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Is a Firm's Market Orientation Related to Performance?

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Germany. Costs may prove prohibitive for manufacturers who export products long distances which may demand additional protective materials. These firms must absorb the expense of returning the packaging materials back to the source country or hiring German firms to handle the packaging materials logistics to meet regulation standards. This may force the exporting firm to raise prices to cover the additional cost which encourages German competitors to whittle away at market share. Reports have surfaced of British companies having exports to Germany turned away at German border points. The cause of the block involved using "wrong-sized" pallets by German standards or because arrangements for recycling or return of packaging and shipping materials were insufficient. The cost of abiding by the regulation by any exporting firm may compel them to abandon the German market. Cost aside, firms exporting products to Germany simply may not have the technical capability to meet the recycling/reuse targets demanded of packaging materials and have to abort all export efforts to Germany.

German importers, retailers, and wholesalers may be reluctant to handle foreign products even if they have recyclable packaging because the responsibility of waste logistics eventually rests on their shoulders. Further, German manufacturers have a massive head start on outsiders firms.

German strategy rests on a powerful and perfectly acceptable rationale. Protesters of Germany's demand for a decreased environmental impact may have difficulty arguing convincingly that more pollution is favorable to less.

Management Implications:

Western Michigan export opportunities to Germany may be sharply curtailed without considerable change in packaging design and/or accommodations made for recycling according to German standards. These standards lend an enormous advantage to firms already operating in accordance with the laws through bolstered retailer favor and resulting increased shelf space. As countries face increasing pressure to accommodate environmental groups' demands, the ability to export to those countries will be bolstered.

Therefore, not only does Germany have a socially acceptable rationale for throwing up a trade barrier to other countries, it has a substantial lead in movement along the experience curve in engineering environment-friendly packaging. Firms presently superior in engineering technology ultimately stand to gain by Germany's laws. Presumably, the advancement in environmentalism which blocks competition will be used repeatedly in the future by creating increasingly stringent requirements which are not within the reach of less advanced countries.

Is a Firm's Market Orientation Related to Performance?

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The external environment (customers, competitors, suppliers, etc.) affects an organization. This is a truism. The business press is replete with stories of firms that are successful because they are flexible in responding to changes that buffet them. Recently, researchers from the discipline of marketing coined a term, "market orientation", that sought to throw more light on the nexus between a firm and its external environment. Their research added empirical evidence to the above mentioned truism. But their evidence came exclusively from looking at manufacturing companies. In addition, their measurement of market orientation was incomplete in the sense that the instrument that they developed did not incorporate all the literature-derived elements that made up the construct of market orientation. Our research that is reported here attempted not only to refine the instrument but also to test the relationship of market orientation to firm performance in service firms.

The marketing researchers looked at market orientation as consisting of three behavioral components and two decision criteria. In this context, the term "market" is a surrogate for the firm's external environment. A firm that is market oriented collects information about competitors (the first behavioral component) and customers (the second behavioral component). However, such ongoing efforts at collecting external environmental information is not what makes a firm market oriented. Rather, it is the third (and probably the most critical) behavioral component that emphasizes inter-functional coordination or preparing each department within the organization to act in a concerted fashion to respond to the market information that makes an organization market oriented. The two decision criteria deal with the need for a long-term emphasis and the necessity of adequate profits to provide the resources to become market oriented.

The original research looked at whether market orientation was reflected in firm performance in a sample of divisions (or strategic business units - SBUs) of a large forest products company. SBUs that scored high on the market orientation scale did indeed outperform (higher ROI, higher sales growth, etc.) those that scored low. Subsequent research on other types of manufacturing firms lent further support to the strong positive relationship between market orientation and performance.

We wanted to examine if the same relationship held true in the case of service firms. In addition, we wanted to look for variables that may temper (or moderate) the otherwise positive relationship between the two. We chose the health care industry because it was going through a difficult transition from a protected to a highly competitive environment and therefore exhibited the features that we were interested in. Because the two decision criteria (long-term focus and profit emphasis) were dropped from the instrument developed by the original researchers, (albeit their importance in the incomplete literature), we first combed the literature to get better and more valid measures of the two decision criteria. We constructed a new instrument to measure market orientation in service firms - new in the sense that it improved on the old one by adding valid measures for the two decision criteria and was worded to reflect the specific situation faced by service firms. In addition, we incorporated performance measures that looked at both efficiency and effectiveness.

