

Investigating the effect of market orientation on the performance of industrial companies (Iran Khodro Factories)

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Abstract

While marketing continues to gain prominence as an orientation within the firm, concerns remain about the contributions of the marketing subunit. The present article is to investigate the effect of market orientation on the performance of industrial companies (Iran Khodro factories) and has investigated the effect of market orientation on the performance of industrial companies. For this purpose, Iran Khodro factories were selected as the study population. According to the information obtained, 20 automobile companies were selected as sample size using Cochran formula. A questionnaire was used to collect data that 250 questionnaires distributed among manufacturing companies, which 231 questionnaires were completed and returned. The collected data were analyzed by structural equation modeling (Amos 20). The research findings show that market orientation has a positive effect on the performance of Iran Khodro factories.

Keywords: market orientation, industrial companies, Iran Khodro Factories, performance

Introduction

Marketing efforts and know-how are instrumental in commercializing ideas and inventions and in running a successful business. Nevertheless, the effect of strategic marketing on business performance remains elusive, even despite an established research tradition. This may be because the outcomes of strategic marketing are subject to many internal and external influences, making the identification of cause-and-effect linkages very hard. A related issue is that the majority of studies examine only the effects of two or three marketing factors at a time. This is an apparent limitation compared to corporate reality. The current situation is alarming and several studies emphasize the urgency to demonstrate relationships between marketing inputs, processes and business outcomes (O'Sullivan & Abela, 2007).

Market orientation has been discussed as an essential organizational antecedent of business success, with innumerable studies testing its impact in different industries and countries. However, the mechanisms as to how the different aspects of market orientation (MO) achieve these positive outcomes are less well conceptualized; and virtually no research exists on understanding how works in non-Western environments, e.g. the transitional economies of BRIC (Brazil, Russia, India, China) (Akimova, 2000).

A perceived lack of influence and accountability has been claimed to undermine the credibility of marketing within the firm, threatened its standing, and even its existence as a distinct capability within the firm. Marketing has already been declared either dead, irrelevant, or powerless. The relevance of marketing activities is at stake and even marketing scholars have voiced concerns that the power of marketing subunits may be in decline. These concerns have led to numerous studies on the role of marketing within the firm (Verhoef & Leeflang, 2009).

But surprisingly, empirical evidence about a link between a powerful marketing subunit and business performance is still scarce, contradictory, and inconclusive.

In today's business market, the concept of communication between service providers and customers has been considered. Nowadays, what is important is the communication with quality with customers to improve their perceived mental quality from services. The services offered in companies are relatively uniform, and for most companies, it is difficult to differentiate services to competitors. Therefore, a large number of companies in the world tend to use the relationship marketing approach and implementation of its foundations. (Abolalaei, 2015)

Today, the direct relationship between organizational capabilities and performance has been confirmed based on resource-based theories and various researchers have been done in this regard. Organizations with a perception of the importance of maintaining customers and creating long-term relationships with them are gradually moving away from traditional marketing and marketing orientation (Ranjbaran, 2009, 1) In many current pieces of research of marketing; relationship marketing has been mentioned as a fundamental shift in marketing.

The organization's capabilities are defined as the company's capacity to use tangible and intangible assets. In other words, organizational capabilities are complex software packages from accumulated skills and knowledge that, through organizational processes enable companies to coordinate activities and use their assets, thereby enhancing the competitive advantage of companies. (Barney, 1991, Teimori&ahmadi, 2013)

According to Krosbi and et al. (1990), market orientation is the creation of information from the market throughout the organization about current and future needs of customers, the development and transfer of this information and talent across the organization and its responsiveness at all levels of the organization and the amount of attention of companies to market needs and demands.

Performance appraisal is the process of investigating and analyzing the strengths and weaknesses of an individual or organization that is done by measuring and comparing with predetermined criteria. Performance assessment at an organizational level is often used to determine how much the organization's credibility is. In fact, the purpose of evaluating the performance of an organization is the process by which the set of actions, activities, short-term and long-term programs of the organization can be effectively controlled and monitored at a certain time, which usually this set of tasks is performed by a unit of performance evaluation comprised of experienced experts.

The necessity of this research is that considering the impact of market orientation on the performance of industrial companies has always been raised as a challenge, and during recent years the attempt to market is more difficult than in the past due to the rise of new competitors, then for Staying on the stage of competition should be more successful in this process than before.

