

SYNTHESISED MODEL OF MARKET ORIENTATION-BUSINESS PERFORMANCE RELATIONSHIP

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Purpose: The purpose of this paper is to assess the impact of market orientation on the performance of the organisation. While much empirical works have centered on market orientation, the generalisability of its impact on performance of the Food and Beverages organisations in the Nigeria context has been under-researched.

Design/Methodology/Approach: The study adopted a triangulation methodology (quantitative and qualitative approach). Data was collected from key informants using a research instrument. Returned instruments were analyzed using non-parametric correlation through the use of the Statistical Package for Social Sciences (SPSS) version 10.

Findings: The study validated the earlier instruments but did not find any strong association between *market orientation* and *business performance* in the Nigerian context using the food and beverages organisations for the study. The reasons underlying the weak relationship between *market orientation* and *business performance* of the Food and Beverages organisations is government policies, new product development, diversification, innovation and devaluation of the Nigerian currency. One important finding of this study is that *market orientation* leads to *business performance* through some moderating variables.

Implications: The study recommends that Nigerian Government should ensure a stable economy and make economic policies that will enhance existing business development in the country. Also, organisations should have performance measurement systems to detect the impact of investment on *market orientation* with the aim of knowing how the organisation works.

Originality/Value: This study significantly refines the body of knowledge concerning the impact of market orientation on the performance of the organisation, and thereby offers a model of *market orientation* and *business performance* in the Nigerian context for marketing scholars and practitioners. This model will, no doubt, contribute to the body of existing literature of *market orientation*.

Key words and phrases: Market orientation, customer-focus, competitor-focus, inter-functional coordination, business performance, food and beverages, Nigeria.

INTRODUCTION

Market orientation is one of the major research streams in strategic marketing developed during the last decade (Sin, Tse, Yau, Chow & Lee, 2003:910 and Guo, 2003:1154). It defines the set of activities developed by organisations to permanently monitor, analyse and respond to market changes such as consumer preferences, faster technological growth, and growing competitive rivalry (Maydeu-Olivarers & Lado, 2003:284). Market orientation is a popular term used by marketing practitioners as an indicator of the extent to which an organisation implements the "*Marketing Concept*" (Agarwal, Erramilli & Dev, 2003: 68). The marketing concept, in turn, holds that the key to achieving organisational goals – such as market share, sales growth and profitability – depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors. A market-oriented organisation is presumed to have superior market – sensing and customer-linking capabilities, and these capabilities are presumed to assure them of higher profits in comparison with organisations that are less market-oriented (Agarwal *et al.*, 2003).

Despite the theoretical contributions of many scholars on market orientation literature, it appears that most food and beverages organisations in Nigeria do not adopt market orientation in efforts for customer-

focus, competitive focus and inter-functional coordination, thus resulting in low performance on sales growth, profitability and market share. This is in line with Proctor's (2000) argument that failure to take cognizance of the influence of customers and competitors can have disastrous consequences on business performance. Heiens (2000) also stated that failure to develop a market orientation, either customer or competitor-focused, may adversely affect business performance. Although at present not much has been done in Nigeria on the status of market orientation and its impact on business performance, but it is somehow obvious in food and beverages organisations that the level of business performance in Nigeria is unsatisfactory. This suggests that strategic market orientation may not be well managed in the organisation. A typical example is the case of Coca-Cola introducing new products such as Fanta Chapman and Black currant, which suddenly failed in the market place. These products were subsequently replaced with Fanta Pineapple and Lemon (Nwokah, 2006). This could be as a result of their inability to appropriately define customer and competitor focus. But the question is, to what extent does market orientation influence an organisation's business performance?

The purpose of this paper is to examine the extent to which market orientation results in business performance in food and beverages organisations in Nigeria. Specifically, the study is aimed to achieve the following objectives:

- To assess the extent to which customer-focus affects organisational sales growth.
- To assess the influence of customer-focus on an organisation's profitability level.
- To explore the relationships between customer-focus and organisational market share.
- To examine the influence of competitors-focus on sales growth.
- To assess the effect of competitors-focus on profitability
- To explore the influence of competitors-focus on market share.
- To examine the influence of inter-functional co-ordination on sales growth.
- To assess the effect of inter-functional co-ordination on profitability
- To explore the influence of inter-functional co-ordination on market share.