We collected data from 159 U.S. hospitals. The sample was drawn from throughout the country, including the West Michigan area. We took adequate steps to ensure that our sample reflected the population and that our instrument was both reliable and valid.

Our data provided strong support for a positive relationship between market orientation and performance. Hospitals that were highly market oriented did outperform (on both efficiency and effectiveness measures) those that scored low on the scale. We controlled for such performance-enhancing variables such as size, profit orientation (for-profit vs. not-for-profit), and location, to isolate performance that is reflected only by market orientation. We found that supplier power was the only variable that moderated the otherwise strong positive relationship between market orientation and performance. In other words, the powerful bargaining position of hospital suppliers such as doctors, nurses and medical technologists lowered somewhat the ability of hospitals to use their market orientation to exhibit better performance. Otherwise, no other variable moderated the market orientation-performance relationship.

What are the practical implications of our research for West Michigan firms? There are several and here are just a few. How a firm interacts with its environment and responds to its changes can be captured in its "market orientation" score. Given that market orientation is a powerful predictor of performance, the instrument can help an organization improve its market orientation.

"Core competence" has become a buzz word – everybody talks about it and every organization hopes to have it! Well, market orientation is a core competence because it is knowledge-based – it involves knowledge about how to collect market information and how to coordinate organizational response to such market information. Such a competence helps an organization improve its performance.

The health care industry has seen intense competition in recent years – witness the proposed merger between Blodgett and Butterworth to better face the competition! Market orientation may very well be the key to not only hospitals but to all firms in order to gear up for the competition!

Stress Management Practices in West Michigan Firms

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Introduction:

Employers cannot ignore the stress of their employees and it is in management's own self interest to actively find ways to reduce it. All employees are potentially susceptible to high stress levels. Stress is very subjective and people react to it in different ways. Some adapt to it while others tolerate it or try to always avoid it. Some may go to pieces at the first sign of stress while others seem to thrive on it. Much of a person's reaction is dependent on the situation and the person's skills in prevention and reduction.

The purpose of our research was to examine the attitudes and perceptions of managers regarding stress and stress management. We attempted to ascertain how managers defined stress, the impact of stress on employees, and what they feel can be done to reduce stress levels or improve one's tolerance to stress. A 60-question survey was addressed to the Vice President of Human Resources and mailed to a random sample of 400 public and private organizations with 50 or more employees throughout a six county area of Western Michigan (Kalamazoo, Kent, Berrien, Calhoun, Ottawa, Muskegon). These organizations represented a wide diversification of economic activities and industrial sectors. We received a total of 164 completed surveys and an additional 35 surveys marked "no forwarding address" for an overall response rate of 41 percent, or 45 percent excluding the 35 non-deliverable questionnaires.

Perception of Stress:

Respondents were asked to identify their perception of stress. The majority of our respondents (88 percent) perceived it as a condition of both physical or mental strain. This definition was consistent across organization type and size, organization level, position of respondent within the company, age and sex of the respondent. Further, a majority (88 percent) of our respondents believed that some levels of stress can increase the productivity of the average person. The highest percentage of respondents who tended to agree with this statement were in the prime of their career—between the ages of 30 and 39 (89 percent) and 40 to 49 (85 percent). Compared to other age groups, those under the age of 30 agreed least with this statement (55 percent). It appears that the more experienced respondents may recognize that stress isn't all bad and that many can perform well under stress when called upon to do so.

Causes of Stress:

Stressors are the stimuli that elicit a stress response. Two categories were developed which identified a number of causes of stress—personal and work related. Personal causes of stress included: death of spouse or close family member, divorce/marital separation, jail term, personal injury/illness, marriage, change in health, and money problems. There was high agreement for each of the personal items as causes of stress among the respondents (agreement ranged from 76 to 97 percent). Work-related causes of stress included: fired/laid off from job, demoted, poor performance appraisal, job overload, problems with boss, changes in conditions (no promotion likely, valued employee quit, long hours), job design/high job demands, boring/routine job, and positive situations (voluntarily have new job, promotion/success). Levels of agreement as to whether these work-related items