# Market Orientation: A Study in the Irish Context

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ABSTRACT

A lack of empirical research exists on market orientation in an Irish context. In order to begin to address this research gap, a survey was conducted examining levels of market orientation in 657 Irish firms, which forms part of a major international study. The research found that Irish firms and their international counterparts have embraced market orientation, perhaps as a means of coping with the turbulent and rapidly changing markets within which many operate. Across all countries of interest there is evidence of the three underlying components of market orientation: customer orientation, competitor orientation and inter-functional coordination. However, it is the customer orientation that appears to be most salient for firms across the whole sample. Two-thirds of the Irish firms sampled were classed as highly market-oriented which is slightly above the international average. Irish firms with higher levels of market orientation were found to be more likely to pursue longer term market-building goals rather than short-term efficiency objectives; more likely to pursue a market targeting approach; more likely to differentiate their offerings from those of competitors; and also performed better relative to competitors and to the previous financial year.

## INTRODUCTION

The marketing concept is a business philosophy, which focuses on the importance of having an in-depth understanding of the customer, in order to meet or exceed the needs of this target market better than the competition, thus providing the firm with a sustainable competitive advantage in the marketplace. Discussed in the literature for over half a decade (Houston, 1986; Hunt,

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1976; Kotler and Levy, 1969; Kotler, 1977; Levitt, 1960; Shapiro, 1988; Webster, 1988) it is only in more recent times that the implementation of the marketing concept termed 'market orientation' has been addressed in the literature. The attention given to market orientation followed the seminal works of Kohli and Jaworski (1990) and Narver and Slater (1990).

Despite the significant research on market orientation, there remains a high level of uncertainty about the practice of the marketing concept, in an Irish context, and the relationships between market orientation, marketing strategy and firm performance. At a time when Irish industry has experienced a slump in its competitiveness, given the failure of many Irish firms to anticipate and adapt to changes in the wider environment, it is critical that the marketing practices of Irish firms be better understood. This research moves towards bridging this gap with the first comprehensive study of its kind on market orientation in an Irish context.

The purpose of the research presented in this paper is twofold. Firstly, the overall aim of this study was to build on the limited empirical evidence on the nature of market orientation in an Irish context. The market orientation scale, developed in the US by Narver and Slater (1990), was used as the basis for measuring the market orientation of Irish firms. The results of the Irish study were then compared with twelve of its international counterparts: Australia, Austria, China (Mainland), Finland, Greece, Hong Kong, Hungary, Netherlands, New Zealand, Poland, Slovenia and the United Kingdom. Secondly, the relationship between market orientation and the strategic priorities of the firm, marketing strategy and the performance of the firm (relative to its main competitors and the last financial year) were also empirically investigated.

This paper opens with a discussion on market orientation and its measurement. This is followed by a review of the theoretical foundations of the study and the presentation of the research hypotheses that describe the relationships between market orientation and the strategic priorities of the firm, marketing strategy and the performance of the firm. At this point, the research methodology is discussed. After that, the results of the empirical study of Irish firms are presented and analysed. The paper concludes with an acknowledgement of its limitations and recommendations for future research.

## Background Literature and Research Hypotheses

Building on earlier theoretical and empirical work (for example Day and Wensley, 1988; Deshpande and Webster, 1989; Houston, 1986; Shapiro, 1988), two significant approaches to measuring market orientation emerged in the early 1990s. Kohli and Jaworski conceptualised market orientation as the acquisition of, dissemination of and firm-wide responsiveness to market intelligence. Their approach was further refined by Kohli, Jaworski and Kumar (1993) and Jaworski and Kohli (1993; 1996). In parallel, Narver and Slater (1990) and Slater and Narver (1994; 1995; 1996) developed market orientation as a one-dimensional construct (a single scale) with three underlying behavioural components (customer orientation, competitor orientation and interfunctional coordination). Both Kohli and Jaworski's and Narver and Slater's approaches have been tested and refined in the literature (Deng and Dart, 1994; Greenley, 1995; Hart and Diamantopoulos, 1993; Sigauw and Diamantopoulos, 1995). The Narver and Slater (1990) scale, in particular, is both conceptually and operationally appealing because it encapsulates the main aspects of the Kohli and Jaworski intelligence gathering, dissemination and responsiveness constructs while at the same time assessing cultural factors (Deshpande, Farley and Webster, 1993; Hunt and Morgan, 1995).

The Narver and Slater market orientation scale was adopted for this research in order to examine market orientation in an Irish context. A number of testable hypotheses, which will now be discussed, were developed from the western marketing literature based on the theoretically expected behaviour of the construct in relation to other marketing and strategy constructs.

