The Impact of Market Orientation and Organizational Culture on the Performance: Case Study of SMEs

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Abstract: The purpose of this paper is to analyze the simultaneous effect of market orientation and organizational culture on the small to medium-sized industrial manufacturing firms’ performance and to identify the most important routes influencing their performance. Here, a cross-sectional survey and variance based structural equation modeling is used for testing the hypotheses. The samples were selected based on a stratified sampling of commodity and specialty industries and consisted of 392 executive and marketing managers of small to medium-sized industrial enterprise located in Tehran province. The total structural model of the study conceptual framework is estimated using structural equation modeling. Compared to organizational culture, Results show that market orientation plays a more important role in influencing the financial performance of the industrial SMEs. Moreover, the results of the present study indicate that market trends are to some extent aroused by organizational culture in these organizations and managers’ customer performance activities don’t affect the financial performance. Here, sample firms are eager to be customer oriented but they cannot acquire them or didn’t know how to satisfy them. The cross-sectional research design, the regional nature of the sampled firms and subjective nature of the performance measures may limit the generalizability of the findings. The value of the paper is to provide unique knowledge about the organizational culture effects in Small to medium-sized businesses against other larger organizations. Also, the paper provides insights of the effect of market orientation and customer performance on financial performance in Iranian SMEs.

JEL Classifications: L25, M14, M31
Keywords: Market orientation, Organizational culture, Financial performance, Customer performance, SME

1. Introduction

Small to medium-sized enterprises (SMEs) are the life blood of modern economies. (Ghobadian and Gallear, 1996) and considered to be the engine of economic growth and employment (Collinson and houlden, 2005; Radas and Bozic, 2009). These organizations constantly face challenges as they react to changing environmental factors such as the emergence of worldwide markets and standards for better product quality, demands for faster delivery times and closer business partnerships (Gupta and Cawthon, 1996). It is well documented that SMEs have unique characteristics that differentiate them from marketing operation in large organizations (e.g. Ghobadian and Gallear, 1996; Raju et al., 2011). These characteristics may be determined by the inherent characteristics and behaviors of the entrepreneur or owner/manager; or may be determined by the inherent size and stage of development of the enterprise. Such limitations can be summarized as: limited resources (such as finance, time, and marketing knowledge); lack of specialist expertise
(owner-managers tend to be generalists rather than specialists); and limited impact in the
marketplace. Thus, because of the way an owner manager does business, SME marketing is likely
to be haphazard, informal, loose, unstructured, spontaneous, reactive, built upon and conforming to
industry norms (Gilmore et al., 2001) and what is confirmed in larger companies may be appear in
other forms in these kinds of firms.

SMEs are often neglected in the context of business and society theory building (Kusyk and
Lozano, 2007). So, in order to keep away these issue and encouraging the diffusion of the
marketing knowledge and the adoption of a marketing approach in Iranian SMEs, it is important to
investigate whether and to what extent the marketing concept such as market orientation and
customer performance and cultural components possessed by SMEs effecting financial performance.
On the other hand, understanding whether and how certain marketing and cultural factors influence
the SMEs’ intention to adopt a marketing approach is likewise important. In reply to these research
questions, the present research preliminarily is to analyze the simultaneous effect of market
orientation and organizational culture on the small to medium-sized firms’ performance and
identifying the most important routes that impressing their performance. There are several studies
considered organizational culture and market orientation effects in large companies (Narver and
Slater, 1990; Deshpande and Farley, 1998; O’Cass et al., 2005; O’Cass and Ngo, 2007a; Lee et al.,
2008; Hajipour et al., 2010) but in small to medium manufacturing firm level, the issue is still
debated and one can expect the role of MO and OC in SMEs to be quite distinct from that in larger
organizations.

