Market Orientation of Small and Medium Textile Industry in Coimbatore

KEYWORDS: Market Orientation, Business Performance etc

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ABSTRACT *The concept of market orientation has shown its conceptual and practical importance in the current scenario of the business. This has been examined in many ways and find out many perspectives which are related for the development of any business. Market orientation is positively related to some measures of organizational performance. This paper aims to find out the status of market orientation within the organization and measure of market orientation effectiveness with marketing performance outcome.*

The result has been taken from the 71 small & medium textile industries in and around Coimbatore district. It has given a clear status of the use of market orientation activities and its effects within the organization and organization's sharing about the various aspects related for the development of any business. With the use of market orientation scales has positive contribution at different degree to market orientation effectiveness. The study has indicated, both market orientation and market orientation effectiveness are strongly associated with the measure of marketing performance and function of both marketing and non-marketing initiative.

Introduction

The Textiles industry is one of the second most important economic activities in the country in terms of employment generation (after agriculture). It is also one of the major sources of earnings of foreign revenue for the country. Its contribution in manufacturing sector value added is estimated currently at about 12 percent. The textile industry is currently in a state of flux due to the severe contraction in export and domestic demand in the wake of volatile global economic. Major business restructuring activities are taking place across the industry. The government is also providing support to the industry in different ways on which livelihood of millions of people is dependent.

Indian textile sector has grown into the production of fairly high quality counts, hosiery, garment and other value-added items. Indian textile consists of different products like cotton spinning (yarn), cotton weaving (cloth), cotton fabric, fabric processing, towels and apparels. The textile sector continues to be the main stay of India's export comprising 60% of total export and contribution gross domestic product is around 3% and this is steadily increasing and also represents the principal employment generating avenue in the organised and large sector industrial segment. Performance of this segment has an impact influence on economy.

The effect of market orientation on business performance has been generally agreed on its positive outcome. The research argues that small and medium textile firms need to be more customer focus, monitor competitive trends and responding appropriately to market intelligence in order to survive given evidence of their financial technical and other constructs. The study find out the relationship between market orientation and manufacturing performance related to small & medium textile industry during the collection of data. Research shows that the development of market orientation in this sector rests more on the attitude of the owners/manager and more importantly, the repeatedly reported performance. Implementation of market orientation does not elude textile SMEs. More specifically, market orientation leads to superior performance under ceaseless competitive condition.

Literature Review

Marketing orientation is one of vital ingredient in determining an organisation's success. Marketing orientation is more than simply "getting close to the customer". An organisation can be marketing oriented only if it completely understands its market. Customer information must go beyond research and promotional functions to permeate every organisational function. Marketing orientation is generally regarded as the implementation of the "marketing concept". The marketing concept is a philosophy of doing business which puts the customer's needs at the centre of the organisation. The implementation of the marketing concept is the first and foremost a functional activity. Those organisations which engage in marketing purely as a functional strategy can be said to be marketing-oriented. However, when there is congruency between the functional level and the underlying organisation culture, when customer are the first priority of top management and when marketing strategy is a direct extension of corporate strategy, a market orientation exists. A market-oriented company develops and implements marketing strategy which is an operational interpretation of its basic business philosophy. In contrast, a marketing-oriented company merely implies the effective management of the marketing function, an activity which is typically localised within a particular division.

The contribution of **Kohli and Jaworski (1990)** was substantial at least in three important ways (Silkoset, 2004). First, they developed a link between market orientation and positive financial business performance. Second, market orientation could be investigated as an observable behaviour. Third, through minimally abstract constructs and measures, they presented implications for the practitioners as well.

Jaworski & Kohli, 1993; Slater & Narver, 1994 found multiple organizational factors which contributed substan-

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tially to make organizations more market oriented. Jaworski and Kohli (1993) found that senior management factors, interdepartmental dynamics and organizational systems could act as drivers or hindrances for the organizations in their market orientation. The role of senior management was found to be critical in shaping organizational values to promote and reinforce behaviours necessary to serve the current and future needs of customers, better than their key competitors. Besides top management reinforcement, their commitment of continuous communication of specific guidelines to be market-oriented was considered mandatory to encourage organizational employees, in order to create, disseminate and effectively respond to market intelligence. Top management proved to provide a great deal of support in their commitment to innovation and responsiveness. However, their support could lead to organization-wide derailment of the process of market orientation. Interdepartmental dynamics such as conflict among organizational departments and interdepartmental connectedness were found to be detrimental or beneficial, respectively to execute the business philosophy, represented by marketing concept.