**Research Hypotheses**

Hunt and Morgan (1995) suggest that market orientation is likely to guide the choice of marketing strategy. The recent strategy literature (Doyle, 1998; Doyle and Hooley, 1992; Doyle, Saunders and Wong, 1986; Doyle, Saunders and Wong, 1992; Kotler, Fahey and Jatusripitak, 1985; Porter, 1996) has drawn attention to the short-term financial orientation of many Western firms compared with the longer term, market domination goals of many South East Asian firms (though recent economic difficulties in South East Asia may lead to a re-evaluation of these perspectives). Doyle and Hooley (1992) report greater emphasis on long-term market position building rather than short-term financial returns of market-oriented firms. An emphasis on competitive aggression amongst more market-oriented firms has also been reported (Davidson, 1997; Wong and Saunders, 1993). Likewise, a growing number of researchers (for example Abrahams, 1996; Doyle, 1995; Porter, 1996) have expressed concerns that excessive internal focus on efficiency (doing things right at a minimum cost) may be at the expense of an external perspective on effectiveness (doing the right things in the first place). This leads to the first hypothesis:

**H1**: Firms exhibiting a higher degree of market orientation will exhibit more aggressive, externally focused, long-term strategic priorities than less market-oriented firms.

Strategic thinking also centres on how to create and exploit competitive advantage. Traditionally, firms can gain competitive advantage through cost leadership or differentiation. Cost leadership implies seeking to drive the cost base in the firm as low as possible in order to be able to offer the most competitive prices in the marketplace (Porter, 1980). Alternatively the firm might seek to differentiate itself from competitors on the basis of its technical product quality, level of customer service and support offered, price levels charged etc. The competitor orientation component of the market orientation construct suggests that more market-oriented firms will seek to differentiate their offerings from competitors. The second hypothesis to be investigated is as follows:

**H2**: Firms exhibiting a higher degree of market orientation are likely to seek to differentiate their offerings from those of competitors than their less market-oriented counterparts.

The next area focuses on the implementation of the marketing strategy. Following Webster's (1992) conceptualisation of three levels of marketing (orientation or culture, strategy definition and operational implementation), the issues of strategy definition were addressed through the examination of competitive positioning choices. In terms of market targeting, firms are faced with a number of options along a targeting continuum.

At one end of the continuum, firms might attempt to market their offerings across the entire mass market. When one is dealing with undifferentiated and unsegmented markets, such as commodity markets, this approach may make good strategic sense because it maximises the potential market for the offerings (Porter, 1985). The other extreme, typically adopted by firms operating in highly fragmented markets, is to target individual customers. Firms operating in high value markets where individual customers represent high value returns know they need to tailor their offerings closely to the needs of these individual customers. Recent developments in one-to-one and direct marketing (Peppers and Rogers, 1994) recognise that many markets are moving in this direction (Payne, Clark and Peck, 1995).

Between these two extremities, however, lie most current markets and marketing where customers can be usefully grouped to form relatively homogenous market segments and marketing efforts focused or targeted to the needs of customers in each chosen segment (Brown, 1993; Hooley, Saunders and Piercy, 1998; McDonald and Dunbar, 1995). A high degree of market orientation implies a greater commitment to understanding and satisfying specific customer needs and is therefore more likely to be associated with a more focused or targeted marketing approach. Thus the third hypothesis is as follows:

**H3:** Firms exhibiting a higher degree of market orientation are likely to pursue more focused and targeted approaches in their marketing than less market-oriented firms.

The last issue concerns the link between market orientation and performance. This relationship has been the subject of much research in the marketing literature (Avlonitis and Gounaris, 1997; Hart and Diamantopoulos, 1993; Jaworski and Kohli, 1993; Kohli and Jaworski, 1990; Narver and Slater, 1990; Ruekert, 1992; Slater and Narver, 1994). On the whole these studies have found that more market-oriented firms outperform their less market-oriented competitors.

However, not all researchers support this industry-based view of competitive advantage. Grant (1991; 1995), a proponent of the resource-based view of the firm, argues that sustainable superior performance comes primarily through an internal focus on capabilities and resources rather than an external focus on customers. Day (1994) has attempted to reconcile these two opposing views by pointing out that resources only assume value in creating sustainable competitive advantage if they are deployed to create something of value to customers.

Research has also centred on whether the competitive environment moderates the market orientation-performance relationship (Cadogan et al., 1998; Day and Wensley, 1988; Doyle and Wong, 1996; Gray et al., 1998; Greenley, 1995; Narver and Slater, 1994). This research has generally found that the relationship is stronger for firms operating in highly turbulent environments. Given that Ireland is clearly experiencing a high degree of environmental turbulence one would expect the market orientation-performance relationship to be strong (Forfás, 2004). This leads to the final research hypothesis:

**H4:** Firms exhibiting a higher degree of market orientation will outperform their less market-oriented counterparts.

## Research Methodology

Data were collected on firms from Finland, the Netherlands, Austria, Greece, Poland, Hungary, Slovenia, China, Hong Kong, Australia, New Zealand and the UK as well as Ireland as part of a major international study. The current database holds the views of managers in over 5,600 companies spread throughout these countries and the research is still expanding, with fieldwork underway and planned in Germany, North America and South East Asia.

