

Developing a Scale to Measure the Level of Market Orientation in the Financial Services Sector within a Resource-Based Economy

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Abstract. The intent of this study is to develop a scale that will foster the measurement of the level of market orientation within financial services institutions in a resource-based economy. In order to do that it is important to obtain a clear understanding of how this financial services sector views and interprets the market orientation concept within such an economy. Furthermore, to obtain a thorough understanding of what these organizations are doing to become more market-oriented. Discussions during focus groups and interviews were recorded and transcripts typed. The data collected were categorized based on the questions prepared by the moderator and issues arising during the discussions with the participants. Accordingly, the collected qualitative data were analysed using a thematic approach in order to identify the antecedents of market orientation in a resource-based context. There are three main constructs or antecedents representing the independent variables which have great influence on the financial services providers' activities. They are the business corporate culture, the strategy formulated, and the strategy implemented. This study indicates that these three antecedents or variables may influence the level of the business's market orientation through the adopted organizational structure and systems employed, and these businesses' market-oriented activities. Such a scale is tested in terms of reliability, and then validated and purified further through the collection of quantitative data, which also may allow the researcher to develop hypotheses and do future tests through exploratory and confirmatory factor analysis and structural equation modeling using SPSS and AMOS software.

Keywords: Market orientation; corporate culture; strategy formulated; strategy implemented; market-oriented activities; structure and systems employed.

1. Introduction

Although most of the scales employed to measure the level of a business organization's market orientation have been purified and tested, the fact that cultural background, market structure, and level of economic development influence the perceptions and interpretation of various constructs and concepts must be considered when trying to employ any instruments in a different context. However, due to the different definitions proposed for market orientation and the various scales employed in different contexts, reviewing the literature on measurement and scaling may reveal various issues that should be considered during the discussions within the focus groups and the interviews, which might help in analyzing and interpreting the collected data.

2. Literature Review

Gray et al. (1998) claim that academicians and practitioners have failed to provide empirical support for market orientation because they fail to establish a model of market orientation that can be employed in different contexts and can precisely and adequately measure the level of market orientation. They add that establishing such a model would enable managers to employ it and pinpoint their organizations' shortcomings. Furthermore, Woodruff (1997) argues that the application of customer satisfaction measurement has fallen short of its promise for several reasons. He explains that although many organizations set customer satisfaction goals, few of them rigorously measure it. It is worth noting here that although companies may measure customer satisfaction, they do not always act on their findings (Dutka, 1994).

Deshpandé and Farley (1998) argue that in order to obtain a scale that can be generalized substantively, the scales suggested and employed by Narver and Slater (1990), Kohli et al. (1993), and Deshpandé et al. (1993), need to be examined in terms of whether the three scales will behave similarly under a fixed set of conditions. They also assert that the cross-national application is intended to assess the international generalization related to the measures applied in different contexts and countries. They add that it is important to measure market orientation, and because of that these scales were employed later in different settings and contexts in order to expand the venues of research.

Harris and Ogbonna (1999) argue that the conceptualization of market orientation will not be comprehensive and complete in the absence of the cultural components. They claim that their findings can contribute partially to explain the limitation of the adoption level for market orientation that has been found by other researchers. Accordingly, one can assume that there is a need to develop a more advanced conceptual model of the market-oriented culture that takes into account the cultural incongruence and inconsistency within most business organizations (Harris and Ogbonna, 1999).

Therefore, the challenge is whether the scales developed and tested in a given national culture and context can be transferred usefully to other environments and contexts (Deshpandé and Farley, 1999). In addition, it is clear from the literature that there is a debate concerning the suitability of the scales employed to measure the level of market orientation in different contexts. Therefore, it is assumed that different market conditions, cultural backgrounds, and different levels of economic development may require different scales to measure the level of market orientation. Accordingly, one can always argue that the different market structure and conditions, different cultural background, and different level of economic development may influence the business organization's interpretation of the market-orientation concept and its implementation of the process to become a market-oriented organization. Accordingly, there is a need to find out how these business organizations understand and interpret the concept and what these organizations are doing to become market-oriented financial services providers. Therefore, a qualitative research approach providing insights into the antecedents of market orientation in a resource-based economy may bridge such gap in the body of knowledge.

3. Methodology

The samples for the qualitative research and the pilot survey were selected randomly from the list of financial institutions registered with the Kingdom of Bahrain Central Bank. In both cases a letter sent and follow up was done through email and telephone calls. 55 respondents attended the focus groups and interviews. 50 responses had been selected randomly from for the pilot survey. Once the scale was developed and the pilot survey data collected this research used SPSS software to establish the reliability of the various variables and factors included in the scale.