To address these objectives, we first provide a broad theoretical context. Then we
conceptualize directional relationships between particular higher-order marketing capability (market
orientation) and organizational culture and then between performance variables (including customer
and financial) with each other. The developed conceptual framework analyzed by the structural
equation modeling and by conceptualizing the relationship from marketing and cultural capabilities
to performance variables. The total structural model is estimated using structural equation modeling
(PLS software) with a sample of 392 Iranian Small to medium-sized Business managers.

2. Literature Review

2.1 Market Orientation

Market orientation (MO) is the focus of a firm that treats marketing as a cross-functional
responsibility where meeting customer needs is an overriding priority for the entire organization
(Narver and Slater, 1990). Researchers in marketing suggest that market orientation is a set of
specific behaviors and activities (Kohli and Jaworski, 1990), a resource (Hunt and Morgan 1995), a
basis for decision making (Shapiro, 1988), or an aspect of organizational culture (Deshpande,
Farley, et. al, 1993; Slater and Narver, 1995).

According to the behavioral theory of Narver and Slater (1990), market orientation consists of
three behavioral components: customer orientation, competitor orientation and interfunctional
coordination and two decision criteria including profit objective and long term focus. Customer
orientation and competitor orientation include all of the activities involved in acquiring information
about the buyers and competitors in the target market and disseminating it throughout the business
(es). Considering customer needs allows a company to provide superior value and higher levels of
customer satisfaction. Simultaneously concentrating on competitors and routinely discussing
competitor strengths and weaknesses rapidly allows to response competitive threats. Interfunctional
coordination refers to the integration of all firm members in meeting customer needs and is based
on the customer and competitor information and comprises the business’s coordinated efforts,
typically involving more than the marketing department to create superior value for the buyer. In
spite of Smallness and newness liabilities, SMEs are often highly market oriented and known to
compete effectively with larger organizations, making it valuable to gain a better understanding of
MO in the SME environment (Raju et al., 2011)
Market orientation is valuable because it focuses organizations on frequent data collection regarding the needs of target customers and the capabilities of competitors and applying this information in order to create permanent and superior values for customers (Slater and Narver, 1995). Deshpande et al. (1993) believe that market orientation is an organizational culture which leads to the creation of necessary behavior for forming superior values on behalf of the customer in the most effective and efficient way, and thus it brings a better and more consistent performance for that business. In this study, MO measured by using Narver and Slater (1990) framework and by considering Coltman et al. (2008) empirical and theoretical considerations about this concept; we conceptualize MO as formative construct.

2.2 Organizational Culture

Culture is a dynamic concept that almost everyone within the culture understands at some level. Scholarly descriptions and definitions tend to fall into broad categories. All authors agree that culture must exist as a function of the cognitive apparatus (Brooks, 2008). Organizational Culture is a set of common values and beliefs which assist the members of the organization in understanding the functions of that organization and set norms for their behavior in the organization (Deshpande et al., 1993). The desire to create superior value for customers and attain Sustainable Competitive Advantage (SCA) drives a business to create and maintain the culture that will produce the necessary behaviors (Narver and Slater, 1990). The prevailing cultures in SMEs and large organizations also differ because of the span of activities, geographical dispersion, the age of the organization and existing precedence. The prevailing culture gives rise to specific decisions, policies and activities. Culture is highly informal and perceptual, but usually dictates what activities or behaviors are necessary to become successful in a particular organization (Ghobadian and Gallear, 1996).

Few studies of cultural environments within SMEs exist (Brooks, 2008). Ghobadian and Gallear (1996) confirmed that implementing TQM in SMEs is easier than larger organizations and because of the nature of these firms; there is little resistance to change. It is specified that effective SMEs must have an organizational design and culture enabling them in responding to challenges created by changing technologies and markets (Gupta and Cawthon, 1996).