A detailed questionnaire focusing on marketing strategy and performance was administered in all countries of interest. The Irish phase of this international study was conducted in January 2003. A mailing sample of 1,387 marketing executives in Irish firms were randomly chosen from the Kompass Ireland 2002 database consisting of 20,000 Irish companies. The questionnaire had been pilot tested for the UK phase of the study, thus, given the level of perceived similarities between Ireland and the UK, no pilot testing of the questionnaire was conducted in Ireland. All sample units were contacted in advance by telephone to establish that the person on the mailing list was currently the senior marketing professional in the firm. The first wave of questionnaires was accompanied by a cover letter, requesting co-operation and indicating the importance of participation. Reply paid envelopes were also included for the return of completed questionnaires. A follow-up postcard was mailed one week later to each sample unit and three weeks later a second wave of questionnaires was distributed to non-respondents. This process resulted in 657 usable questionnaires being returned, giving a response rate of 47 per cent. Tests of non-response bias revealed no significant differences with non-responding firms.

## Construct Development

*Market Orientation*

As mentioned earlier, the market orientation scale, developed in the US by Narver and Slater (1990), was used as the basis for measuring market orientation for this study. The set of fourteen key indicators of market orientation cover the three underlying components of customer orientation, competitor orientation and inter-functional co-ordination. The fourteen statements were presented to respondents, who were asked to indicate, using a seven-point scale, the degree to which each statement related to their firm.

Two approaches to computing overall market orientation have been adopted in the literature. Originally, Narver and Slater (1990) calculated overall market orientation on three separate scales (customer orientation, competitor orientation and inter-functional co-ordination) and then averaged across the three scales to give one market orientation score for each firm. However, other researchers (for example Deng and Dart, 1994) suggest that different weights should be given to each of the components, in particular that more weight should be attached to customer orientation than the other two dimensions. The second approach (Greenley, 1995) has been to average across the original scales directly rather than using subscales as intermediaries. Given that six of the fourteen items are components of customer orientation, whereas four are components of competitor orientation and inter-functional coordination respectively, this approach automatically gives greater weight to the customer orientation items.

To compute overall market orientation for this study, data were collected on the fourteen original scale items and analyses were performed on both the separate components and on the composite scale. Once complete the sample was then divided into three roughly equal groups based on the market orientation score labelled 'High MO', 'Medium MO' and 'Low MO'.

*Strategic Priorities*

On foot of the literature, a six-point construct was developed to encapsulate the main priorities emerging through the literature: winning market share; short-term profit orientation; longer term building of market position; resource allocation based on long-term rather than short-term considerations, expanding the total market for products and services and survival. Using a five-point scale, respondents were asked to specify the degree to which each statement related to their firm.

*Marketing Strategy Objectives*

Based on the literature, three levels of targeting were examined: attack the whole market, attack selected market segments and target specific individual customers (Brown, 1993; McDonald and Dunbar, 1995). Attaining competitive advantage through cost leadership or differentiation (Porter, 1980) was also looked at. Respondents were asked to indicate, on a five-point scale, the degree to which each marketing strategy was adopted by their firm, in their main market.

*Performance*

Performance was self-reported and measured against eleven criteria: four financial (overall profit levels, profit margin, ROI and share satisfaction with financial performance); two market-based (sales volume and market share); two customer-based (customer satisfaction and customer loyalty); and three employee-based (employee satisfaction, employee retention and providing employment and income locally). Respondents were asked to use a five-point scale to show how well their firm performed relative to main competitors and relative to the last financial year, for each indicator.

Performance was measured in relative terms given the difficulty of comparing performance figures such as ROI, profit levels, sales volume and market share between firms of different sizes, operating in different markets, using different accounting standards and defining their markets in different ways. Firstly, performance was judged against main market competitors. This shows where firms are outperforming similar firms facing similar market conditions. Secondly, performance was judged against performance in the previous financial year, which shows the extent to which firms are improving year on year. While the second comparator can be influenced by managerial expectations (less ambitious managers may set less ambitious expectations) and market or industry factors (it may be relatively easy to improve performance in some industries but more difficult in others) the first set of performance measures compare like with like and in many ways provide the most useful measures available.

In order to assess the relationship between performance and a range of marketing and strategy constructs in Irish firms, two overall measures of performance (relative to main competitors and relative to last financial year) were computed for the Irish sample. This was calculated as the average across the eleven scales used to measure both performance relative to main competitors and compared with the previous financial year. Once complete each sample was then divided into two roughly equal groups based on the performance score labelled 'low performers' and 'high performers'.

## Results and Discussion

### Profile of Sample Firms

The majority of Irish firms sampled are in markets that are established but growing (54 per cent); the second largest group (34 per cent) is in markets that are mature, showing little signs of change; 10 per cent of firms are in markets that are now in decline; only 2 per cent are in markets that are newly emerging.

The most popular market position for firms in the Irish sample is either as a market challenger (31 per cent) or overall market leader (30 per cent). Being a market follower (14 per cent) or niche leader (13 per cent) is the next most common market position for Irish firms. Few firms assume the position of niche challenger (8 per cent), niche follower (2 per cent) or monopoly (2 per cent).

The largest industry sector is the Business Services sector (26 per cent). The next largest sectors represented in the sample are the fast moving consumer goods

(FMCG) (20 per cent), the Materials and Components (19 per cent) and the Consumer Durables (17 per cent) sectors. Finally, the least cited sectors are the Consumer Services (12 per cent) and Capital Industrial Equipment sectors (6 per cent).