Harris and Piercy (1998) identified a negative relationship between conflicting behaviour within an organization and the degree of market orientation. Pulendran, Speed and Widing II (2000) concluded that interdepartmental conflict inhibited the ability of an organization to coordinate activities and act as barrier to focus on market dynamics. On the contrary, Interdepartmental connectedness enhanced the development of market intelligence and sharing across the entire organizational departments (Kohli & Jaworski, 1990).

Narver and Slater (1990) suggested that research must be replicated in diverse cultures to boost conviction in nature and power of market orientation and its antecedents. Hence, the market orientation model, proposed by Kohli and Jaworski (1990) to determine which organizational factors could contribute in making organizations, operating in diverse industries, more market oriented. The exploration of organizational factors will facilitate leadership of organizations in designing and implementing business practices and processes, aimed at becoming more oriented towards market which would result into improved organizational effectiveness and sustained competitive advantage.

According to **Kohli and Jaworski (1990)**, this operative approach provides an enterprise with a group of actions that can contribute to the creation of superior customer value. **Kohli and Jaworski (1990)** constituted a major breakthrough in providing an operational definition of the concept to facilitate its effective implementation by the business firms. Later researchers like Narver and Slater (1990), Pelham and Wilson (1996), and Appiah-Adu and Singh (1998) conducted the research and proposed alternative frameworks to operationalize marketing concept. These researchers observe that market orientation is the creation of a superior customer value through systematic acquisition and analysis of information and development of knowledge about the target market, consisting of customers as well as competitors and other environmental factors. The collection of market information is to be followed by systematic use of such knowledge for the coordinated creation of sustainable superior customer value.

According to **Slater and Narver (1994)**, the construct of market orientation is composed of the three complementary dimensions, viz. Customer orientation, Competitors orientation and Inter-functional coordination. Each of these serve in conjunction with one another for the sake of long-term profitability. Customer orientation, as the central dimension of market orientation, necessitates the creation of an organisational climate where every employee places the objective of customer satisfaction, first and foremost in his or her day-to-day activities. Competitor orientation involves active monitoring of all existing and potential competitors in the marketplace vis-a-vis benchmarking and competitive intelligence in order to differentiate the firms and create sustainable competitive advantages through this enhanced knowledge. Finally, the need for disseminating marketplace information and developing a system of active coordination across different organisational functions departments is necessary for the establishment of a successful market orientation.

Pelham and Wilson (1996) argue that a marketing-oriented firm culture is a strong source of competitive advantages based upon:

The scarcity of firms with a market-oriented culture.

Such firm's strong ability to understand the nature of value to the customer.

The difficulty of instilling market-oriented norms.

The difficulty of understanding the causal implication of these norms and behaviours, however, these researchers also emphasize the importance of understanding the wide range of determinants of small firm performance, including strategy, firm structure and the industry environment.

Slater and Narver (1994) also investigate the moderating role of competitive environment on the market orientation and performance relationship. The rationale for this hypothesized role is that effectiveness of a particular strategic orientation is contingent on market environment factors **(Day and Wensley 1988; Hambrick 1983; Kohli and Jaworski 1990; McKee Varadarajan, and Pride, 1989; Snow and Hrebiniak, 1980).** If, demand is growing faster than supply, a firm could simply cash in on the opportunity without being highly market oriented **(Kohli and Jaworski 1990)**. Similarly, if the buyer's bargaining power is low, the seller firms could use this leverage to profit from the transaction with a minimal level of market orientation **(Slater and Narver 1994).** Conversely, if the market is characterized by intense seller competition, the seller firms could not achieve acceptable levels of profit without being market oriented **(Day and Wensley 1988; Slater and Narver 1994).**

Gatignon and Xuereb (1997) operationalized strategic orientation as a combination of customer, competitor and technological orientation. Their focal interest lies in the relative importance of the three orientations in marketing execution (especially on innovation). More broadly, a strategy type is a generic pattern of response at the business-unit level pertaining to the product-market domain, choice of performance criteria, and marketing execution. Thus, it is distinct from a market orientation that is purported to facilitate businesses' understanding of the market environment and is hypothesized to facilitate superior performance in the chosen, specific criteria set by the strategy type. Business strategy is a general direction of the firm's response based on the filtered or distilled environmental information. Therefore, it can conceivably explain the varying magnitude of relationship between performance measures and

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a firm's specific marketing response mechanism, such as a market orientation.

Lafferty and Hult (2001) expressed market orientation as execution of marketing concept. It reflects how organization demonstrates a customer-focused approach in their behaviours and culture (Deshpande, Farley & Webster, 1993; Kohli, Jaworski & Kumar, 1993; Narver & Slater, 1990). Building on the initial research by Kohli and Jaworski (1990), Narver and Slater (1990) and Deshpande et al (1993), significant progress has been made in conceptualization and measurement of market orientation and its impact on business performance.