Although a number of typologies, categorizations and instruments for measuring organizational culture exist, there is little agreement on which ones are more appropriate or superior to the other. Hence, for the purpose of this study, the Wallach (1983) Organizational Culture Index (OCI) has been used. Wallach (1983) classified organizational culture profiles as bureaucratic, innovative and supportive, and each of the three profiles is assigned 8 items in the OCI. According to Wallach (1983), a bureaucratic culture is hierarchical and compartmentalized. Such organizations are stable, cautious, usually mature, power-oriented, established, solid, regulated, ordered, structured, procedural and hierarchical. An innovative culture refers to a creative, results-oriented, challenging work environment. It is characterized as being entrepreneurial, ambitious, stimulating, driven and risk-taking. A supportive culture exhibits teamwork and a people-oriented, encouraging, trusting work environment. Supportive cultures are characterized as open, harmonious, trusting, safe, equitable, sociable, relationships-oriented, humanistic, collaborative, and likened to an extended family.
3. Hypotheses

In a general sense, market orientation (MO) pertains to an organizational culture that emphasizes aspects such as customer orientation, competitor orientation, interfunctional coordination, and responsiveness as keys to organizational success (Kohli and Jaworski, 1990; Narver and Slater, 1990). Traditionally, the marketing literature has considered MO to be a key part of organizational culture and two rival viewpoints exist regarding the relationship between these concepts (O'Cass et al., 2005). Although Kohli and Jaworski (1990) show some of the literature that links organizational norms and values to the marketing concept, they do not indicate that market orientation is an aspect of culture but, Slater and Narver (1995) clearly assert that market orientation (1) is an aspect of organizational culture, (2) is inherently a learning orientation, and (3) requires more research to understand the norms and values that enhance both it and organizational learning. In this study it is argued that possessing a certain type of organizational culture enables the organization to be market oriented. The central logic behind this claim is that organizational culture consists of common values and beliefs which assist members in understanding opportunities and determining the effects of organizational behavior (Deshpande et al., 1993).

The relationship between Market orientation component and Culture typology is little investigated but confirmed in previous studies. For example, Yam et al. (2011) emphasize that change for market orientation involves the adoption of market oriented behavior that relies on the availability of a supportive culture and climate. The positive relationship between MO and Innovative Culture is also verified in big companies at micro Brand level (Ocass and Ngo, 2007 a, b). Findings of Singh et al. (2004) show that, it is necessary for a company to cultivate a culture to achieve and maintain superior performance by developing high-quality products that are specific to customer needs. They should develop a customer-oriented culture before they endeavor to become competitor oriented. Also Martin et al.(2003) illustrate that having information is not enough to drive supplier relationships; and, Supply Chain Management is related to having a culture that fosters cross-functional sharing of information. To be willing to share information with suppliers, the company must have a culture for sharing information internally across functional areas of the firm. Other contributions have paid attention to the role of corporate culture in creating and implementing MO (e.g. Megicks et al., 2008; Pelham, 2009; Deshpande et al., 1993). Hence,

**H1: Organizational culture (OC) has a significant effect on market orientation (MO)**

Market orientation is the implementation of market culture which emphasizes on the market's superiority and competitiveness (Deshpande et al., 1993). Narver and Slater (1990), and also Kohli and Jaworski (1990, 1999), have conceptualized market orientation and show that market orientation, affect customer performance and financial performance. The Narver and Slater’s aspects of market orientation have a close relationship with actions taken regarding performance. According to Kohli and Jaworski (1990), market orientation creates the foundation for a better performance acquisition along with integrating the main focus on efforts and projects that handled by personnel and organizational units. In other words, it seems that the advantage of market orientation is that it creates a potential basis for higher performance of a company compared to its competitors.