The justification and significance of this study lies heavily on the fact that its outcome will be significant in combating the acute low business performance of food and beverages organisations in Nigeria. It will help food and beverages organisations to increase the appreciation of the importance of market orientation and its influences on business performance. It will help other researchers by serving as a source of materials for further studies in the related areas of study. The basic factors responsible for a seemingly low interest in market orientation resulting in low business performance in food and beverages organisations in Nigeria will be carefully studied. The result of this paper will go a long way in encouraging food and beverages organisations that will want to be proactive rather than reactive in shaping its future to apply market orientation as a practical approach not only for studying, but also for applying its concepts and techniques for improved business performance.

THEORETICAL FOUNDATION AND HYPOTHESES

Market Orientation

Market orientation is the organisational 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 (Lee & Tsai, 2005:327). The traditional emphasis on the marketing concept was customer-oriented, focusing on consumer needs and making profits by creating customer satisfaction. Market orientation, on the other hand, is the more recently utilised term for instituting the marketing concept. Market orientation is one of the major research streams in strategic marketing, developed during the past ten years (Steinman *et al.*, 2000:110). Since its inception in the early 1990s, the linkage between market orientation and business performance, often measured in such terms as return on assets (ROA), has been well established in the literature (Guo, 2002:1154).

Market orientation has been conceptualised as consisting of nine facets (Maydue-Olivares & Lado, 2003: 286):

1. Analysis of final customers;
2. Analysis of intermediate customers (distributions);
3. Analysis of competitors;
4. Analysis of the market environment.
5. Strategic actions on final consumers;
6. Strategic actions on competitors.
7. Strategic actions on intermediate customers (distributions).
8. Strategic actions on the market environment and
9. Inter-functional coordination.

That market orientation is conceptualised as consisting of nine facets should not be taken to imply that market orientation is a multidimensional concept. Maydeu-Olivares and Lado (2003) have shown that these facets are well accounted for by a one-factor model. Therefore, the nine facets should be taken as the conceptual components of a one-dimensional construct of market orientation, and a one-dimensional measure of market is required (Maydeu-Olivares & Lado, 2003:287).

Marketing Concept and Market Orientation

Marketing literature has indicated that the adoption of the marketing concept is a foundation for successful performance. "The marketing concept was formally introduced in the writings of Mckitterick and Keith" (Sin *et al.*, 2003:912). It defines a distinct organisational culture or business philosophy that puts the customer in the center of the organisation's thinking about strategy and operations. The marketing concept is generally considered to consist of the following three pillars (Sin *et al.*, 2003):

1. Customer philosophy: identification and satisfaction of the wants and needs of customers;
2. Goal attainment: achievement of an organisation's goals while satisfying customer needs;
3. Integrated marketing organisation: integration of all functional areas of the organisation to attain corporate goals by satisfying the wants and needs of customers.

Although the marketing concept is central to the marketing literature, very little research has been done in terms of creating a valid measurement scale and testing the construct empirically (Pulendran *et al.*, 2003:477). Sin *et al.* (2003) argue that in response to the operational problem of the marketing concept, Kohli and Jaworski (1990) developed the three "Pillars" of the marketing concept into precise aspects (manifestation) of what they call a "*Market Orientation*". While the marketing concept is commonly defined as a philosophy or way of thinking that guides the allocation of resources and the formulation of strategies for an organisation, Guo (2003) believes that market orientation is considered to be the activities involved in the implementation of the marketing concept. Adopting Kohli and Jaworski (1990), Sin *et al.* (2003:912) conceptualised three sets of activities of market orientation – intelligence generation, intelligence dissemination and responsiveness to market intelligence. Sin *et al.* (2003) note that Narver and Slater (1990) hypothesized that market orientation is a one-dimensional construct consisting of three components: customer orientation, competitor orientation and inter-functional coordination.

Market Orientation and Business Performance

Research into the market orientation–business performance relationship has been a fertile area over the past decade. The research output has been substantial, and can be conceptually divided into two streams, depending on its analytical focus (Pulendram *et al.*, 2003:477). The first key research stream examines the market orientation–business performance (MO–Bp) relationship. From the outset,

(Pulendran *et al.*, 2003:477) “research conducted in this area has generally supported the proposition that market-orientated organisations achieve better outcomes than less market-oriented ones”.