According to **Gray, Buchanan and Mallon (2003),** the management of market intelligence by employing distinct dynamic capabilities of the organization results into superior organizational and financial performance.

Understanding customers is a much debated area among business practitioners and academicians alike. In a rapidly changing world, customer-centric innovations are regarded as vital sources for attaining competitive advantage **(Prahalad and Krishnan, 2008)**. For the last few decades, market orientation has remained a pivotal theme of published works not only in the marketing literature but in strategic management also. It lies at the core of marketing philosophy and has been one of extensively studied constructs in the marketing discipline since the early nineties (Stoelhorst and Raaij, 2004).

Methodology

Survey Research

The survey method used to collection of descriptive information directly from the companies involved in market orientation process. To quantity the concept and measure its relationship with performance measure, a number of authors has developed clearly defined sets of questionnaire items (Cadogan 1999; Deng and Dart 1994; Jaworski and Kohli 1993; Kohli and Jaworski 1993; Narver and Slater1990; Narver and Slater 1993; Slater and Narver 1994) Aside from some variation, the two instruments, MARKOR (Jaworski and Kohli 1993) and MKTOR (Narver and Slater 1990) include measures of a firm's active interaction with market dynamics and organisational readiness and flexibility require to change with the current market scenario. On the bases of these two instruments, a small questionnaire has been prepared to collect the status of the market orientation in their organisation. This questionnaire has 15 questions contain the rating scale from 1 to 5. The data has been collected from personal meeting and mail questionnaire. Random sampling technique has been used to collect data.

The marketing orientation scale has development for gathering both the secondary and primary data to measure the status of market orientation in the firm. For that purpose, the following scale has been developed.

Market Orientation Scale:

For each of the following questions, there are five options anchored by descriptive phrases, you need to tick (√) only one option in order to complete in a way that describe what is going on in your business.

Status of Market Orientation	1	2	3	4	5
Q-1: Our firm gives a **(moderate 1 2 3 4 5 extreme)** amount of attention to after sales service.					
Q-2: Our firm is **(somewhat slow 1 2 3 4 5 very fast)** in detecting fundamental changes in customer preferences, competitive strategies, and other major changes in our industry.					
Q-3: Our firm responds **(somewhat slowly 1 2 3 4 5 very fast)** to negative customer satisfaction information.					
Q-4: Our firm measures **customer satisfaction** **(occasionally 1 2 3 4 5 systematically).**					
Q-5: Our salespeople **(occasionally 1 2 3 4 5 frequently)** share competitor information with all of the other departments of the company.					
Q-6: We **(occasionally 1 2 3 4 5 systematically)** take advantage of targeted opportunities to take advantage of competitors' weaknesses.					
Q-7: In our firm, we understands how the entire business can contribute to creating customer value **(disagree 1 2 3 4 5 agree).**					
Q-8: Is your firm putting the customer's need in the center of all firm's activities. **(moderate 1 2 3 4 5 extreme)**					
Q-9: Is your firm located within the reach of your customer and good networking. **(moderate 1 2 3 4 5 extreme)**					
Q-10: Are you satisfied with your firm's performance by selling a variety of products or offering a variety of service. **(Disagree 1 2 3 4 5 Agree)**					

Q-11: Are you monitoring the level of commitment and orientation to serving customer's needs. **(moderate 1 2 3 4 5 extreme)**					
Q-12: All activities of the different departments in your firm are well coordinated? **(moderate 1 2 3 4 5 extreme)**					
Q-13: Is the top management team regularly discussing about competitive market' strength and strategies. **(Disagree 1 2 3 4 5 Agree)**					
Q-14: Are you surveying the end users at least once in a year to assess the quality of your product and services. **(Disagree 1 2 3 4 5 Agree)**					
Q-15: In your firm, are you meeting to your customer at least once in a year to find out what products they will require in near future. **(Disagree 1 2 3 4 5 Agree)**					

Analysis & Result

With the reference of market orientation scale used for analyzing the current status of about the 71 companies surveyed during the research. Interpretation has been done on the bases of their response on each and every question asked to find out the status of the market orientation of the companies.

Question no. 1 asked about the attention to after sales service from **(moderate 1 2 3 4 5 extreme)**, 34 companies has given the rating 3, 7 companies rated 4 and rest companies rated 2. It shows that follow-up has important place to keep the customer for long run for continued benefit.