Raju et al. (2011) provide a summary of sixteen recent studies that have examined the MO–Performance relationship in the SME context. Thirteen of the sixteen studies support a direct and positive relationship between MO (and its components) and performance. Generally, the MO–Performance correlations in these studies range from 0.20 to 0.44. The First market orientation studies concentrated on the relationship between with firm financial performance. Dawes (2000) found that there are only 3 from 36 scholarly studies have no significant relationships between market orientation and firm performance. Moreover, Ellis (2006) concluded around 10% of the U.S. firms’ performance change can be attributed to market orientation (see Raju, 2011). Finding of initiative Singh and Ranchhod (2004) tool for measuring MO in British SME Machine tools
industry demarcated that out of four latent dimensions underlying the market orientation, customer orientation and customer satisfaction orientation have a stronger impact on performance than the other dimensions, and competitor orientation has a U-shape relationship with performance. The findings of a major study that investigates the relationship between market orientation and performance in small UK retailers through an empirical analysis of survey data indicate market orientation and performance are positively related and the customer strategy focus of small retailers is the key determinant of success compared with other components of market orientation and environmental influences (Megicks and Warnaby, 2008). Similar to other studies (Lee at al., 2008; Hajipour et al., 2010) we break performance into two distinct construct namely customer and financial Performance. Therefore,

**H2: Market orientation has a significant effect on customer performance (CP)**

**H3: Market orientation has a significant effect on financial performance (FP)**

The basic paradigm underlying the notion that culture affects performance is based upon a few key ideas. The first is that culture affects goal attainment and companies with ‘strong’ cultures are more likely to achieve their goals than those with relatively ‘weak’ cultures. The other performance-based ideas that affected by corporate culture are organizational effectiveness (Deshpande and Farley, 1998; O’Cass and Ngo, 2007b) or success models, critical organizational development area or key strategic building block of successful organizations (Flamholtz, 2001). Using cross sectional data, Kotter and Heskett (1992), found that corporate culture has a significant impact on the firm’s long-term financial performance. In culture categorization by Deshpande et al. (1993), innovative culture through directing the market and the help of its innovative suggestions provides a capacity for the organization to create opportunities for itself to increase financial performance to a higher level compared to competitors who only react to the market. While considering some previous studies which pay attention to the relationship between Cultural component and financial performance Flamholtz and Kannan-Narasimhan (2005) provides empirical evidence that some elements of an organization’s culture have a differential impact on the firm’s financial performance. They showed only Four of the six factors (customer focus, corporate citizenship, performance standards and identification with the company which identified in their empirical analysis) were found be directly influencing the financial performance. So, it will be very unique study if we can differentiate between Wallach Cultural Component in effecting financial performance. The effect of innovative culture on financial performance has been proven in some studies (O’Cass and Ngo, 2007 a, b) but there is a little attention to connect OC and FP in literature especially in small to medium-sized firms. Therefore,

**H4: Organizational culture (OC) has a positive impact on financial performance**

SMEs should be encouraged to use performance indicators for purely environmental reasons (Williamson and lynch-wood, 2001). In this study, performance has been measured by two constructs: financial performance and customer performance. If we care for some previous study, we can then conclude that customer performance is positively related to the financial performance (Lee et al., 2008; Homburg & Pflesser, 2000; Matear et al., 2002). Hence,

**H5: Customer performance has a positive impact on financial performance**

Considering the above mentioned criteria, the conceptual model of the study can be expressed as follows (figure 1). Similar to Pelham (1997) we did not include other variables in the model given the (1) number of parameters which would have to be estimated (2) size of our sample, (3) relatively homogeneous nature of the sampling frame of small to medium-sized industrial manufacturing firms.
4. Methodology

The study was based on a survey of industrial organizations in Iran. Questionnaire protocol was used as the primary means for data collection. The data collecting was limited to small to medium-sized industrial firms because of their importance as sources of innovation and job creation and to reduce the confounding influences of extent of diversification, firm structure, and relative ability to realize advantages of scale (Pelham, 1997). The analysis unit of this study is small to medium-sized industrial manufacturing firms. The research population consisted of all small and medium enterprise located in Tehran province. Based on the Central Iranian Statistical Information definition, small industries are defined as those having less than nine members; although industries having less than 50 personnel can be called SME companies (Talebi et al., 2007). According to the Ministry of Commerce (http://www.sme.ir) there are 8614 SMEs in Tehran province. But compared to the definition of SMEs in other studies (Raju et al., 2011; Collinson and Houlden, 2005; Pelham, 1997), we consider all the firms under 500 members as SMEs and other financial considerations like Revenue is not directly relevant to the conceptual framework in the paper.