Of Irish firms sampled 34 per cent operate with between 20 and 99 employees with a slightly lower 30 per cent of the sample employing 100–299 employees. Just under one-third of firms have between 300 and 499 (10 per cent), 500 and 999 (8 per cent) or 1,000 and 4,999 (9 per cent) employees. Least cited are small firms with less than 20 employees (6 per cent) and large firms with more than 5,000 employees (3 per cent).

## Market Orientation of Irish and International Firms

Table 3.1 presents a comparison of the mean of each statement for the Irish sample with that of the international sample; in the discussion that follows,

**Table 3.1: Comparison of Market Orientation Average Ratings: Irish and International Firms**

| | Market Orientation Items | Irish Mean | International Mean |
|---|---|---|---|
| 1. | Our commitment to serving customer needs is closely monitored | 5.14 | 4.93 |
| 2. | Sales people share information about competitors | 4.24 | 4.32 |
| 3. | Our objectives and strategies are driven by the creation of customer satisfaction | 5.03 | 5.36 |
| 4. | We achieve rapid response to competitive actions | 4.45 | 4.56 |
| 5. | Top management regularly visits important customers | 4.84 | 4.77 |
| 6. | Information about customers is freely communicated throughout the firm | 4.35 | 4.05 |
| 7. | Competitive strategies are based on understanding customer needs | 5.01 | 5.05 |
| 8. | Business functions are integrated to serve market needs | 4.54 | 4.79 |
| 9. | Business strategies are driven by increasing value for customers | 4.55 | 4.85 |
| 10. | Customer satisfaction is systematically and frequently assessed | 4.59 | 4.51 |
| 11. | Close attention is given to after sales service | 4.65 | 4.69 |
| 12. | Top management regularly discuss competitors' strengths and weaknesses | 4.64 | 4.48 |
| 13. | Our managers understand how employees can contribute to value for customers | 4.78 | 4.75 |
| 14. | Customers are targeted when we have an opportunity for competitive advantage | 5.05 | 4.79 |

responses of 5, 6 or 7 are taken to indicate that the respondent's firm has adopted the practice described in the statement.

Firms included in the Irish and international sample appear to have embraced market orientation as a means of coping with the turbulent environments within which they operate. Across the sample as a whole, there is evidence of the three underlying components of market orientation: customer orientation, competitor orientation and inter-functional co-ordination. However, it is the customer orientation that appears to be most salient for firms across the whole sample.

Irish respondents differ from their international counterparts in that they report a greater commitment to monitoring that they serve their customers' needs and to clearly communicating customer information throughout the firm. Also, a greater proportion of Irish respondent firms report that they target customers when they have the opportunity for competitive advantage. The international sample, on the other hand, are more likely to have their objectives and strategies driven by the creation of customer satisfaction and increasing value to customers, as well as integrating their business functions to serve their market needs.

Just over three-quarters (76 per cent) of Irish respondents report that they closely monitor commitment to serving customer needs. Monitoring of commitment to serving customer needs is highest in the FMCG (81 per cent) and Consumer Services (81 per cent) sectors and lowest in the Capital Industrial Equipment sector (61 per cent). Ireland's international counterparts collectively report a lower level of commitment to their customers, highlighted by a mean score of 4.93. However, it is worth noting that Finland (m = 5.90), Slovenia (m = 5.32), Greece (m = 5.18) and Mainland China (m = 5.14) report higher-than-average individual mean scores, while the Netherlands (m = 4.13), Austria (m = 4.38) and Hong Kong (m = 4.41) report lower mean scores.

Of Irish respondents 47 per cent report that they freely communicate information about customers throughout their firms. This is highest in the FMCG sector (56 per cent) and lowest in the Business Services sector (40 per cent). Overall, Ireland's international counterparts freely communicate customer information to a lesser extent, in particular Mainland China (m = 2.90) and Poland (m = 3.78), in contrast to the Netherlands (m = 4.78), Austria (m = 4.48) and New Zealand (m = 4.47).

Of Irish respondents 73 per cent report that customers are targeted when respondents' firms have an opportunity for competitive advantage. This is highest in the Materials and Components sector (83 per cent) and lowest in the Consumer Services sector (55 per cent). Overall, Ireland's international counterparts practise this to a lesser extent, in particular Austria (m = 3.58) and the Netherlands (m = 3.94), whereas firms in Greece (m = 5.42) and Finland (m = 5.22) are positioned at the other end of the continuum.

The objectives and strategies of Irish firms appear to be driven by the creation of customer satisfaction, highlighted by a mean score of 5.03; however, a standard deviation of 1.150 suggests that the results are quite dispersed.

Of respondents 71 per cent report that they are driven by the creation of customer satisfaction. The Consumer Durables sector reports the highest commitment to customer satisfaction (77 per cent) while the Materials and Components (64 per cent) and the Consumer Services (63 per cent) sectors report lower levels of commitment. Overall, just over three-quarters (76 per cent) of Ireland's international counterparts agree that the creation of customer satisfaction drives their objectives and strategies. Finland (m = 6.40), Slovenia (m = 5.91) and Austria (m = 5.67) report the highest mean scores while Hong Kong (m = 4.63), the United Kingdom (m = 4.83) and Australia (m = 4.98) are positioned at the lower end.