More recently, researchers within this stream have begun to explore the boundary conditions of the market orientation–business performance relationship. Researchers have sought to examine the relationship in economic environments substantially different from the original US-based research (e.g. Eusebio *et al.*, 2006:145) and in business contexts substantially different from the original commercial setting (e.g. Falshawel *et al.*, 2006:9). In addition, researchers have sought to examine the market orientation – business performance relationship with more stringent research designs and scaling practices (e.g. Slater & Narver, 2000), and also to examine relative and interactive effects on the relationship of other organizational characteristics that might be considered as performance enhancing, such as entrepreneurship (e.g. Jang *et al.*, 2006:195). With the market orientation-business performance relationship being central to the standard pedagogy of marketing management, this research stream clearly has fundamental value for this discipline (Pulendra *et al.*, 2003).

Whilst the market orientation-business performance relationship has justifiably attracted much attention, a second stream of research has sought to better identify the characteristics that might distinguish market-oriented organisations from the norm. The initial Jaworski and Kohli (1993) study, according to Pulendran *et al.* (2003:477), identified a number of organisational characteristics (top management emphasis; low interdepartmental conflict and high connectedness; and control systems that reward employees for customer-oriented behaviors) that may act as antecedents to a market orientation.

Subsequent studies have extended this work by examining alternative characteristics that may differentiate organisations with a high level of market orientation from the average organisation. Research in this stream has examined the distinctiveness of market-oriented organisations in terms of their: sales force management (Langerak, 2001); new product development ‘practices and innovation (May-Plumlee & Little, 2006); human resources management and internal customer orientation (Shoham *et al.*, 2005); and organisational culture (Sharma, 2004).

Research that assists in understanding these differentiating characteristics has the potential to assist top management seeking to initiate organisational change programs directed at building a market orientation, and to help identify some of the potential trade-offs involved in building market-orientation (Pulendra *et al.*, 2003). The literature on market-orientation has provided sufficient evidence of the positive relationship between market orientation and organisational business performance (Agarwal *et al.*, 2003 and Sin *et al.*, 2003). However, most of these studies were undertaken in relatively stable Western economies. Past literature has suggested that the greater the environmental uncertainty, the more likely it is that organisations will rely on personal or institutional relationships when doing business (Vazquez *et al.*, 2002).

Evidently, the demonstrable impact of market orientation on organisational performance, profitability in particular, has instigated deeper, and wider research interests aimed at exploring and fleshing out the issues that are likely to determine and impact its implementation (Slater & Narver, 2000 and Nwankwo *et al.*, 2004:123). Strongly evident in this stream of research is the context in which the implementation of market orientation takes place.

Marketing Orientation – Business Performance Relationship: Evidence from Previous Studies.

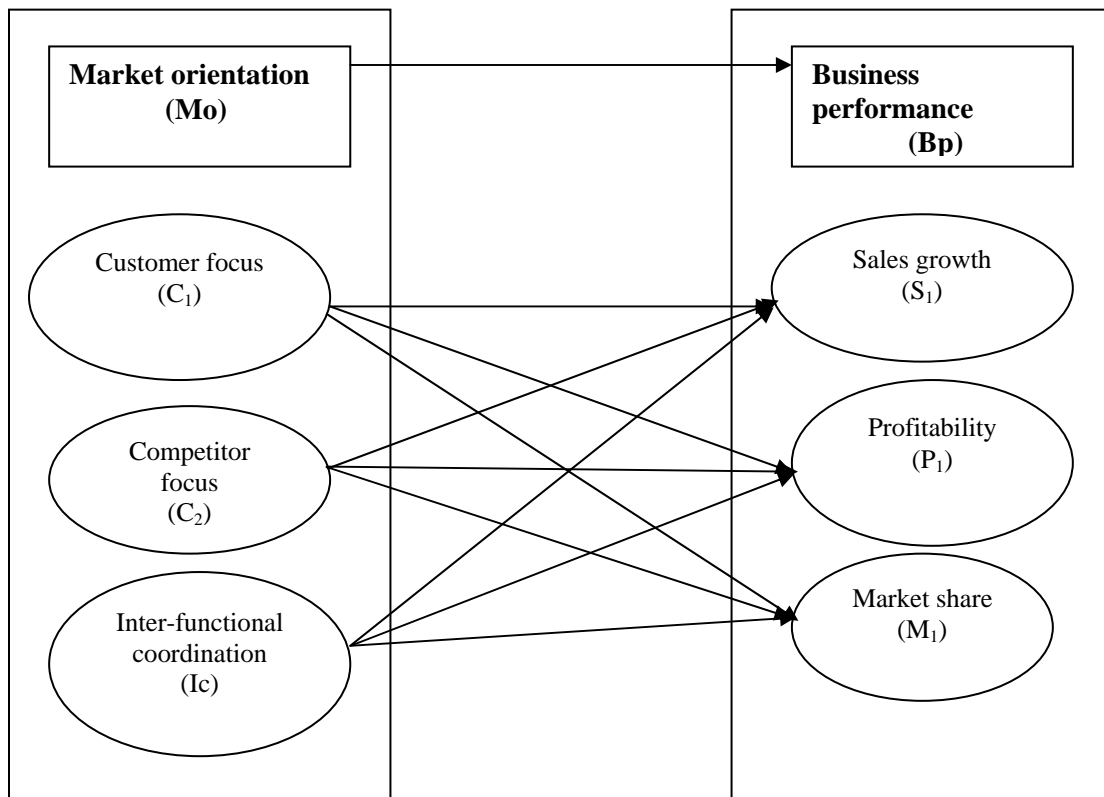
Previous studies on the market-orientation and business performance relationship have shown a positive association between the two constructs. The principal findings of the Sin *et al.* (2003) research suggest that the framework proposed earlier in US–based work does generalise to Hong Kong and Mainland China, for example, market orientation has a significant and positive impact on the performance of organisations operating in Mainland China and Hong Kong. Their findings provide further support for the notion that an organisation’s market orientation is positively related to business performance, irrespective of cultural context and the level of economic development. Vazquez *et al.* (2002:1039) concluded that the