The initial contact by tel., fax or E-Mail was made with organizations that participated in the study for identifying the name of senior marketing executives or senior manager of this organization as the key informant. Then, a questionnaire, with a cover letter, was sent to each manager. In this study senior manager or marketing managers were used as the key informants because of their specific knowledge about the phenomena being studied (O’Cass and Ngo, 2007a). Moreover, being considered as decision makers, executives are in appropriate positions to respond and adapt to market changes and foster the culture of the firm. Supporting to this, a majority of similar research about market orientation have used marketing executives as key informants (e.g. Kohli and Jaworski, 1993; Pelham, 1997; O’Cass and Ngo, 2007a, b; Hajipour et al., 2010).

5030 industrial manufacturing firms were selected from Iranian Ministry of Commerce Directory to receive mail and fax survey. These firms were selected on the basis of personnel number (under 500), ownership (wholly owned), and industry environment (50% commodity and 50% specialty). The commodity products industries selected were plastics, fabricated, basic metals, and chemicals. The specialty product industries selected were instruments, machinery, and electronic/electrical equipment. A stratified sampling of commodity and specialty industries was used to provide sufficient variance for market and cultural variables. Out of 535 received questionnaires, 87 were excluded due to not be manufacturing and being service one, 41 due to being useless, and 15 due to multiple responses. Ultimately, 392 questionnaires were could be used for statistical data analysis. This low response rate was due to the sampling frame of presidents of small to medium-sized companies who tend to be reluctant to respond to academic researches because of time pressures and uninteresting to answer questions about firm performance. The respondent characteristics can be seen in Table 1.
Table 1. The descriptive data of samples

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<th>Characteristics</th>
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<td>Gender</td>
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<td>men</td>
<td>325</td>
<td>82.9</td>
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<tr>
<td>women</td>
<td>67</td>
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<tr>
<td>Education level</td>
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<tr>
<td>Associate degree or lower</td>
<td>190</td>
<td>48.5</td>
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<tr>
<td>Bachelor's degree</td>
<td>119</td>
<td>30.4</td>
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<td>Master's degree</td>
<td>79</td>
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This study has adopted the practices of prior research when formulating its research variables and the details of these variables used in this study are listed as below:

Market Orientation: In this paper, Narver and Slater (1990) instrument was initially adapted for SMEs setting. Some authors have used this construct as combining of other studies (Raju et al., 2011), but in this study, the Narver and Slater index was used to measure market orientation in formative manner (Coltman et al., 2008). In this index a seven-point Likert scale (1=strongly disagree; 7=strongly agree) is used to evaluate its three main components (customer orientation, competitor orientation and interfunctional coordination. Each of these three components has three items.

Organizational Culture: The popular 24-item OCI by Wallach (1983) has been used for the purpose of this study. Wallach (1983) classified organizational culture profiles as Bureaucratic, Innovative and Supportive, and each of the three profiles is assigned 8 items in the OCI. Respondents were asked about how they perceive their organization’s culture. A four-point Likert scale was used, ranging from “does not describe my organization” valued as a “1” to “describes my organization most of the time” valued as a “4”. The scores were added up for every profile, and an observation was assigned to the profile with the highest mean score.

Customer performance: customer performance is conceptualized as a performance which can enhance through continuous relationship between the customer and an enterprise. Customer performance consists of customer acquisition, customer maintenance, customer satisfaction, customer awareness, customer image about the company and etc. In order to measure customer performance, we used the items developed by previous studies and used in some recent works (Lee et al., 2008, Hajipour et al. 2010).