Just over half (53 per cent) of the Irish respondents report that their business functions are integrated to serve market needs. No significant sectoral differences were found. A higher proportion (61 per cent) of Ireland's international counterparts report that they engage in this activity. Particularly worth noting are Finland (m = 5.46), Greece (m = 5.34), Slovenia (m = 5.28) and Poland (m = 5.14), which have the highest international mean scores.

Fifty-four per cent of Irish respondents and 61 per cent of the international sample report that their business strategies are driven by increasing value for customers. Irish results are highest in the Consumer Durables (66 per cent) and FMCG (61 per cent) sectors. Internationally, Finland (m = 6.11), Hungary (m = 5.44), Greece (m = 5.41) and Slovenia (m = 5.05) report the highest mean scores while Hong Kong is at the other extreme with a mean score of 3.95.

A strong customer orientation is evident across the entire sample. Over two-thirds of Irish firms (69 per cent) and their international counterparts (68 per cent) report that they base competitive strategies on an understanding of customer needs. Approximately 61 per cent of respondents, across the whole sample, report that top management regularly visit their important customers and that their managers understand how employees can contribute to value for customers. Of the international sample 58 per cent report giving close attention to after-sales service, followed closely by 55 per cent of Irish firms. Finally, the systematic and frequent assessment of customer satisfaction is practised by just over half of the Irish sample (53 per cent) and the international sample (52 per cent).

A focus on competitors is evident across the entire sample, though it is not as strong as the emphasis placed on customers. Almost half (49 per cent) of the international respondents report that sales people share information about competitors and 53 per cent report that they respond rapidly to competitive actions. These results are close to the 47 per cent and 49 per cent, respectively, of the Irish sample. While 57 per cent of Ireland's international counterparts report that top management regularly discuss the strengths and weaknesses of competitors, Irish firms score slightly lower at 52 per cent.

Table 3.2 presents the percentage of highly market-oriented firms in each of the 13 countries studied. For each country the overall market orientation score was computed as the average across the 14 scales. High performers were then taken to represent all respondents that reported an average market orien-

**Table 3.2: Percentage of High Market-Oriented Firms: Cross-Country Comparison**

| No. | Country | Frequency | % |
|---|---|---|---|
| 1. | Finland | 294/319 | 92 |
| 2. | Greece | 265/316 | 83 |
| 3. | Slovenia | 498/733 | 68 |
| 4. | Poland | 264/394 | 67 |
| 5. | Ireland | 376/580 | 65 |
| 6. | New Zealand | 284/457 | 64 |
| 7. | Australia | 147/243 | 60 |
| 8. | Mainland China | 232/393 | 60 |
| 9. | Hungary | 330/572 | 58 |
| 10. | Austria | 126/225 | 56 |
| 11. | United Kingdom | 227/452 | 50 |
| 12. | Netherlands | 82/168 | 49 |
| 13 | Hong Kong | 243/549 | 42 |

tation score of 5 or over. Of Irish firms 65 per cent are classed as highly market oriented, which is slightly above the international average. As can be seen in Table 3.2 the highest rate was 92 per cent in Finland and the lowest was 42 per cent in Hong Kong.

## Relationship between Market Orientation and Strategic Priorities in Irish Firms

Table 3.3 shows the responses to the statements designed to test H1. A high proportion of all Irish respondents (87 per cent) report long-term market position-building as their primary strategic objective. This objective is strongest among the high market-oriented firms (94 per cent) and weakest among the low market-oriented firms (77 per cent). The adoption of long-term time horizons is also seen in the fact that 69 per cent of all respondents report that resource allocation generally reflects long-term rather than short-term considerations. Again, this is strongest among the high market-oriented firms (76 per cent) and weakest among the low market-oriented firms (61 per cent).

An emphasis on growth is further evidenced across the whole sample, with 68 per cent of respondents reporting that their main focus has been on expanding the total market for their products and services and 57 per cent reporting that their main focus has been on winning market share from competitors. The high market-oriented firms report significantly higher levels of agreement, in