adoption of the market orientation concept by organisations has positive significant consequences on their result. Thus, an increase in the degree of market orientation in foundations has direct, positive repercussions on the non-profit results of the action that is undertaken. This will assist in meeting the real needs of the organisation’s beneficiaries and the expectations created by the resource donors with their contributions. The authors further concluded that market-orientation contributes directly and indirectly to the success of the foundation itself in the accomplishment of its mission.

Based on the foregoing, the following is hypothesised:

- H1a:** Increases in customer-focus lead to increases in an organisation’s sales growth
- H1b:** The impact of customer-focus on business performance is mediated through profitability.
- H1c:** Increases in customer-focus lead to increases in market share performance in growing markets.
- H2a:** Increases in competitive-focus lead to increases in an organisation’s sales growth.
- H2b:** The impact of competitive-focus on business performance is mediated through profitability.
- H2c:** Increases in competitive-focus lead to increases in market share performance in growing markets.
- H3a:** Increases in inter-functional co-ordination lead to increases in an organisation’s sales growth.
- H3b:** The impact of inter-functional co-ordination on business performance is mediated through profitability.
- H3c:** Increases in inter-functional co-ordination lead to increases in market share performance in growing markets.

Figure 1: Operational Conceptual Framework



It is important to note that market orientation and performance are two different concepts. The premises are that these performance measures depend on market orientation, which, in turn, depend on marketing culture. As highlighted in the hypotheses, the performance of a food and beverages organisation was assessed on the basis of the following dimensions. First, market share was selected because it is a customer-based measure, an indicator that is important in evaluating a food and beverages organisation's performance. Second, sales growth and profitability were utilised because of their significance in assessing an organisation's effectiveness and efficiency respectively.

METHODOLOGY

Data

For the purpose of investigating the association between market orientation and business performance in the food and beverages organisations in Nigeria, a cross-section of 14 food and beverages organisations listed in the 2004 edition of the Nigeria Stock Exchange gazette was utilised in generating the data. The Nigeria Stock Exchange gazette was chosen because food and beverages organisations listed are publicly quoted companies with rechallenging responsibility and performance to their corporate stakeholders and customers. Food and beverages organisations were chosen as the sector is one of the most comprehensive and dynamic sectors in Nigeria with a high level of relevance to the study of the market orientation concept. Therefore, six questionnaire were distributed to key informants in an organisation making a total of eighty four (84) questionnaire distributed. It was assumed that such key informants have the best vantage point for viewing the entire organisation, and thus provide the most accurate responses. A summary of the research findings was offered as an incentive to respondents.

