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# MARKET ORIENTATION AND ORGANIZATIONAL PERFORMANCE: THE CASE OF MICRO FINANCE BANKS

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**ABSTRACT**

*Market orientation has long been recognized as a potent tool for contending competitive pressure while improving orgnizational performance.This study sought to examine the relationship between market orientation and organizational performance in the context of micro finance banks. The study covered 215 respondents drawn from 25 micro finance banks operating in Akwa Ibom State. Questionnaire was used to collect the data, while Pearson's product momment correlation statistics were used to analyzed the data. The results revealed that variations in micro finance bank performance are explained by market orientation strategy with a confidence level of 95%. The results indicated a p-value of less than 0.05. This suggests that market orientation has a positively significant effect on the peroformance of micro finance banks. Based an this, we concluded that market orientation play's a pivotal role in organizational performance of micro finance banks in Nigeria. Therefore, micro finance bank managers should develop a comprehensive marketing plan to specify strategic market orientation objectives, expectations and market requirements towards improving their performance in the market.*

**KEYWORDS:** Market Orientation: Organizational Performance, Micro Finance Banks.

## INTRODUCTION

Research on market orientation and organizational performance has made considerable progress in recent years (see Agarwal, Erramilli and Dev, 2003; Baker and Sinkula, 2005; Caruana, Pitt and Ewing, 2003; Chang; Krumweide, 2011; Debreli, Crang and Hanson, 2011; Farrell, Ozkouski and Kharabaheh, 2008; Heiens, 2000; Heieh, Tsan and Wang, 2008; Im and workman, 2004; Kumar, Jones, Venkaleson and Lcone, 2011; Langerak, 2002; Li, and Zhou, 2010, Liao, Chang, Wu, and Katrichis, 2011; Lonial Tarim, Tatoghu, Zaim and Zaim, 2008; Mahmoud, 2011; Martin Connoegra and Esteban, 2007; Martsinno and Mentzer 2000; Nwoka, 2008; Panigyrakis and mentzer, 2000; Nwoka, 2008; Raungah, Samat and Le, 2011; Singh, 2009; Seremon, 2009; Tsiotsou and Visehopoulou, 2011; Zhou, Brown and Dev. 2009 and Zhau Kin and Tse 2005.

This number of researchers within a decade is a clear manifestation of interest among scholars on the one hand and a call for managers to have a rethink of market orientation in organizational agenda. This focused interest in market orientation has waitressed a rapid increase in scholarly publications in a number of local and foreign journals. However, even though a substantial amount of research efforts on market orientation and organizational performance can be found in many marketing literature, little is known about the relationship between market orientation and organizational performance in the context of micro finance banks in Nigeria. Nwoka (2008) observed that relatively very little is known about market orientation and organizational performance at the micro economy level. This is an important matter, as an understanding of market orientation will enable micro finance banks to achieve competitive advantage that will also lead to greater or superior organizational performance. Therefore, the main thrust of this study is to investigate the relationship between customer orientation and organizational performance in the context of micro finance banks in a developing economy like Nigeria.

The remaining of this paper attempts to review the concept and theoretical background leading to the research hypothesis. This is followed with a discussion of the methodology adopted. The next section is a presentation of empirical results and discussion of findings. The last section presents conclusion, with managerial and theoretical implications.

This paper is closed with a discussion of inherent limitations while direction for future studies has also been presented.

## 2. LITERATURE REVIEW

### 2.1The Concept of Market Orientation:-

Market orientation is essentially a business philosophy that enhances a firm's sustainable competitive advantage through superior customer value (Naver and Slater, 1990). However, this business culture is anchored on both customers and competitor orientation and is considered an essential strategic insight for achieving a competitive advantage even in the midst of competition (Slater and Narver; 1994; Day and Wensley, 1983; and Sorenson, 2009). Therefore, the most obvious and prime purpose of market orientation is to enable the organization serve its customers better than competitors (Li and Zhou, 2010)

Accordingly, most definitions of market orientation can be found in many marketing literature (Kohli and Jaworski; 1990; Narver and Slater, 1990; and Kohli and Jawonski, 1990); these scholars identified different components of market orientation to include:

¤Market intelligence generation
¤Dissemination of this intelligence and
¤Organizational responsiveness

Narver and Slater (1990) on their part saw market orientation as having three basic elements namely:

(i) Customer orientation
(ii) Competitor orientation and
(iii) Inter functional coordination

Thus, customer orientation has to do with an understanding of the target customers and effectively deploying the firm's resources in the best way superior than competitors in serving the customer. Competitive orientation underscores the importance of understanding the firm's major competitors and identifying their strength and weaknesses as a way of evolving strategies that would contain both short and long term capabilities of the competitor in the market place. The third element which is interring functional coordination involves the coordination of all functional units of the business together such that it allow the business to provide superior valve in the market (Slater and Narver, 1994). Again the basic levels of market orientation which is the customer and competitor's orientation suggest that the business firm must be strategically focused. Despande and Farley (1996) discovered that market orientation and customer orientation were indeed identical, whereas Sorenson (2009) found that market orientation is of course the most fundamental element of market orientation

### 2.2The Concept of Organizational Performance:-

In different ways, organizational performance has been viewed quite differently by different scholars and researchers (Baker, and Sinkula, 2005; Griffin, 2003; Li and Zhou, 2010 and Stoelhorst and Van – Raaj; 2004). Grifim (2003), for instance; defined organizational performance as the extent in which an organization is able to meet the needs of its stakeholders. Stoehorst and Van Raaij (2004) defined organizational performance as the explanation of performance differentials between firms.

Accordingly, many measures of organizational performance have been developed by scholars. Organizational performance has been seen as service productivity (Tsiotsau and Vlachopoulou, 2011), customer satisfaction (Chowdhury, 2011), net return on assets (Soremen, 2009); employee satisfaction (Ramayah et-al 2011). However, these different dimensions of organizational performance measurement are viewed to be macro level business performance (Santos – Vijande et-al 2005). Hence, Hsieh et-al (2008) developed new product performance from a micro perspective. Lonial et-al (2008) saw it from financial performance perspective. Other micro performance measures as developed by scholars also include; retail performance (Paingyrakis and Theodonichis, (2007) and brand performance (O'Cas and Ngo, 2007) Thus, Rvey –Gwo and chieh- Ling(2007) summarized it all by describing organizational performance as the results of all the operations performed by members of the organization. Therefore, it is necessary to examine the relationship between market orientation and organizational performance for a better perspective.

### 2.3Market Orientation and Organizational Performance:-

A number of empirical evidences have proven that market orientation significantly impact organizational performance. Scholars such as Singh (2009) kumer et al (2011 ;) Mahmoud, (2011 ;) Farrell et al (2008 ;) and Zhou et al (2009 ;) have found a direct and positive relationship between market orientation and a firm's performance. Similarly, Langerak, (2002

Avilonitis and Gounaris, 1997; Janorski and Kohli, 1993; Deshpande and Farley, 1998) had also found out in their respective studies that there is a significant positive relationship between market orientation and organizational performance. But scholars like; Ranagyah et al (2011); Tsiotsou and Vlachopoulou (2011); Han et al (1990) and Agarval et al (2003) hard found evidence of a negative or indirect relationship between market orientation and organizational performance, while Nwokah, (2008); Caruana et al 2003; Greenley (1995) saw no effect between market orientation and organizational performance. Therefore, viewing from the contributions of all these scholars, it is pertinent to observed that market orientation does not only affect the types of performance but it also affect performance at a number of different levels of the organization. Therefore, as found in the literature, that there is a positive or negative or no relationship between market orientation and organizational performance (Gundey et al 2011; Ren et al 2010; Li and Zhou, 2010; Miller, 1987 and Hon et al 1998). Thus, we hypothesis that:

Ho: The greater the micro finance banks market orientation, the greater its organizational performance.