Financial performance: financial performance is conceptualized as evaluating financial ratios related to a special firm which is analyzed by the executive and marketing manager. In order to measure financial performance four items related to sales growth, profit, market share and return on investment were asked.

5. Results

5.1 Assessing the Measurement Constructs

In total 392 questionnaires were recognized usable. Descriptive statistics (Table I) show 83% respondents are men and a big proportion of the study sample formed with Associate degree or lower (48.2%). This paper has two model measurements (reflective and formative). As empirical and theoretical consideration of Coltman et al. (2008) proved we should estimate MO and OC by Formative measurement model and CP and FP by reflective one.

Reflective measurement models should be assessed with regard to their reliability and validity. Usually, the first criterion checked is internal consistency reliability (i.e. Cronbach α). An internal consistency reliability value above 0.7 is satisfactory (Nunnally and Bernstein, 1994), whereas a value below 0.6 indicates a lack of reliability. Cronbach α amount for customer performance and
financial performance in this research was respectively 0.93 and 0.88. For the assessment of convergent validity we used Fornell and Larcker (1981) criterion (Average Variance Extracted). An AVE value of at least 0.5 indicates sufficient convergent validity, meaning that a latent variable is able to explain more than half of the variance of its indicators on average. In this study customer and financial performance AVE was respectively 0.66 and 0.74. Cross Loading method selected, for assessing discriminate validity. If an indicator has a higher correlation with another latent variable than with its respective latent variable, the appropriateness of the model should be reconsidered. As showed in Table 2, discriminate validity is also confirmed.

<table>
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<th>Table 2. Results of cross loading</th>
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Bollen (1989) and Bagozzi (1994) emphasize that traditional validity assessments and classical test theory do not apply to manifest variables that are used in formative measurement models and that the concepts of reliability (i.e. internal consistency) and construct validity (i.e. convergent and discriminate validity) are not meaningful when a formative model is employed. The less important reliability becomes, the more pivotal it is to secure validity (see Henseler et al., 2009). A first examination of the validity of formative indicators should use theoretic rationale (as mentioned in theoretical section) and expert opinion (by using two marketing associate professor and two executive mangers). A second assessment of the formative constructs validity is analyzing the statistical results in two levels: Construct level and Indicator level.

At the construct level, we used Nomological Validity. Similar to Argyropoulou et al. (2011), this was taken into account through a rigorous literature review as mentioned above. At the indicator level, Variance Inflation Factor (VIF) used. Non-collinearity is reflected in the VIF with values of less than 5 (Moliner, 2009). For MO the collinearity value was between 1.9-2.38 and this value for OC was between 1.02-1.07. It means collinearity is not a problem in this case.

5.2 Assessing the Structural Model and Hypotheses Evaluation

Reliable and valid outer model estimations permit an evaluation of the inner path model estimates. The essential criterion for this assessment is the coefficient of determination (R²) of the endogenous latent variables. R² value for MO, CP and FP respectively equal to 0.348, 0.674 and 0.391. The individual path coefficients of the PLS structural model can be interpreted as standardized beta coefficients of ordinary least squares regressions. Structural paths, whose sign is in keeping with a priori postulated algebraic signs, provide a partial empirical validation of the theoretically assumed relationships between latent variables. Paths that possess an algebraic sign contrary to expectations do not support the a priori formed hypotheses. In order to determine the confidence intervals of the path coefficients and statistical inference, resampling techniques such as bootstrapping (numbers which in parenthesis) used (Henseler et al., 2009). The structural assessment of study model can be seen in figure 2.
The testing results are shown in figure 2. In terms of statistical significance, sequential impacts are clearly revealed. For financial performance, customer performance and organizational culture are not the major factor but for customer performance, market orientation is the major factor. It can be understood from this result that financial performance was only influenced by market orientation component and having customer orientation on market orientation structure of small industrial manufacturing firms is more influence than competitor orientation and interfunctional coordination.

