: Large and Small
4	COSHARE	MKTOR1, MKTOR2	MKTOR1 None	.001 ----	Ind: Service Ind: Mfg.
5	COPROFIT	MKTOR1, MKTOR2	None MKTOR1	---- .008	Ind: Service Ind: Mfg.
6	COSALGRO	MKTOR1, MKTOR2	MKTOR1 MKTOR2	.000 .044	Ind: Service Ind: Mfg.
7	COSHARE	MKTOR1, MKTOR2	MKTOR2 MKTOR1	.011 .007	Listed Unlisted
8	COPROFIT	MKTOR1, MKTOR2	MKTOR2 MKTOR1	.001 .006	Listed Unlisted
9	COSALGRO	MKTOR1, MKTOR2	MKTOR2 MKTOR1	.004 .001	Listed Unlisted

Moderating Effects

A. Size of Company

Based on the data distribution for this variable, and keeping in mind the Indian definitions of company size, the sample was divided into two sizes, Large (more than Rs. 1 billion annual sales) and small (less than or equal to Rs. 1 billion annual sales). 32 percent of the 170 companies in the sample were of Small size (coded 1) by the above definition, and the remaining were Large (coded 2).

The regressions between Market Orientation and Performance were re-run on the large and small companies separately, to test if size moderated the relationship.

Results showed that

1. COSHARE (market share) was significantly linked to MKTOR1 (Customer Orientation) in large companies, but in small companies, both the MKTOR variables were not found to be significantly affecting COSHARE.

This led us to the conclusion that Company size moderates the relationship between COSHARE and MKTOR, because different results were obtained for large and small companies. Only for large companies, COSHARE had a significant relationship with MKTOR1.

2. In large companies, COPROFIT (profit) was significantly linked to MKTOR2 (competitor orientation). Even for small companies, COPROFIT was significantly linked to MKTOR2 (competitor orientation).

This led us to the conclusion that Company size does not moderate the relationship between COPROFIT and MKTOR, because similar results were obtained for both large and small companies. In both cases, COPROFIT had a significant relationship with MKTOR2.

3. In case of the relationship between SALESGRO (Growth in sales) and market orientation, we found that company size moderated the relationship. In separate runs on small and large companies, no significant relationship was found between SALESGRO and MKTOR. But the combined sample had a significant relationship between SALESGRO and MKTOR1 (customer oriented initiatives). This indicates that the relationship may be present in some companies but not in others, depending on which size classification we look at. It is possible that the cutoff chosen by us was not able to identify which size of companies were responsible for the significant relationship.

Overall, our conclusion was that Size of a firm moderates the *Market Orientation-Performance* relationship, when Market Share and Sales Growth are the Performance measures used. Another conclusion was that Profit is significantly linked to MKTOR2 (competitor orientation), irrespective of company size.

B. INDUSTRY TYPE

The moderating effect of Industry Type was originally to have been tested for four different types of industry- FMCG (Packaged Goods), Durables, B to B (industrial goods) and Services. However, due to sample limitations, we decided to use only two classifications, namely Services and Manufacturing. Manufacturing combined the three original categories (FMCG, B to B, and Durables) other than Services.

Dependent Variable: COSHARE

For Services, there was a significant relationship between MKTOR1 (customer orientation) and COSHARE (market share). But for Manufacturing, there was no

significant relationship between MKTOR and COSHARE. This indicates a moderating effect of Industry type on the relationship between Marketing Orientation and Market Share.

Dependent Variable: COPROFIT

Company Profit was significantly related to MKTOR2 in Service industry.

Company Profit was significantly related to MKTOR1 in Manufacturing industry. Therefore, Industry type has a moderating effect on the relationship between MKTOR and COPROFIT.

Dependent variable: COSALGRO

For Services, there was a significant relationship between COSALGRO and MKTOR1. For Manufacturing though, the significant relationship was between COSALGRO and MKTOR2. This led to the conclusion that Industry type has a moderating effect on the relationship between COSALGRO and MKTOR.

On the whole, the conclusion was that *Industry Type* moderates the relationship between Marketing Orientation and Performance.

C. Listed or Unlisted on a Stock Exchange

The next moderating effect tested was due to listing of a company or otherwise.

Dependent Variable: COSHARE

For listed companies, there was a significant relationship between MKTOR2 and COSHARE.

But for unlisted companies, MKTOR1 replaced MKTOR2 in a significant relationship with COSHARE, leading to a conclusion that Listing of a company did moderate the relationship between MKTOR and COSHARE.