**Table 3.3: Market Orientation and Strategic Priorities**

| | Strategic Priority Items | Total Sample | Low MO | Medium MO | High MO |
|---|---|---|---|---|---|
| 1. | Our main focus has been on winning market share from competitors | 568 | 181 | 202 | 185 |
| | Agree % | 57.0 | 47.5 | 59.9 | 63.2 |
| | Neither agree nor disagree % | 24.8 | 28.7 | 23.8 | 22.2 |
| | Disagree % | 18.2 | 23.8 | 16.3 | 14.6 |
| | Chi Square = 10.943, Significance = .027 | | | | |
| 2. | We are prepared to sacrifice short-term profitability to gain market share | 565 | 178 | 202 | 185 |
| | Agree % | 43.9 | 34.3 | 46.0 | 50.8 |
| | Neither agree nor disagree % | 20.2 | 23.0 | 19.8 | 17.8 |
| | Disagree % | 35.9 | 42.7 | 34.2 | 31.4 |
| | Chi Square = 10.745, Significance = .030 | | | | |
| 3. | Over the last few years we have been aiming to build our long-term position in the market | 578 | 184 | 206 | 188 |
| | Agree % | 87.0 | 77.2 | 89.8 | 93.6 |
| | Neither agree nor disagree % | 7.6 | 13.0 | 6.3 | 3.7 |
| | Disagree % | 5.4 | 9.8 | 3.9 | 2.7 |
| | Chi Square = 24.601, Significance = .000 | | | | |
| 4. | Resource allocation generally reflects long-term rather than short-term considerations | 559 | 176 | 202 | 181 |
| | Agree % | 69.2 | 61.4 | 70.3 | 75.7 |
| | Neither agree nor disagree % | 17.9 | 20.5 | 19.3 | 13.8 |
| | Disagree % | 12.9 | 18.2 | 10.4 | 10.5 |
| | Chi Square = 10.860, Significance =.028 | | | | |
| 5. | Our main focus has been on expanding the total market for our products and services | 575 | 181 | 206 | 188 |
| | Agree % | 68.3 | 56.9 | 70.4 | 77.1 |
| | Neither agree nor disagree % | 17.9 | 24.9 | 18.0 | 11.2 |
| | Disagree % | 13.7 | 18.2 | 11.7 | 11.7 |
| | Chi Square = 19.245, Significance = .001 | | | | |
| 6. | Our main strategic priority over the last few years has been to survive | 570 | 183 | 204 | 183 |
| | Agree % | 25.1 | 35.5 | 20.6 | 19.7 |
| | Neither agree nor disagree % | 14.7 | 12.6 | 16.2 | 15.3 |
| | Disagree % | 60.2 | 51.9 | 63.2 | 65.0 |
| | Chi Square = 15.743, Significance = .003 | | | | |

**Note**: 'Agree' includes all respondents that answered 'agree' or 'strongly agree'; 'disagree' includes all respondents that answered 'disagree' or 'strongly disagree'.

both cases, compared with the low market-oriented firms. However, only 44 per cent of respondents, across the overall sample, report that they are prepared to sacrifice short-term profitability to gain market share: they include 34 per cent of the low market-oriented firms and 51 per cent of the high market-oriented firms. While high market-oriented firms are clearly more likely to focus on more proactive, aggressive growth strategies, the low market-oriented firms are more likely to focus on survival: 36 per cent of them report that their main strategic priority over the last few years has been survival, compared to 20 per cent of the high market-oriented firms. H1 is therefore supported.

## Relationship between Market Orientation and Marketing Strategy in Irish Firms

Table 3.4 shows the relationship between market orientation and the five indicators designed to assess the marketing strategy of a firm.

**Table 3.4: Market Orientation and Marketing Strategy**

| | Marketing Strategy Items | Total Sample | Low MO | Medium MO | High MO |
|---|---|---|---|---|---|
| 1. | We seek to attack the whole market | 546 | 174 | 194 | 178 |
| | Agree % | 28.0 | 28.2 | 24.7 | 31.5 |
| | Neither agree nor disagree % | 18.9 | 19.5 | 19.1 | 18.0 |
| | Disagree % | 53.1 | 52.3 | 56.2 | 50.6 |
| | Chi Square = 2.202, Significance = .699 ns | | | | |
| 2. | We target selected market segments within the total market | 552 | 177 | 197 | 178 |
| | Agree % | 81.7 | 75.1 | 87.3 | 82.0 |
| | Neither agree nor disagree % | 10.3 | 15.3 | 7.6 | 8.4 |
| | Disagree % | 8.0 | 9.6 | 5.1 | 9.6 |
| | Chi Square = 11.101, Significance = .025 | | | | |
| 3. | We seek to serve selected individual customers within the total market | 548 | 175 | 194 | 179 |
| | Agree % | 54.4 | 46.3 | 55.7 | 60.9 |
| | Neither agree nor disagree % | 19.5 | 19.4 | 21.6 | 17.3 |
| | Disagree % | 26.1 | 34.3 | 22.7 | 21.8 |
| | Chi Square = 11.099, Significance = .025 | | | | |
| 4. | We seek to differentiate our products and services from competitors in the market | 551 | 176 | 195 | 180 |
| | Agree % | 74.4 | 65.3 | 80.0 | 77.2 |
| | Neither agree nor disagree % | 16.2 | 22.7 | 13.3 | 12.8 |
| | Disagree % | 9.4 | 11.9 | 6.7 | 10.0 |
| | Chi Square = 12.701, Significance = .013 | | | | |

| | | | | | |
|---|---|---|---|---|---|
| 5. | We aim to be the lowest cost producer in our industry | 538 | 173 | 189 | 176 |
| | Agree % | 25.1 | 26.6 | 22.8 | 26.1 |
| | Neither agree nor disagree % | 27.1 | 26.0 | 29.6 | 25.6 |
| | Disagree % | 47.8 | 47.4 | 47.6 | 48.3 |
| | Chi Square = 1.333, Significance = .856 ns | | | | |

**Note 1**: 'Agree' includes all respondents that answered 'agree' or 'strongly agree'; 'disagree' includes all respondents that answered 'disagree' or 'strongly disagree'.
**Note 2**: ns = non-significant

A high proportion of all Irish respondents (82 per cent) report that they pursue a differentiated target marketing strategy. This strategy is strongest among the medium market-oriented firms (87 per cent), followed closely by the high market-oriented firms (82 per cent) and is weakest among the low market-oriented firms (75 per cent). Over half of the respondents (54 per cent) report that they pursue an individualised target marketing strategy. This strategy is most popular among the high market-oriented firms (61 per cent) and least popular among the low market-oriented firms (46 per cent). The adoption of an undifferentiated target marketing strategy is less popular overall (28 per cent). However, as there were no statistically significant differences found H2 is supported.