Similarly, for market orientation, organizational culture plays the important role. This finding is consistent with some explanation that emphasize on market oriented culture (Yam et al., 2011; Singh and Ranchhod, 2004; Martin and Grbac, 2003). Therefore, H1, H2, and H3 are supported. Other proposed hypotheses, H4 and H5 are not supported.

A direct contribution of market orientation to customer performance (H3) is supported for small to medium-sized industrial firms. This result is consistent with Lee et al. (2008) in B-C environment. The Additional analysis shows that a path between market orientation and financial performance (H2) is significant and positive comparing to the path between organizational culture and financial performance (H4). This means for small industrial firms, market orientation plays greater role in terms of financial measures and organizational culture doesn’t affect the performance of the SME firms. In fact organizational culture shows its value only in impacting market orientation (H1).
Furthermore, H5 (a path between customer performance and financial performance) is not supported. The result is not consistent with previous studies (Lee et al., 2008; Homburg & Pfessler, 2000; Matear et al., 2002) who suggest that financial performance is influenced only by customer performance, but align with Hajipour et al. (2010).

6. Conclusion and Discussions

Small to medium-sized enterprises (SMEs) are the lifeblood of modern economies. (Ghobadian and Gallear, 1996) and considered to be the engine of economic growth and employment (Collinson and Houlden, 2005; Radas and Bozic, 2009). While most studies on market orientation and organizational culture practices in marketing have been focused on larger businesses, no attempt has yet been made to evaluate these concepts practices by SMEs. So, it seems to be very interesting to see the result of applying marketing concepts in small to medium-sized firms. Especially, because of the little attention allocated to these enterprises.

The purpose of this paper is to analyze the simultaneous effect of market orientation and organizational culture on the small and medium-sized industrial firms’ performance and identifying the most important routes influencing their performance. In long with many marketing studies that have been focused on the systematic implementation of market orientation which leads to better performance, the focus of this study is the research limitations related to the relationship between market orientation, organizational culture and performance all together.

The results show that unlike other studies (Flamholtz, 2001; Flamholtz and Kannan-Narasimhan, 2005; Kotter and Heskett, 1992) there is not a statistically significant relationship between culture and financial performance in the Iranian Small to medium-sized Industrial manufacturer and the important factor steering them to better performance is market orientation. Perhaps the reason may be a few people working in these firms and managers didn’t see much use in implementing and applying organizational culture. It may be also concluded that traditional and religious dominant culture didn’t allow any other supportive or innovative culture to be emerged. As figure 2 illustrated, the dominant culture of small to medium-sized industrial manufacturer in Iran is bureaucratic culture and in this sub-culture little innovative idea could grown (Wallach, 1983). So, it needs a further investigation to determine why does this situation exist? And how does industrial firms being innovative and presenting great ideas.

These results develop our understanding of the positive effect of market orientation on performance. Unlike to Lee et al. (2008) the relationship between market orientation and financial performance was confirmed. Therefore, it can be stated that market orientation influences performance directly and not through other constructs such as customer performance. Secondly, it is evident that organizational culture a vital prerequisite for market orientation. This conclusion is consistent with many studies that have confirmed the relationship between organizational culture and market performance (Megicks and Warnaby, 2008; Pelham, 2009; Deshpande et al., 1993; Yam et al., 2011; Singh and Ranchhod, 2004; Martin and Grbac, 2003). Therefore, that organizational only facilitate market oriented behavior of small to medium-sized industrial firms and doesn’t impact on financial performance. This finding confirms several recent viewpoints regarding the relationship between organizational culture and market orientation which believe market orientation as an organization culture-related (Narver and Slater, 1990; Kohli and Jaworski, 1990; Slater and Narver, 1995; and O’Cass et al., 2005).