Dependent: COPROFIT

For Listed Companies, MKTOR2 was significantly linked to COPROFIT, whereas for Unlisted companies, MKTOR1 replaced MKTOR2. Once again, it led to the conclusion that Listing of a company moderates the relationship between MKTOR and COPROFIT.

Dependent: COSALGRO

For Listed Companies, MKTOR2 was significantly linked to COSALGRO, whereas for Unlisted companies, MKTOR1 replaced MKTOR2.

Once again, it led to the conclusion that Listing of a company moderates the relationship between MKTOR and COSALGRO.

These results indicated that *listing of a company* moderated the linkage between Market Orientation and Performance.

The results of regression models with the industry type, size and listing status are shown in Table 11.

D. Age

Companies were divided into four age groups (Less than 6, 6-10 years, 11-20 years and over 20 years) to find out if Age moderated the linkage between Market Orientation and Performance.

Dependent: COSALGRO

It was found that only in the Age category 6-10 years, MKTOR1 and COSALGRO were significantly related. In the other three age categories, there was no relationship.

Dependent: COPROFIT

In a similar analysis with COPROFIT as the dependent, Age categories 6-10 and Over 20 years showed a significant link between COPROFIT and MKTOR2. In the other two Age categories, there was no significant relationship.

Dependent: COSHARE

In a similar analysis with COSHARE as the dependent, Age categories 6-10 and Over 20 years showed a significant link between COSHARE and MKTOR1. In the other two Age categories, there was no significant relationship.

Overall, this led to the conclusion that *Age of the company* does have a moderating effect on the Market Orientation-Performance relationship.

Table 12 lists the results of regression runs using Age as a moderating variable.

Table 12: Summary of Regression Results (With Moderator Effects of Age of Company)

Model No.	Dependent	Independents	Significant	Model P-value	Moderator Variable / Value
10	COSHARE	MKTOR1, MKTOR2	None MKTOR1 None MKTOR1	-- .006 -- .046	Age: 0-6 yrs. Age: 6-10 Age: 11-20 Age: > 20
11	COPROFIT	MKTOR1, MKTOR2	None MKTOR2	-- .001	Age: 0-6 yrs. Age: 6-10

			None MKTOR2	-- .017	Age: 11-20 Age: > 20
12	COSALGRO	MKTOR1, MKTOR2	None MKTOR1 None None	-- .002 -- --	Age: 0-6 yrs. Age: 6-10 Age: 11-20 Age: > 20

Discussion

The results of our research study strongly indicate that across the sample of Indian industry that we studied, there is a strong link between Market Orientation and Performance. They also suggest a medium to strong moderating effect of Size, Industry Type, Listing on a Stock Exchange, and Age of the company. Similar studies in different settings have sometimes provided confusing outcomes, with some supporting and others refuting some of these linkages, but this study indicates that the effect of a market orientation on performance is strong in an emerging economy. This finding may be very useful to those companies which have a strong desire to instill market orientation in their employees, but lack the hard justification to convince them.

We also believe we have updated and provided a parsimonious scale (9 items in all, with two components of 3 and 6 items each) to measure Market Orientation, which can be used and validated in situations similar to the one we studied. At least in the Indian scenario, this scale was well understood, and we believe, elicited accurate responses from the executives interviewed in the sample. Another major contribution of this study is the study of Marketing Innovation rather than Product Innovation. Very few studies address Marketing Innovation in the same way. We feel this stream of research holds great potential. Our finding that Radical Marketing Innovation is positively linked to all three measures of performance of a company will no doubt warm the hearts of consultants and practitioners who always have the problem of backing up their recommendations for a thrust on innovation with hard data.

Many executives in a conversation after filling up the questionnaire indicated that they viewed the issue of marketing orientation very seriously and thought that the future of their companies depended on how well and how quickly they adapted themselves to the fiercely competitive scenario emerging in the Indian markets. This was independent confirmation of what they seem to have said in their responses to the survey.

Further Research

Further research could validate the results of this study, by repeating it in other countries on the verge of breaking out of a slow growth cycle compared to its potential. India has some peculiar features, like a strong base in IT related services. Whether this has any impact on the relationship could be an issue of interest. Or, replicating the study in the service sector, or even the I.T. sector, are possible opportunities. Future studies could focus on larger samples of manufacturing industries like FMCG (Fast Moving Consumer Goods), durables or industrial goods, to verify if the results hold good in each category.

We were forced to group the sample into two – Manufacturing and Services, on account of inadequate sample sizes for a detailed look at each of the sub-sectors of manufacturing.

Finally, other moderator variables may be relevant, and can be explored. The explanation that we provide for some of the moderating effects could also be validated further.