Operationalisation of Variables

Market Orientation: The study began with the traditional western definition of market orientation in order to determine whether Nigerian managers also view market orientation as being made up of the same three behavioural characteristics as proposed by Narver and Slater (1990) – customer-focus, competitor-focus, and inter-functional co-ordination. A total of 20 items were chosen to test market orientation using Cronbach Alpha scores from the original studies as the basis for selection. The questions were grouped in constructs from the previous studies and no mixing of questions took place. Eight of the questions deal with customer-focus, six with competitor-focus and six with inter-functional co-ordination. Narver and Slater (1990) offer evidence of convergent validity, discriminate validity and concurrent validity for these measures of market orientation. Consequently, the market orientation construct in this study was measured by Narver and Slater's (1990) scale. A five-point scoring format (1 = strongly disagree, 5 = strongly agreed) was employed. For performance measure, eight of the respondent organisations' financial statements for five years from 1999 to 2003 as listed in the 2004 edition of Nigerian stock exchange gazette, were used.

ANALYSIS AND RESULTS

Reliability Analysis

After the survey had been completed, the reliability of the scales was further examined by computing their coefficient alpha (Cronbach alpha). All scales were found to exceed a minimum threshold of 0.7 as used in previous studies (Seeman & O'Hara, 2006). Convergent validity is also suggested by the high Cronbach alpha attained when the individual variable scores are combined into a single scale to give a Cronbach alpha of 0.9397. The actual results of the scale reliability analysis are reported in Table 1

Content Validity

The validity of a scale represents the degree to which it captures the construct it is designed to measure and its evaluation is undertaken on a qualitative basis. Content validity is based on the extent to which the

scale items represent a construct's domain (Parasuraman *et al.*, 1988) and the rigour with which this domain is specified by the generated items that exhaust it. In this study, face and content validity checks were performed on the constructs to ensure that items would be meaningful to the sample and capture issues that were intended to be measured. These checks were performed with Food and Beverages marketing executives and scholars with a knowledge of food and beverages operations and marketing management

Convergent Validity

Assessment of convergent validity for the market orientation scale was based on responses of subjects regarding their overall impression of the level of market orientation in their organisations. A respondent has to circle a five-point Likert type scale, which ranged from 1 (strongly disagree) to 5 (strongly agree). Using overall impression of market orientation as a dependent variable and the published performance of eight of the food and beverages organisations as independent variables, a multiple regression analysis was conducted.

Table I: Scale Reliability of Market Orientation Elements:

| S/NO | Scale items MARKET ORIENTATION | Item to total correlation | Scale alpha if item deleted |
|------|---|---------------------------|-----------------------------|
| A | CUSTOMER FOCUS Coefficient alpha for scale 0.7419 | | |
| 1 | We encourage customer comment and complaints because they help us do a better job. | 0.4005 | 0.7720 |
| 2 | We have a strong commitment to our customers | 0.4686 | 0.7097 |
| 3 | We are always looking at ways to create customer value in our product. | 0.4019 | 0.7225 |
| 4 | We measure customer satisfaction on a regular basis | 0.4345 | 0.7156 |
| 5 | After-sales strategies are an important part of our business strategy. | 0.4468 | 0.7134 |
| 6 | We define quality as the extent to which our customers are satisfied with our products. | 0.4356 | 0.7144 |
| 7 | Our firm would be better off if the sales force worked a bit harder. | 0.4490 | 0.7130 |
| 8 | Customer satisfaction is assessed at least once every three months. | 0.4596 | 0.7122 |
| B | COMPETITOR FOCUS Coefficient alpha for scale 0.7223 | | |
| 9 | We regularly monitor our competitor's marketing efforts | 0.3900 | 0.7036 |
| 10 | We regularly collect marketing data on our competitors to help direct our marketing plans. | 0.4690 | 0.7814 |
| 11 | Our sales people are instructed to monitor and report on competitors' activities. | 0.4935 | 0.7724 |
| 12 | We respond rapidly to competitors' actions | 0.4187 | 0.7953 |
| 13 | Our top managers often discuss competitors' actions | 0.4854 | 0.7717 |
| 14 | We consider opportunities based on competitive advantage | 0.4740 | 0.7797 |
| C | INTER-FUNCTIONAL CO-ORDINATION. Coefficient alpha for scale 0.6794 | | |
| 15 | In our firm the marketing people have a strong input into the development of new products/services. | 0.3965 | 0.77436 |

| | | | |
|----|---|--------|---------|
| 16 | Marketing information is shared with all departments. | 0.3965 | 0.77436 |
| 17 | All departments are involved in preparing business plans and strategies | 0.4138 | 0.7468 |
| 18 | We do good jobs integrating the activities of other departments. | 0.4126 | 0.7471 |
| 19 | The marketing people regularly interact with other departments on a formal basis. | 0.4121 | 0.7412 |
| 20 | Marketing is seen as a guiding light for the entire firm. | 0.4442 | 0.7275 |

Source: Survey data (2005) and SPSS output

Regression Analysis

Independent variables in the regression analysis are a simple average of the multiple items used to measure the constructs. Three sets of analysis were conducted with the market orientation components as independent variables in each case. The three dependent variables were performance measures based on market share, sales growth and profitability.