4. Findings and Analysis

The analysis of qualitative collected data yields unique results pertaining to the constructs of market orientation within this context. The analysis of the qualitative collected data employing thematic approach reveals can be summarized into five different categories and they are as follows:

- Intelligence generation
- Communication with stakeholders
- Top management commitment
- Organizational corporate culture
- Organizational strategy, structure, and systems employed
- Measuring customer satisfaction
- Organizational environment and employees' training

These findings provide further support for other studies undertaken and published by different researchers and in different contexts. The important of generating and disseminating Intelligence, the corporate culture and top management commitment provide further support for the behavioral and cultural

approaches suggested by Kohli and Jaworski (1990) and a number of previous studies (see also Slater and Narver, 1999; Lafferty and Hult, 2001; Kennedy et al., 2003; and Gebhardt et al., 2006). On the other hand the strategy formulated and implemented together with the organizational structure and systems employed provide additional support for other studies (see Martin et al., 1998; Becker and Homburg, 1999; Harris and Ogbonna, 2001; and Homburg et al., 2004). However, the qualitative research finding suggest that these various antecedents of market orientation can be summarized in different components or variable in order to facilitate the conceptualization process of market orientation within a resource-based economy.

5. Discussion

This section discusses the findings of the qualitative research and draws the final conclusions resulting from such findings that will be employed to develop the final scales to be used in the next step of the research to measure the financial services providers' level of market orientation and these businesses' customers' views on their responsiveness.

Rich data collected from the qualitative research allows the researcher to thoroughly understand what constitutes a market-oriented financial services provider in this context (Bahrain) as viewed or perceived by the industry's various management levels. It also provides the opportunity to understand what the financial services providers are doing in order to become more market-oriented businesses.

It was clear throughout the findings that a market-oriented organizational culture that facilitates the entire organization to become customer-focused and guides all members to create and deliver superior value to customers is crucial. The evidence indicates that a corporate culture with top management commitment that emphasizes service to customers is an important variable in fostering the process of becoming market-oriented. Therefore, this research concludes that market-oriented corporate culture is an important antecedent of market orientation in this context.

Furthermore, the findings suggest that the second most important constructs or antecedents are the strategies formulated and implemented by the financial services providers. The collected qualitative data indicate that the formulated strategy must be driven by business objectives, which are primarily targeting the achievement of customer satisfaction through the continual creation and delivery of superior value to customers. In addition, operating and implementing such strategy should focus on monitoring constantly the business level of commitment as well as the organization's level of market orientation. Our findings also suggest that such a strategy should be based on understanding customer needs in order to create or obtain competitive advantage over the competitors. Accordingly, two more important independent variables are considered to be crucial to a financial services institution's level of responsiveness, and hence its process of becoming a market-oriented organization.

Furthermore, the qualitative research findings provide support for the role of organizational culture in fostering the provision of management commitment to serve customers. This support and commitment is reflected in their strategy as formulated and implemented and evidenced through the service providers' activities during the implementation process. Therefore, this will determine the level to which these service providers are market oriented. These activities include the enhancement of internal and external communications with the stakeholders, dissemination of feedback on customers' experiences, the establishment of measures related to the quality of the services provided, and measuring regularly the level of customer satisfaction and the quality of the services provided. Accordingly, this research concludes that the financial institutions' market-oriented activities, which are influenced by the service provider strategy implementation process, therefore influence the level of market orientation in these organizations. Furthermore, the findings indicate that in order to facilitate a customer-focused approach and the implementation of the formulated strategy effectively to achieve the objective of customer satisfaction, the organization's structure must be flexible enough not only to foster dissemination of gathered intelligence, but also foster the achievement of congruence about the interpretation of such information. In addition, such a structure must be capable of facilitating strategy implementation and a decisive response to customers' changing needs and expectations. Furthermore, the systems employed by the organization to appraise and rewards employees which are linked to market factors such as customer satisfaction and foster interdepartmental connectedness are important. Last but not least, the management information system

employed should allow and foster dissemination of gathered intelligence across all the different functional areas as well as the different organizational levels.

6. Pilot Survey and the Reliability of the suggested Scale

Before going ahead with the collection of the quantitative data from the financial institutions, it is important to test the reliability of the scale's through a pilot survey. Accordingly, a questionnaire was designed and sent to a randomly selected sample based on the Bahrain Central Bank registration list. However, in order to simplify the interpretation, it is recommended to formulate or code all the components in the same direction before performing the analysis. Thus, it is necessary to calculate Cronbach's Alpha.