Background Research

Market orientation: This is defined as an effective and efficient organizational culture that creates a necessary behavior to create superior value for buyers, and as a result of superior performance for continuous improvement in work. (soltani,2011)

Studies of the role of marketing within the firm may be divided into four key categories. First, there is research that assesses marketing's role as an orientation, typically assessing its impact on performance. The market orientation literature is vast, and the concept and its dynamics have been examined thoroughly, providing mostly support for a positive link between a market orientation and performance. Other examples of studies in this vein have focused on linking different elements of strategic marketing to performance (Jaakkola et al., 2010). Another argument in this category states that market orientation enhances cross-functional dispersion of marketing activities such that firms embrace an activity-based approach to marketing as opposed to a functional view of marketing (Workman, Homburg, & Gruner, 1998).

The second category of research focuses on marketing's influence at the level at which the firm's corporate strategy is formulated (Varadarajan & Clark, 1994). More recently, this stream of literature has tended to focus on the presence and role of the chief marketing officer (CMO) in the firm's top management team or corporate executive suite (Cespedes, 1995).

These studies tend to posit that the CMO and marketing's status within the firm is closely related (Nath & Mahajan, 2008). As noted earlier, this category of research has already highlighted the usefulness of power theory to understand the phenomena under investigation (Cespedes, 1995). A third category examines marketing as an organizational subunit. Exemplified by Homburg et al.'s (1999) work, these studies determine marketing's relative influence and interaction with other functional units, identifying the circumstances where marketing's influence is higher. Much research has also focused on the interaction of the marketing function with other functional units, such as R&D and engineering, manufacturing (Griffin & Hauser, 1992), sales (Homburg & Jensen, 2007a), and finance (de Ruyter & Wetzels, 2000). Others have considered departmental influence in specific contexts such as purchasing (Katrichis & Ryan, 1998). Some studies have considered interfaces between marketing and multiple functions, focusing for example on conflict management (Maltz & Kohli, 2000), or how marketing personnel interacts with other people in performing marketing tasks (Walker & Ruekert, 1987). A recent paper by Atuahene-Gima and De Luca (2008) analyzed marketing's use of power and influence in new product development within high-tech companies. While explicitly recognizing the benefits of adopting a power perspective, and of exploring asymmetries between marketing and other functions (e.g., Maltz & Kohli, 2000), this body of literature has tended to ignore the contribution to the performance of a powerful marketing function and the outcomes of power imbalance among subunits.

bansal (2004) argue that market orientation is a way of collecting and disseminating information and creating knowledge and insight about customers' needs and demands trying to maximize value for customers. This is possible from connecting with customers. Such a relationship can increase customer confidence.

Organizations that can better respond to customer needs and meet better than competitors will undoubtedly have a higher level of performance. Research by Laglas (1991) and Narur and Slitter (1990) show a positive relationship between market orientation and company performance. Research by Kohli and Javersky shows that market

orientation will have many social and psychological benefits for the organization's employees.

Neil Morgan and colleagues in a paper titled *Market Orientation, Marketing Capabilities and Performance of Company*, and also teimori&ahmadi, 2013, Chang (1997) referred to the market orientation as market asset and marketing. Neil Morgan and colleagues point out in their article that market orientation and marketing capabilities are complementary assets that contribute to the company's performance. They also concluded that market orientation has a direct impact on asset returns, and even marketing and strategic management scholars consider it as a source for company causing the competitive advantage.

"The Impact of Unified Marketing Communication on Consumer Purchasing Behavior", 2015, Elsevier, the purpose of this article is to emphasize the impact of comprehensive marketing communications on consumer behavior. Comprehensive marketing communications that are perfectly targeted are founded by the power of existing communication tools to have an appropriate effect on the audience behavior. Also, the traditional components of the marketing mix (price, location, commodity) have no longer effective as the former; therefore, by changing the organization's thinking way and improving the actions with the nature of the communication, the consumer can be introduced more in the communication process and thus will be able to have a good effect on consumer's opinion about a product.

Research hypotheses

The main hypothesis:

The primary objective of this research is to determine the role of market orientation on the performance of Iran Khodro factories.

Sub-hypothesis:

Market orientation has a significant effect on the performance of Iran Khodro factories.