Question no. 2 asked about the fundamental changes in customer preferences, competitive strategies from **(somewhat slow 1 2 3 4 5 very fast),** 30 companies has given the rating 3, 17 companies rated 4 and rest companies rated 2. It shows that companies are not thinking about the customer preference and strategies.

Question no. 3 asked about the respond to negative customer satisfaction from **(somewhat slowly 1 2 3 4 5 very fast),** 39 companies has given the rating 3, 10 companies rated 4 and rest companies rated 2. It shows that companies are not handling the unsatisfied customer properly and losing the customer and business.

Question no. 4 asked about to measures customer satisfaction from **(occasionally 1 2 3 4 5 systematically),** 45 companies has given the rating 2, 20 companies rated 4 and rest companies rated 2. It shows that the companies does not having the criteria to measure customer satisfaction.

Question no. 5 asked about salespeople share competitor information with all of the other departments of the company from **(occasionally 1 2 3 4 5 frequently)**, 42 companies has given the rating 3, 9 companies rated 4 and rest companies rated 1. It shows that sales people are not sharing the competitor information within the different department of the company.

Question no. 6 asked about to take advantage of competitors' weaknesses from **(occasionally 1 2 3 4 5 systematically)**, 54 companies has given the rating 3, 12 companies rated 4 and rest companies rated 2. It shows that companies are taking advantage of competitor's weakness.

Question no. 7 asked about to creating customer value from **(disagree 1 2 3 4 5 agree)**, 42 companies has given the rating 3, 10 companies rated 4 and rest companies rated 2. It shows that companies are less bother about creating the customer value.

Question no. 8 asked about customer's need in the center of all firm's activities from **(moderate 1 2 3 4 5 extreme)**, 31 companies has given the rating 3, 15 companies rated 4 and rest companies rated 2. It shows that very few companies are keeping customer's need in the center of firm activities.

Question no. 9 asked about reach of your customer and good networking from **(moderate 1 2 3 4 5 extreme)**, 29 companies has given the rating 2, 12 companies rated 3. It shows that most of the companies are not connected with customer directly. Companies are also dealing with agent/ mediator to the order.

Question no. 10 asked about performance by selling a variety of products from **(Disagree 1 2 3 4 5 Agree)**, 43 companies has given the rating 3, 16 companies rated 4 and rest companies rated 2. It shows that companies are thinking to make variety of products to generate more business.

Question no. 11 asked about level of commitment and orientation to serving customer's needs from **(moderate 1 2 3 4 5 extreme)**, 33 companies has given the rating 3, 23 companies rated 4 and rest companies rated 2. It shows that level of commitment is high within the companies and trying to fulfil the need of the customer.

Question no. 12 asked about activities of the different departments are coordinated from **(moderate 1 2 3 4 5 extreme)**, 39 companies has given the rating 3, 9 companies rated 4 and rest companies rated 2. It shows that activities of the different department are not coordinated well so it increases the cost of the product and process. It means that a company has to compromise with profit.

Question no. 13 asked about top management team regularly discussing about competitive market' strength and strategies from **(Disagree 1 2 3 4 5 Agree)**, 34 companies has given the rating 3, 27 companies rated 4 and rest companies rated 2. It shows that companies are regularly discussing about the competitive market.

Question no. 14 asked about surveying the end users at least once in a year to assess the quality of your product and services from **(Disagree 1 2 3 4 5 Agree)** , 54 com-

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panies has given the rating 3, 17 companies rated 4 and rest companies rated 2. It shows that companies are not conscious about surveying the end users.

Question no. 15 asked about meeting to your customer at least once in a year to find out what products they will require in near future from **(Disagree 1 2 3 4 5 Agree)**, 54 companies has given the rating 3, 15 companies rated 2. It shows that few companies are meeting the customer at least once in a year. It means that companies does not know about the requirement arise in future.

Conclusion

The aim of the study is to find out empirical evidence concerning the nature of the market orientation-business performance influenced by environmental factors. There are many other factors are involved for the development of the business. It is important to rectify internal factor first.

In general, it finds that a market orientation is associated with higher business performance for manufacturing firms across all dimensions of performance. The market orientation and business performance relationship can be seen to hold in these firms where performance is related to competitors. Market scenario changes have changed the performance the role of market orientation. The research shows that companies are not conscious about the product innovation and having low proximity with the customer. It is important for the companies to develop the high standard of different products which help to satisfy the customer in long run and able to generate good business.

This can be conclude that textile firms need to be aware that while market orientation and factors in their business environment together can directly influence performance the link between market orientation and performance may be sensitive to the industry. Market orientation is important to competitive performance of the textile sectors.

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