The medium (80 per cent) and high market-oriented (77 per cent) firms are also more likely to pursue differentiation from competitors in the market compared with the low market-oriented firms (65 per cent). There were no statistically significant differences with regard to adopting an overall cost leadership strategy. This strategy is less popular overall, with only one quarter of the total sample agreeing that they pursue this approach. Hypothesis 3 is therefore supported in part only.

## Relationship between Market Orientation and Performance in Irish Firms

Table 3.5 presents an overview of the relationship between market orientation and performance. The mean score for the high market-oriented group is significantly higher than that for the low market-oriented group on both scales. There are no significant differences between the mean scores for the medium market-oriented and high market-oriented groups (T-test, .05).

**Table 3.5: Market Orientation and Performance Overview**

| | Performance Measures | Total Sample | Low MO | Medium MO | High MO |
|---|---|---|---|---|---|
| 1. | Performance relative to main competitors | 3.45 | 3.24 | 3.47 | 3.45 |
| 2. | Performance relative to last financial year | 3.36 | 3.14 | 3.38 | 3.40 |

Table 3.6 shows the relationship between market orientation and the performance of a firm relative to its main competitors and relative to the

**Table 3.6: Market Orientation and Performance**

| | Performance Items | Total Sample | Low MO | Medium MO | High MO |
|---|---|---|---|---|---|
| | **Relative to Main Competitors** | | | | |
| 1. | Market share achieved | 412 | 129 | 156 | 127 |
| | Better % | 52.4 | 47.3 | 53.8 | 55.9 |
| | The same % | 34.0 | 40.3 | 35.9 | 25.2 |
| | Worse % | 13.6 | 12.4 | 10.3 | 18.9 |
| | Chi Square = 9.618, Significance = .047 | | | | |
| 2. | Levels of customer satisfaction achieved | 395 | 125 | 149 | 121 |
| | Better % | 62.5 | 50.4 | 63.1 | 74.4 |
| | The same % | 34.7 | 44.0 | 36.2 | 23.1 |
| | Worse % | 2.8 | 5.6 | .7 | 2.5 |
| | Chi Square = 19.535, Significance = .001 | | | | |
| 3. | Levels of employee satisfaction with their jobs | 340 | 109 | 128 | 103 |
| | Better % | 44.4 | 31.2 | 44.5 | 58.3 |
| | The same % | 47.4 | 52.3 | 52.3 | 35.9 |
| | Worse % | 8.2 | 16.5 | 3.1 | 5.8 |
| | Chi Square = 26.665, Significance = .000 | | | | |
| 4. | Levels of employee retention | 352 | 113 | 134 | 105 |
| | Better % | 48.3 | 39.8 | 42.5 | 64.8 |
| | The same % | 44.0 | 48.7 | 50.7 | 30.5 |
| | Worse % | 7.7 | 11.5 | 6.7 | 4.8 |
| | Chi Square = 18.283, Significance = .001 | | | | |
| 5. | Providing employment and income locally | 348 | 107 | 137 | 104 |
| | Better % | 44.8 | 45.8 | 41.6 | 48.1 |
| | The same % | 51.7 | 47.7 | 58.4 | 47.1 |
| | Worse % | 3.4 | 6.5 | 0.00 | 4.8 |
| | Chi Square = 10.783, Significance = .029 | | | | |
| 6. | Shareholder satisfaction with financial performance | 305 | 95 | 117 | 93 |
| | Better % | 48.2 | 46.3 | 53.0 | 44.1 |
| | The same % | 38.7 | 33.7 | 34.2 | 49.5 |
| | Worse % | 13.1 | 20.0 | 12.8 | 6.5 |
| | Chi Square = 11.562, Significance = .021 | | | | |