## METHODOLOGY

The structured questionnaire was designed to collect data from a sample of 215 micro finance bank managers, supervisors and marketing officers. The questionnaire consists of two parts. The first part collects the demographic profile of respondents, while the second parts consist of two constructs with a total of 15 items. All the constructs and the items within them were adopted and modified from previous studies with regards to market orientation and organizational performance. The context validity of the constructs was cheeked by personal discussions with some senior colleagues in the faculty of business Administration, University of Uyo, Uyo Nigeria. The instrument reliability was also ascertained through a test retest reliability measures and the obtained reliability coefficient was 0.76 or 76 percent. A five point scale with values ranging 1 for strongly disagree to 5 for strongly agree was used to measure the constructs. The participation by respondents was voluntary and they were allowed to exit at any point in time. Thus, the personal data of respondents like name, contact number, email address etc. were not collected to avoid issues relating to respondents' privacy. The SPSS version 20 was used in analyzing the data. Thus, the statistical tool used was Pearson's product movement correlation statistics. This was used in testing the only hypothesis. The hypothesis was tested at 0.05 level of significance.

## 4. FINDINGS AND DISCUSSIONS

### 4.1Sample Characteristics:-

Of the total number of sampled respondents from the 25 micro finance banks located in Akwa Ibom State 60.36% were male while 40.64% were female. Also 63.5% were university graduates, 30.5% were secondary school leavers while only 6.0% have primary school level education. Majority of the respondents belong to age group of 25 – 35 years; that is 42% followed by 18 – 24 or 25%, while another 24% belong to age group of 36-50 years and the remaining 8% of the respondents were above 50 years. The respondents belong to different categories of staff in the organization, managers 8% supervisors 58% and marketing officers 34%, On years of experience in the bank, a good majority had worked between 11 – 10 years representing 52%, 11-20 years were just 24%, 21 – 30, were 15%, while 31 years and above were only 9%.

### 4.2 Relationship between Market Orientation and Performance of Micro Finance Banks:-

This construct was measured based on the banks ability to adapt to customers' needs and expectations in the market; and providing the necessary customer satisfaction. The result shows a high positive correlation of (0.807) between the variables ($R = 0.807$, $n = 215$, $p<0.01$) implying that micro finance bank performance is directly related to good market orientation. Further suggesting that as a bank's level of market orientation increases, its level of performance will also increase. Furthermore, with a higher level of market orientation then organizational competency will increase thereby fostering superior performance in the market. This result corroborates the findings of Agarwal, Erramilli and Dev, (2003); Caruana, Pitt and Ewing, (2003); Chang and Krumwiede, (2011); Farrell, Oczkowski and Kharabsheh, (2008) and Mahmoud, (2011). The result of this study confirms the existence of a direct positive and significant relationship between market orientation and the performance of micro finance banks. That is, if the level of market orientation is high, then will performance also be high. This is so because a market oriented firm is more likely to understand the market in terms of needs, wants, requirements and expectations. And the more a firm is closely oriented with the market the more its offerings are likely to match with the expectations of that market. (Han, Kim and Srivastava, 1998).

## 5. CONCLUSION AND IMPLICATIONS

In this study, we have been able to establish that a good market orientation is necessary for improved organizational performance. The implication here is that micro finance bank managers should realize the importance of being market oriented, as a good market orientation can lead to sustained competitive advantage which also leads to improved performance. Therefore, micro finance bank managers should pay close attention to their market with a view to identifying, meeting and exceeding the expectations of the market.

However, this study has successfully linked organizational performance to market orientation of micro finance banks. Thus, market orientation has been found to be related to organizational performance. The tested hypothesis has been supported. Therefore, considering the importance of these banks to economic and national development, then good market orientation has been identified as imperative for sustainable growth and performance. Hence, efforts should be directed towards total market orientation as a means of creating competitive advantage.

## 6. LIMITATIONS AND FUTURE RESEARCH

One major limitation of this study is that it is based on a very small sample size of a micro economic sector. It does not consist of respondents from other banking sector or financial institutions. Further, the targeted samples are all staffers of micro finance banks located only in Akwa Ibom State. Future research should enlarge the sample size or choose other states and financial institutions or even add other influencing variables to verify or enlarge the conceptual framework and generalize the findings. Therefore, caution should be exercised when attempting to generalize the findings.

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