Based on the developed scale, there are five components (variables) related to the financial services providers' self-reporting scale, with three independent variables and two dependent variables. The independent variables include the corporate culture (CC) that facilitates top management commitment and the generation and dissemination of intelligence throughout the organization. It also fosters the understanding of the existing and future customers' needs and expectations and guides the business organization to create and deliver superior value to its customers. Each of these variables is measured by five factors. The dependent variables comprise the business organization structure and systems employed (SSE) and the market-oriented activities (MOA) that reflect the service provider's responsiveness to changes that occur in its market and customers' preferences, involving the generation of market intelligence and the regular measurement of customer satisfaction. Each is measured by five factors.

6.1. Missing value

Before presenting and discussing the findings of the pilot survey we should note that it was decided to not include in the survey any responses with missing values or any variables whereby the majority of the respondents did not answer. Therefore, based on the fact that the majority of respondents did not answer question no. 25 in the questionnaire, it was not included in the pilot survey.

6.2. Corporate Culture Component with 5 factors (CC)

Cronbach's Alpha: The results for this component show Cronbach's Alpha to be 0.866, which is very high and indicates strong internal consistency among all the factors of the Corporate Culture component (CC).

Item to item correlation: For all of the variables, the correlation among the items is greater than 0.3, which means that there is a significant correlation between any two variables of the Corporate Culture component.

Cronbach's Alpha if item deleted: For the whole component, the Cronbach's Alpha if each variable was deleted would drop from the overall total of 0.866 to a number less than or equal to it except for the fifth item CC5. Since the Alpha would drop with the removal of each variable, these variables would appear to be useful and contribute to the overall reliability of the Corporate Culture component. However, the CC5 variable is less certain, because Cronbach's Alpha would increase from 0.866 to 0.903 if variable CC5 were deleted when computing an overall corporate culture score. So should this item be removed this factor? In this case the answer is no because, firstly, the Alpha is increased by only a small degree through deleting variable CC5, and secondly, variable CC5 does correlate well with the composite score of the whole component (the item-total correlation for variable CC5 is $0.543 > 0.5$). Moreover, if $p\text{-value} = 0.000 < 0.05$, then the correlation among the items is significant. Hence, from the analysis above it appears that all five variables designed to measure the Corporate Culture component are accepted and contribute to the overall reliability of this component, so they will be retained.

6.3. Strategy Formulated Component with 5 factors (SF)

Cronbach's Alpha: The results show that Cronbach's Alpha is 0.862 for this component, which is very high and indicates strong internal consistency among all the variables of the Strategy Formulated component (SF).

Item to item correlation: For the total variables, the correlation among the items is greater than 0.3 which means that there is a significant correlation between any two variables of the Strategy Formulated component.

Cronbach's Alpha if item deleted: Looking at the whole component, the Cronbach's Alpha if each variable was deleted would drop from the overall total of 0.862 to a number less than or equal to it except for the fifth item SF5. Since the Alpha would drop with the removal of any one variable, these variables would all appear to be useful and contribute to the overall reliability of the Strategy Formulated component (SF). However, the SF5 variable is less certain because Cronbach's Alpha would increase from 0.862 to 0.876 if variable SF5 were deleted in computing an overall Strategy Formulated component score. So should this factor be removed? In this case the answer is yes because, firstly, the Alpha is increased by a large degree through deleting variable SF5, and secondly, variable SF5 does not correlate very well with the composite score for the total variables (the item-total correlation for variable SF5 is $0.495 < 0.5$). Since deletion of variable SF5 would result in a large change, and since variable SF5 does not correlate well with the composite of all components, there is a statistical reason to recommend dropping variable SF5. However, because the $p\text{-value} = 0.000 < 0.05$, then the correlation among the five items is significant. Accordingly, for the time being it was suggested to keep variable SF5 and, therefore, as all five variables designed to measure the Strategy Formulated component (SF) contribute to its overall reliability, all will be retained.

6.4. Strategy Implemented component (SI)

Cronbach's Alpha: As the results show, the Cronbach's Alpha is 0.875, which is very high and indicates strong internal consistency among all the variables of the Strategy Implemented component (SI).

Item to item correlation: For the total variables, the correlation among the items is greater than 0.3, which means that there is a significant correlation between any two variables of the Strategy Implemented component (SI).