Table 2: Multiple regressions of market orientation and Business Performance

| MARKET ORIENTATION VARIABLES | BUSINESS PERFORMANCE | SPEARMAN Correlation | SIGNIFICANCE | MULTIPLE R ² VALUES |
|------------------------------|-------------------------------|----------------------|--------------|--------------------------------|
| Market share | Customer-focus | -0.049 | 0.908 | 0.188 |
| | Competitor-focus | -0.049 | 0.908 | |
| | Inter-functional coordination | 0.133 | 0.754 | |
| Sales growth | Customer-focus | -0.109 | 0.959 | .075 |
| | Competitor-focus | 0.036 | 0.960 | |
| | Inter-functional coordination | 0.229 | 0.586 | |
| Profitability | Customer-focus | -0.074 | 0.862 | 0.151 |
| | Competitor-focus | -0.036 | 0.623 | |
| | Inter-functional coordination | 0.096 | 0.820 | |

Source: SPSS 10.0 output

Market Orientation and Sales Growth

Table 2 exhibits the regression results of the Market orientation dimensions on perceived business performance. The findings in Table 2 indicate an insignificant and negative association between customer-focus and sales growth, an insignificant and positive association between competitor-focus and sales growth; and a significant and positive association between inter-functional coordination and sales growth. Inter-functional coordination is the strongest predictor of variation in sales growth. These results provide week support for H1a, H1b and a strong support for H1c.

Market Orientation and Profitability

The findings in Table 2 indicate an insignificant and negative association between customer-focus, competitor-focus and profitability, and an insignificant and positive association between inter-functional coordination and profitability. Inter-functional coordination is again the strongest predictor of variation in profitability. These results again provide week support for H2a, H2b and H2c.

Market Orientation and Market Share

The findings in Table 2 indicate an insignificant and negative association between customer-focus, competitor-focus and market share; and an insignificant and positive association between inter-functional coordination and market share. Inter-functional coordination is again the strongest predictor of variation in market share. These results provide weak support for H3a, H3b and H3c. It is clear from these results that the three orientation components have positive associations with profitability. Inter-functional coordination makes the highest significant contribution to the explanation of variance in profit margins, followed in sequence by competitor-focus and customer-focus. Hence, compared with their competitors, executives who maintain a relatively stronger focus on inter-functional coordination perceive their organisations to be more profitable. Overall, H1c is supported by these findings.

DISCUSSION

Table 2 clearly demonstrates that, where market orientation is deemed to be effectively taking place in this exploratory study, there is evidence to suggest that it is contributing to some extent to overall performance. Moreover, the underpinning hypotheses, as stated earlier, are clearly substantiated by the results of this exploratory study. In general, there is no strong relationship between the market orientation of a food and beverages organisation and its performance. Each market orientation component does not contribute to, at least one of the three performance measure examined, although their relative influences vary according to the specific performance dimension. This could be possible with the available evidence from the chairmen’s statements on their annual reports of the various moderating elements that impinge on their total performance. These variables are shown in Figure 2.