A highly developed market oriented culture offers the small to medium-sized firms a means of competitive advantage when competing with larger firms. Market oriented small to medium firms can exploit their inherent flexibility under conditions of rapid environmental change to out-maneuver larger competitors. These markets oriented firms can also exploit greater firm-wide understanding of customers to provide creative products to customers in selected, defensible market niches. Despite lower resources, compared to larger rivals, small and medium-sized firms who develop strong cross-functional relationships with customers should see the positive cumulative
effect of incremental, but significant, value-enhancing modifications. The results of this study suggest that in small and medium industrial manufacturing firms, where pursuit of a niche strategy is appropriate, market orientation is very important ingredient to meet customer needs, ultimately financial performance, and organizational culture only effects the market orientation. SMEs should treat investments in efforts designed to increase the market orientation and organizational culture supporting MO as investments, realizing that it will take time to realize the ultimate return on those investments, namely improved their performance variables. In the short term, these efforts should be seen as a cost to maintain the firm most valuable asset, namely the satisfaction of its customer base.

The relationship between market orientation and customer performance is still very strong and considerable, as expected. This is very important for small and medium enterprises. Considering that the above mentioned issues, we suggest small and medium-sized manufacturing firms to be aware of the importance of market orientation and its influence on customer performance and that market orientation leads to a better performance not only through financial routes but also via customer performance. Another considering in these texts is not supported relationship between two performance variables (H5): customer and financial. It may be raised by little knowledge about the importance of customer acquisition, customer maintenance, customer satisfaction, customer awareness, customer image about the company and etc among small and medium-sized industrial managers. Suggesting more investment on customer acquisition, satisfaction, firm’s publicity, Brand building and other promotional activities must be taken by these firms. Because sample firms are eager to be customer oriented but they cannot acquire them or didn’t know how to satisfy them.

While this paper has provided a basic conceptual framework that could be useful to study MO and OC in the context of SMEs, considerable potential exists for future research to improve the framework and elaborate on the role played by the major constructs. Future testing of this framework with respect to individual constructs would enable us to better understand the role played by OC and MO in SMEs and provide specific recommendations to improve SME performance. Contrasting the results for small and medium-sized firms vis-a-vis larger organizations using the conceptual framework could also be useful in this regard.

With respect to the specific relationships proposed in the conceptual framework, the exploration of the following types of issues would be quite useful: first, how do structural antecedents and other cultural variables impact the MO in SMEs? How can SMEs create an organizational culture that facilitates MO? Second, how other mediating variables such as innovation, quality, entrepreneurship and moderating environmental condition effecting MO and OC used by small and medium enterprises? Third, what is the difference between the results of retesting the model in the heterogeneous industrial firms or different cultural situation existed in other countries? Future studies should investigate the measures and dimensions of MO and OC and the relationship of market orientation-organizational culture-performance in large and small consumer goods manufacturing, service and retail firms. For instance, in consumer goods manufacturing firms noted for substantially more market research and traditional domination by the marketing function, the market orientation-performance relationship may be weaker due the expected high prevalence of market orientation. The same supposition may be made for service firms based on greater firm wide contact with customers (Pelham, 1997).

Last but not least, one of the limitations of this study is that it is cross-sectionalal and therefore we cannot generalize the results. The use of cross-sectional data does not assist us in interpreting the time sequence of the relationships between market orientation, organizational culture and performance. Therefore, we suggest longitudinal studies be done to enhance our knowledge on the probable relationship between cause and effect. The other limitation of this study is the use of subjective scales for measuring performance. Moreover, acquiring data from managers (due to their different opinion compared to other stakeholders) limits the generalization of our study results. Future studies should assess the reliability of internal judgments of the firm's level of market orientation and organizational culture by comparison with the judgments of outsiders such as
distributors and customers. Customers can also provide a more objective judgment of explained constructs.

References