| | **Relative to the Previous Financial Year** | | | | |
|---|---|---|---|---|---|
| 1. | Overall profit levels achieved | 481 | 152 | 166 | 163 |
| | Better % | 62.2 | 54.6 | 63.9 | 67.5 |
| | The same % | 15.8 | 13.8 | 18.7 | 14.7 |
| | Worse % | 22.0 | 31.6 | 17.5 | 17.8 |
| | Chi Square = 12.767, Significance = .012 | | | | |
| 2. | Return on investment | 435 | 138 | 151 | 146 |
| | Better % | 54.9 | 47.1 | 52.3 | 65.1 |
| | The same % | 24.4 | 25.4 | 26.5 | 21.2 |
| | Worse % | 20.7 | 27.5 | 21.2 | 13.7 |
| | Chi Square = 11.976, Significance = .018 | | | | |
| 3. | Sales volume achieved | 477 | 147 | 168 | 162 |
| | Better % | 61.6 | 53.7 | 67.3 | 63.0 |
| | The same % | 18.7 | 17.7 | 22.0 | 16.0 |
| | Worse % | 19.7 | 28.6 | 10.7 | 21.0 |
| | Chi Square = 16.791, Significance = .002 | | | | |
| 4. | Levels of customer satisfaction achieved | 469 | 148 | 165 | 156 |
| | Better % | 53.1 | 43.9 | 52.7 | 62.2 |
| | The same % | 42.4 | 48.0 | 43.6 | 35.9 |
| | Worse % | 4.5 | 8.1 | 3.6 | 1.9 |
| | Chi Square = 14.364, Significance = .006 | | | | |
| 5. | Levels of customer loyalty achieved | 461 | 146 | 159 | 156 |
| | Better % | 48.8 | 45.2 | 45.9 | 55.1 |
| | The same % | 45.3 | 46.6 | 45.9 | 43.6 |
| | Worse % | 5.9 | 8.2 | 8.2 | 1.3 |
| | Chi Square = 10.530, Significance = .032 | | | | |
| 6. | Levels of employee satisfaction with their jobs | 451 | 142 | 157 | 152 |
| | Better % | 39.9 | 31.7 | 38.2 | 49.3 |
| | The same % | 46.1 | 43.7 | 50.3 | 44.1 |
| | Worse % | 14.0 | 24.6 | 11.5 | 6.6 |
| | Chi Square = 25.068, Significance = .000 | | | | |

previous financial year. Only performance items where statistically significant differences were found are shown. In the table, 'Better' includes all respondents that answered, 'better' or 'much better' and 'worse' includes all respondents that answered, 'worse' or 'much worse'.

## Relative to Main Competitors

Significant differences were found with regard to customer, employee and shareholder measures of performance, in addition to market share achieved.

High market-oriented firms report greater levels of customer satisfaction (74 per cent), customer loyalty (65 per cent), employee satisfaction with their jobs (58 per cent), market share (56 per cent) and provision of employment and income locally (48 per cent) than medium and low market-oriented firms. In contrast to this, no statistically significant differences were found with regard to profit levels, profit margins, return on investment, sales volume and levels of customer loyalty. However, with the exception of sales volume, the performance of the high market-oriented firms is stronger than that of the medium or low market-oriented firms.

**Relative to the Previous Financial Year**

Significant differences were found in overall profit levels, return on investment, sales volume and levels of customer satisfaction, customer loyalty and employee satisfaction with their jobs. The high market-oriented firms consistently report better performance on these criteria than the low market-oriented firms. However, there were no statistically significant differences found in profit margins, market share, employee measures of performance and shareholder satisfaction with financial performance. However, with the exception of shareholder satisfaction with financial performance, the performance for high market-oriented firms is better than that of medium or low market-oriented firms. Performance results therefore show partial but not complete support for H4.

## LIMITATIONS OF THE STUDY AND FUTURE RESEARCH

A number of research limitations were encountered in this study, which should be noted. Firstly, marketing executives in Irish firms completed the mail survey. While persons in this position should be ideal to judge market orientation and strategy and performance issues in their firms, scholars such as Matsuno and Mentzer (2000) have argued that in order to gain a complete and accurate picture of market orientation other perspectives should also be used. Also, performance measures were self-reported as is typical when researching private businesses, which could be responsible for the performance results being skewed towards the higher end. However, it is worth noting that researchers that have used both objective and subjective measures in the past have found a strong correlation between them (Dess and Robinson, 1984; Robinson and Pearce, 1988; Venkatraman and Ramanajum, 1986).

The results presented in this paper should pave the way for further research on market orientation in an Irish context. This preliminary research would benefit from further qualitative research to more fully understand the relationships between market orientation and strategy and performance issues. A longitudinal study, which included the views of a range of employees, could provide greater insight into this topic. Further attention could also focus on the effects of the environment, stage of market development, market position, industry type and size in moderating (increase or decrease) the relationships between market orientation and performance.

## CONCLUSIONS

Both Irish and many international firms have embraced market orientation as a means of coping with the turbulent and rapidly changing markets within which they operate. Two-thirds of Irish firms are highly market-oriented, which is slightly above the international average. The rate is highest in Finland (92 per cent) and Greece (83 per cent) and lowest in Hong Kong (42 per cent) and the Netherlands (49 per cent). Analysis of the relationships between market orientation and the strategic priorities of the firm, marketing strategy and the performance of the firm show that for the most part, the results are as one would predict from the Western literature on market orientation.

Irish firms reporting high levels of market orientation are more likely to focus on proactive, aggressive growth strategies in order to build their long-term position in the market, than medium or low market-oriented firms. The marketing strategy of these highly market-oriented firms is more likely to focus on serving selected market segments and differentiating their offerings from competitors in the market. These same firms also report better performance levels relative to both their competitors and the previous financial year on many of the measures of performance used. In particular, highly market-oriented firms report significantly greater levels of customer satisfaction, employee satisfaction and retention as well as greater market share levels when measured against their main competitors. The financial performance (sales and profitability) of high MO firms was also superior to those of medium and low MO firms, though not statistically significant. However, high MO firms showed significantly superior levels of financial performance when compared with the previous financial year. This result suggests the superiority of a market orientation as a key to profitability.

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