Figure 2: Market Orientation – Business Performance Model

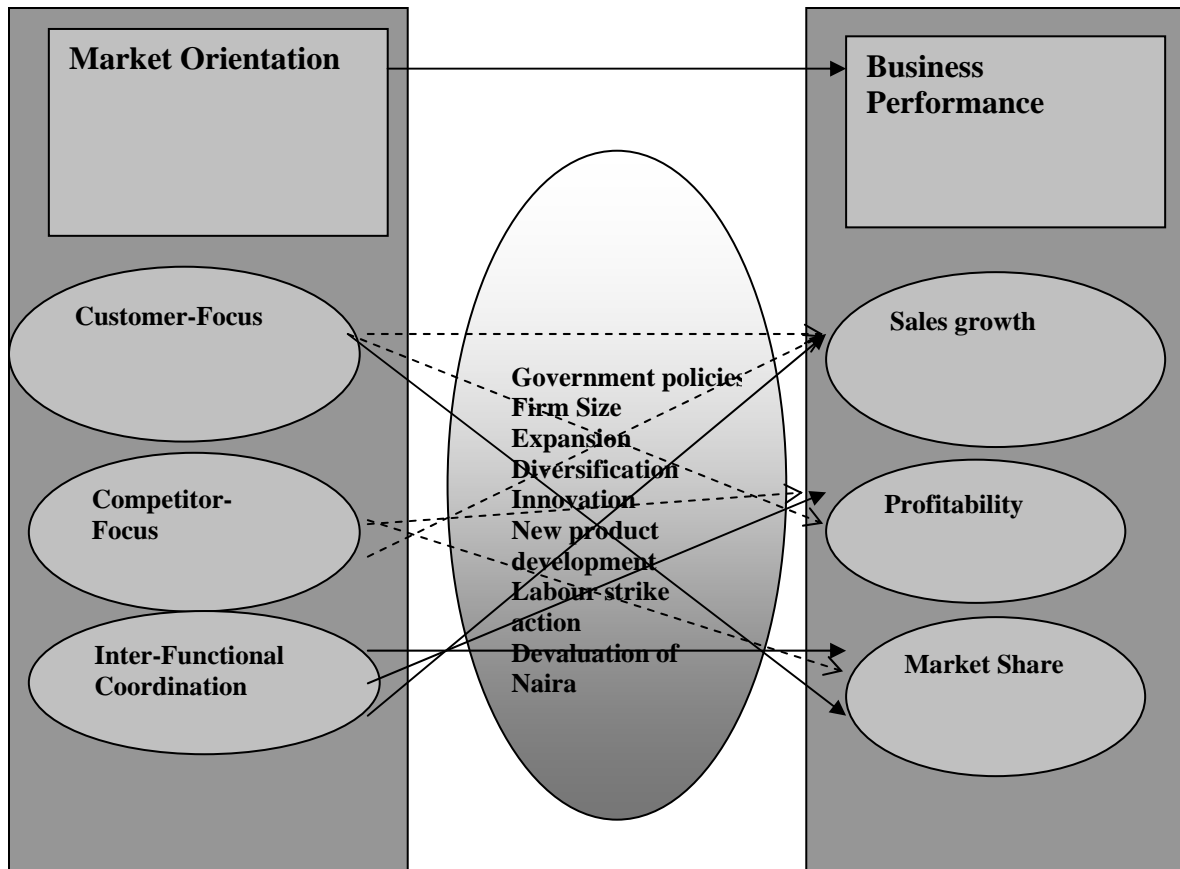


Table 2 shows a modified market-orientation business performance relationship using the food and beverages organisations as a case study. The dotted lines indicate that customer focus, competitor focus and inter-functional co-ordination have a weak relationship with profitability and markets share, and the straight line indicates a strong relationship with sales growth. The study reveals that the result of the weak relationship between market orientation and business performance is because of the moderating variables. Managers have to consider their performance effectiveness and efficiencies by a thorough understanding of the moderating variables.

As can be seen from Table 2, the most significant predictor of the customer-based performance measure (Profitability) is inter-functional coordination. Furthermore, from the findings, there are implications regarding possible linkages amongst the three performance measures utilised. These tentative results do not lend credence to the propositions advanced by both scholars and practitioners that there is a relationship between customer retention, sales growth and profit margin (Bigni *et al.*, 2003:74). Customer philosophy is conceived as the key component underlying the relationship between one of the three performance measures in this exploratory study and this is obvious in the market orientation dimensions for all the results. Indeed, several studies have identified a significant relationship between market orientation and performance (Leisen *et al.*, 2002; Bignie *et al.*, 2003 and Darroh & McNaughton, 2003). But this study identifies weak association between market orientation and business performance.