Cronbach's Alpha if item deleted: Looking at the whole component, the Cronbach's Alpha, if each variable was deleted, would drop from the overall total of 0.875 to a number less than or equal to it except for the fourth item SI4. Since the Alpha would drop with the removal of each variable, it would appear that these variables are all useful and contribute to the overall reliability of the Strategy Implemented component (SI). However, the SI4 variable is less certain because Cronbach's Alpha would increase from 0.875 to 0.880 if variable SI4 were deleted. So should this factor be removed? In this case the answer is no because, firstly, the Alpha is increased by only a small degree by deleting variable SI4, and secondly, variable SI4 does correlate well with the composite score for the whole component (the item-total correlation for variable SI4 is $0.562 > 0.5$). However, although $p\text{-value} = 0.059 > 0.05$, the correlation among the items is still significant due to the reliability analysis done before testing the hypothesis.

Hence, from the analysis above it appears that all five variables designed to measure the Strategy Implemented component (SI) will contribute to its overall reliability, therefore, all will be retained.

6.5. Structure and Systems Employed component with 5 factors (SSE)

Cronbach's Alpha: As the results show, Cronbach's Alpha is 0.906, which is very high and indicates strong internal consistency among all the variables of the Structure and Systems Employed component (SSE).

Item to item correlation: For the total variables, the correlation among the items is greater than 0.3, which means that there is a significant correlation between any two variables of the Structure and Systems Employed component (SSE).

Cronbach's Alpha if item deleted: For the whole component, the Cronbach's Alpha if each variable was deleted would drop from the overall total of 0.906 to a number less than or equal to it except for the first item SSE1. However, since the Alpha would drop with the removal of each of the other variables, these would appear to be useful and contribute to the overall reliability of the Structure and Systems Employed component (SSE). However, the SSE1 variable is less certain because Cronbach's Alpha would increase from 0.906 to 0.915 if variable SSE1 were deleted. Accordingly, the question is, should this item be removed? In this case the answer is no because, firstly, the Alpha is increased by only a small degree by deleting component SSE1, and secondly, the variable SSE1 does correlate well with the composite score from the

whole component (the item-total correlation for component SSE1 is $0.605 > 0.5$). Moreover, if $p\text{-value} = 0.000 < 0.05$, then the correlation among the items is significant. Hence, from the analysis above it appears that all five variables designed to measure the Structure and Systems Employed component (SSE) will contribute to overall reliability of the SSE, so all will be retained.

6.6. Market-Oriented Activities component with 4 factors (MOA)

Cronbach's Alpha: As the results show, Cronbach's Alpha is 0.875, which is very high and indicates strong internal consistency among all the variables of the Market-Oriented Activities component (MOA).

Item to item correlation: For the total variables, the correlation among the items is greater than 0.3, which means that there is a significant correlation between any two variables of the Market-Oriented Activities component (MOA).

Cronbach's Alpha if item deleted: For the whole component, the Cronbach's Alpha if each variable was deleted would drop from the overall total of 0.875 to a number less than or equal to it except for the first item MOA1. Since the Alpha would drop with the removal of each variable, these variables appear to be useful and will be kept. However, the MOA1 variable is less certain, because Cronbach's Alpha would increase from 0.875 to 0.883 if variable MOA1 were deleted in computing an overall Market-Oriented Activities component (MOA) score. Therefore, should this item be removed? In this case the answer is no because, firstly, the Alpha is increased by only a small degree by deleting variable MOA1, and secondly, variable MOA1 does correlate well with the composite score for the whole component (the item-total correlation for variable MOA1 is $0.621 > 0.5$). In addition, although $p\text{-value} = 0.729 > 0.05$, still the correlation among the items is significant due to the reliability analysis done before testing the hypothesis.

Hence, from the analysis above it appears that all four variables designed to measure the Market-Oriented Activities component (MOA) will contribute to its overall reliability, therefore, all variables will be retained.

From the above we can conclude that for the time being the entire set of variables of the scale are reliable to a certain extent to measure what this research intends to measure, except item 5 of the Market-Oriented Activities component which will be removed when collecting the data from the financial institutions sample. However, once the data has been collected this research intends to undertake exploratory factor analysis followed by confirmatory factor analysis and model fit analysis and structural equation model. In addition, this research will undertake a correlation analysis and regression analysis to test the research hypotheses.

7. Conclusion

This research concludes that the level of market orientation of the financial services providers will be determined by the business activities, structure and systems employed as dependent variables. There is clear evidence that the three main constructs, namely the organizational culture, the strategy formulated, and the strategy implemented will have great impact on the organizational market-oriented activities, and the organizational structure and systems employed which will determine the level of market-orientation in the financial services sector in this context. This will facilitate the development and verification of a scale to measure market orientation in this context which is the aim of this research and its contribution to the body of knowledge. However, based the qualitative research findings and discussions, a new scale was developed to be incorporated into a future quantitative research approach.

8. References

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