Method of Research

The present research is an applied research objectively and regarding method is a causal research. The survey method has been used to collect the required data for the variables presented in the theoretical model of the research. The statistical population of the research includes all Iran Khodro factories. According to the information obtained, 20 automobile factories are considered as statistical population. The method used to collect the data of this paper is a questionnaire. Because the questionnaire is the most effective method for collecting empirical data from large samples and is considered the most commonly used method for data collection (born, 1996) In this paper, for the first analysis of the data, Amos is used, and for testing the model hypothesis, Structural Equation Modeling (SEM) has been used using confirmatory factor analysis.

Findings

Considering that in factor analysis and structural equations modeling, it is necessary, the distribution of variables follows the normal distribution, so it is required to test their distribution normality before applying the variables in the analyzes.

If the absolute value of Skewness and kurtosis is less than 2, or the absolute value of z of Kolmogorov-Smirnov is lower than 1.96, the normal distribution of the selected variable can be detected so that if the "level of significance" is greater than 0.05, then the claim of normality of selected variable is verified. SPSS output shows that the variables are accepted within the level and the data have a normal distribution .

The results of the age of the respondents indicate that the highest amount with 64.56% belongs to the age group less than 30 years and the lowest with 52.3% is related to the age group more than 50 years. Also, 61.24% are between 31-40 years old and 23.15% are between 41 and 50 years old.

In terms of education, 53.19% of respondents have an associate degree and lower, 53.44% have BA degree, 59.33% have MA degree, and 34.2% have doctoral degrees.

Based on the results, the number of male respondents is higher than women. 62 percent of respondents were male, and 38 percent were female respondents .

The classification of respondents according to their position shows that 16.85% of the respondents were financial managers and 10.55% of the respondents were commercial managers and 4.30% of the respondents were managing director.

Organizational capabilities were measured using a separate factor: market orientation capability, market orientation factor with four indicators (G.B1 to G.B4) is measured.

Table 1- Confirmed and Deleted Items of Organizational Capabilities

Line	Main item	Item label	Position of item
1	The skill level to understand the demands of customers in these factories is at the desired and appropriate level.	G.B1	Confirmed
2	In these factories, the customer is at the center of attention and the customer is the main factor in long-term profitability.	G.B2	Confirmed
3	n these factories, market information about the current and future needs of customers at all levels of the company is developed and transmitted.	G.B3	Confirmed
4	In addition to paying special attention to customers, the company's competitors' motions will be examined.	G.B4	Confirmed

The performance factor model was measured using three indices. This index includes F.P1 to F.P3. Confirmatory factor analysis results show that standardized parameter estimation was significantly satisfactory for all indices. ($P < 0.001$) i.e. the factor loads of all indicators are higher than 0.5. Also, the results of the indicators of the fitting model show a good improvement and show the proper fitting of the model to the data.

Table 2- Confirmed and Deleted Items of Performance Variable

Line	Main item	Item label	Position of item
1	Factories have had a good sales growth in comparison to the average industry over the past three years.	F.P1	Confirmed
2	Factories have been profitable in comparison to the average industry over the past three years.	F.P2	Confirmed
3	Factories have had a good return on assets in comparison with the average industry over the past three years.	F.P3	Confirmed

Hypothesis: Market orientation has a significant effect on the performance of Iran Khodro factories.

Considering that the coefficient p is less than 0.1 ($p = 0.051$), it can be stated that the hypothesis H1 is confirmed with a confidence coefficient of 90%. Also, based on the standardized coefficient ($\beta = 0.072$), it can be concluded that this effect is positive and by increasing market orientation, performance increases. i.e. it can be claimed that market orientation has a positive effect on the performance of Iran Khodro factories.

Conclusion

Based on this research, it can be stated that the hypothesis H1 is confirmed. The P value is less than 0.001; therefore, the first hypothesis is accepted with 90% confidence level. Given the fact that the standard coefficient ($\beta = 0.072$) is positive, it can be concluded that performance is increased by increasing organizational capacity. Given the standardized coefficient ($\beta=0.072$) is positive, it could be concluded that market orientation has a positive effect on the performance of factories, this hypothesis is consistent with the findings of (Cooper, 1998 and Peter 2003). Also, the performance of industrial factories in the current competitive area is strongly influenced by market orientation integration and market orientation capacities.

Suggestions

Investigating the relationship between each of the variables related to satisfaction, loyalty of companies. Performing research in other manufacturing companies or in other industries

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