In essence, this reinforces the need for food and beverages organisations in Nigeria to emphasize the nurturing of a sound market orientation if they are to benefit fully from increased business performance rates. Finally, the dimension of market orientation that appears to contribute least to business performance in relation to food and beverages organisations in Nigeria is market-focus. This finding is not only contrary to the conclusions of Steinerman *et al.* (2000) and Guo *et al.* (2002), but is rather surprising as this dimension articulates the need to deliver a sound new product development process as well as encourage a high level of marketing integration and control across all the major marketing functions. This point is highlighted by Steinerman *et al.* (2002), who found that a strong market-driven new product process with thorough execution of the required stages positively impacts on new product outcomes. The limited attention seemingly being paid to the development of new products by food and beverages organisations is a reflection, perhaps, on the short-term tactical nature of decision making exhibited by some of the traditional players in their ever more difficult battle for customers in a highly competitive market. A possible reason for the apparent ineffectiveness of marketing orientation is the likelihood that some organisations might accept that importance of this market orientation dimension in principle without practicing its basic tenets effectively, thereby reducing the significance of the effect of an integrated marketing organisation on performance.

ORGANISATIONAL AND MANAGERIAL IMPLICATIONS

The implication of this study is clear for scholars and managers. For managers, this study has implications on the investigation of the link between market orientation and business performance of food and beverages organisations in Nigeria. In the first place, this study provides a direct test of the applicability of a western paradigm to Nigerian economic systems different from the USA. The market orientation model and the measures of market orientation available for data collection (Narver & Slater, 1990) were developed in the context of the USA cultural setting. Even though the continued internationalisation of business operations has led to the conjecture that marketing theories and models might well be transportable across national and cultural borders (Sin *et al.*, 2001), the direct application of these models and measures of market orientation to subjects from another culture without any validation might create a "category fallacy".

Moreover, an uncritical emulation and extrapolation of the experiences of USA marketing practices to countries with different cultures and economic environments might lead to inefficient and ineffective performances of organisations in those countries. The findings increase confidence in the cross-cultural applicability of Narver and Slater's (1990) scale and model in studying market orientation. Of course, this research must be replicated in other diverse market environments and overtime to increase the

generalisability of the theory. For managers, this study helps to assess the effectiveness of market orientation in the transitional economy of Nigeria. The inconsistent growth of the Nigerian economy has attracted worldwide attention in recent years. Understanding more about business strategies in Nigeria can be enormously helpful for foreign organisations interested in collaborating and/or competing against Nigerian enterprise. This study represents the first of a series of studies investigating market orientation and business performance in the context of food and beverages in Nigeria. Given the theoretical and managerial significance of this research, it will not be the last study of its type.

CONCLUSIONS AND RECOMMENDATIONS

The survey results suggest that a valid instrument for measuring the market orientation of food and beverages organisations in Nigeria can be developed based on the most robust elements of the Narver and Slater (1990) scales. Market orientation appears to consist of three dimensions and be measured using 20 questionnaire items that demonstrate content, criterion and construct validity. A customer focus includes the active encouragement of customer comments and complaints, an after-sales service emphasis, regular evaluation of ways to create superior product/service value, and the regular measurement of customer satisfaction levels. A competitor focus consists of the regular monitoring of competitor activity, the collection and use of market information on competitors to develop marketing plans, and using the sales force to monitor and report competitor activity. Inter-functional co-ordination relates to how well marketing information is shared between departments, the involvement of all departments in the preparation of business plans and strategies, the interaction of marketing personnel with other departments, and regular inter-departmental meetings to discuss market trends, development and customer needs. The major conclusion of this study is that market orientation at present contributes less to the business performance of food and beverages organisations in Nigeria through some moderating variables such as government policies, firm size, expansion, new product development, innovation, diversification, organisational politics and employees' esprit de corps. This is shown in the model of market orientation – business performance relationship in Figure 2.

This study has sought to further contribute to knowledge concerning market orientation and business performance by applying the established market orientation model to food and beverages organisations in Nigeria under somewhat unique circumstances. However, in furtherance to the realisation of set objectives, the following recommendations are made:

- There should be performance measurement systems to detect the impact of investment in market orientation with the aim of knowing how the organisation works.
- Nigerian government should ensure a stable economy and make economic policies that will enhance existing business development in the country.
- Management must consistently motivate its sales team so that it will analyse the customers' needs, seek to satisfy them, and try to adapt the products to these needs, react to competitors' actions and responses.
- Management should also work in collaboration with other workers in the organisation and share information about customers and competitors with these workers.

Research efforts in the future may wish to consider certain themes and issues that have emerged from this study. In line with this, attention could be devoted to the issue of how the moderating variables in Figure 2 affect the nature of association between market orientation and business performance. Even though studies have examined environmental variables as a moderator in the market orientation–business performance relationship, the role of business environment (moderators) in the market orientation–business performance relationship must be investigated to improve understanding in the Nigerian context.

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