

**Using the extended MARKOR scale in assessing market  
orientation and firm's performance**

**A study of Libyan manufacturing companies**

A thesis submitted to the University of Gloucestershire in accordance with the requirements  
of the degree of Doctor of Philosophy in the Faculty of Business Management

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## **Declaration**

I declare that the work in this thesis was carried out in accordance with the regulations of the University of Gloucestershire and is original except where indicated by specific reference in the text. No part of the thesis has been submitted as part of any other academic award. The thesis has not been presented to any other education institution in the United Kingdom or overseas.

Any views expressed in the thesis are those of the author and in no way represent those of the University.

Yusri A. Abdelsalam

Signed ....

.....Date ...04.10.2011.....

## **Acknowledgements**

*In the name of Allah, the Beneficent, the Merciful  
Praise be to Allah, Lord of the Worlds  
(The Holy Quran, 1: 1)*

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## **Dedication**

This dissertation is dedicated to my late parents (Adem and Hawa). Special appreciation goes to my beloved wife and my children (Hawa, Adem and Anas) who gave me encouragement and love, which has influenced my success. In addition, I dedicate this research to the souls of the martyrs of the revolution of 17 February in Libya.



## **Abstract**

Libya is seen by many investors from across the World as a market of immense potential even though the degree of openness of the Libyan market has until recently remained comparatively limited. There are signs now however, that the government is pursuing a more conciliatory approach towards foreign businesses. The Libyan authorities are now encouraging private-sector involvement and inward investment, but appreciate that a fundamental change in organisational culture will be necessary. Therefore the movement in Libya today, toward improvement in organisations and the Government has introduced liberalisation of the economy, and is creating stronger ties with the Western world, now that sanctions have been lifted. This change is exemplified by the greater scope allowed to private enterprise in the retail trade, small-scale industries and agriculture. There has been previous research carried out, into the ways that the competitive nature of all Libyan organisations can be improved.

There is a great need, in order to understand organisation's marketing capabilities and orientations, to investigate their validity in a wide variety of developing countries. However, there are only a few empirical studies which have investigated the development of MO in transitional economies and there is increasing pressure for the MO of organisations in these developing countries, where the process of economic diversification is taking place rather rapidly to be investigated (Anwar, 2008). This is mainly due to the fact that the contemporary research carried out in the West has provided evidence of strong links between MO and performance. There has been very little empirical research to investigate these links in developing countries with transitional economies.

The strategy for this research consisted of specific objectives that had been derived from the research questions and it was the nature of these which suggested the use of a non-

experimental fixed strategy such as a survey. The survey as a research tool has been widely used by others and is based upon the well-established statistical principles of sampling; additionally a survey offers a relatively simple and straightforward approach to the study of people's attitudes, values and beliefs. The MARKOR questionnaire allowed a tried and tested data collection tool to be used and as the most important aspects of such research are credibility, reliability and validity, the standardisation offered by the questionnaire provided a means to gather consistent answers to consistent questions. A group of these managers were subsequently interviewed at a different time when initial analysis of the quantitative data from the questionnaire prompted a set of follow-up interview questions.

From this research it can be concluded that there is evidence of a significant relationship between market orientation and perceived business performance. But there are currently various levels of market orientation being operated within the Libyan manufacturing companies surveyed. Furthermore there are very marked difference in the levels of market orientation present between companies from the different sectors and between companies operating in the private sector compared with those which are under state control.

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## **Chapter One**

### **Background to the area of Research**

#### **1.0- Introduction:**

The marketing environment which includes competitive, economic, political, legal and regulatory, technological and social cultural forces surrounds the customer and affects the marketing mix. The effects of these forces on buyers and sellers can be dramatic and difficult to predict. They can create threats to marketers, but they can also generate opportunities for new product and new methods of reaching customers, (Shaker et al, 2009).

Poor understanding of how to respond to intelligence about the external environment is why most organizations do not achieve their potential performance outcomes (Gummesson, 1998).

#### **1.1- Research Background:**

Marketing has been a topic of research for numerous academics as far back as the 1950's. Throughout the 1990's there were a variety of researchers working in this area, (Kohli and Jaworski, 1990; Narver and Slater, 1990; Ruekert, 1992; Deshpandé et al., 1993; Jaworski and Kohli, 1993; Slater and Narver, 1995; Gray et al., 1998; Day, 1999; Vorhies et al., 1999) perhaps the best known are (Kohli and Jaworski,; Narver and Slater;) for their work on the conceptualisation of market orientation.

Much of the confusion that has occurred over the years, in defining marketing and in the understanding of the marketing concept, results from a failure to make these three distinctions between marketing as a culture, as a strategy, and as a tactic. The biggest definitional problem is with the term market orientation that is used to explain a business culture or philosophy and having a market orientation which is the act of implementing that

philosophy. Although there have been studies into the impact of market orientation on business performance, (Slater and Narver, 1994a; Jaworski and Kohli, 1993; and Greenley 1995) associations were not always clear.

The main argument concerning market orientation revolves around whether it was either a cultural matter, a philosophy to be taken on, as well as a set of behaviours which, if introduced, would be of benefit to customers and the organisation. The thrust of the argument was that any firm which becomes market-oriented is one that successfully applies the marketing concept.

Verhoef and Leeflang, (2009) consider market orientation to be a philosophy which consists of three core aspects:

- customer orientation which requires companies to have an understanding of the psychological and social factors which determine the customer's action and identify the basic customer needs that they serve, and define their business accordingly.
- The integration of effort which will enable the firm to provide the value to meet customer needs, this includes the need to co-ordinate effort in terms of the elements of the marketing mix for each product.
- Organizational objectives including profitability which means that in adopting the marketing concept the organisation seeks to serve customer needs in order to meet its requirements for achieving objectives/profit. This is essential for long-term survival.

The review of the literature for this research has shown that market orientation is particularly advocated in corporate culture and in the mission statement, which puts markets, customers and competitors at the heart of the modus operandi of the organisation.

However, the achievement of market orientation can be rather difficult and in some cases the mere introduction of the 'trappings' of marketing into a company is not enough.

#### **1.1.1- Market Orientation:**

The phrase market orientation is preferred by many instead of marketing orientation, this is because market orientation (MO) indicates an entire organisation-wide application. Marketing orientation, on the other hand, tends to describe activities that are specific to the marketing department. The marketing concept should be seen by organisations as a philosophy that will allow any company to find organisational success through the determination and satisfaction of the needs, wants and aspirations of target markets (Blankson and Ming-Sung Cheng, 2005). In other words, any company that wants to be profitable and/or satisfy its organisational objectives, must first of all orientate itself towards satisfying the needs of its customers, and understand their wants, and aspirations, (Blankson and Ming-Sung Cheng, 2005). A market orientation will be derived for any company from the application of the marketing concept, demands that emphasis is placed on achieving the organisational objective of being competitive and profitable, by centring organisational philosophy on the identification of consumer needs, wants and aspirations and ultimately by delivering compatible offerings which are competitively better than that of the competitors.

Market orientation, as a philosophy, according to Pitt et al. (1996) is comprised of three core aspects, the first of which is customer orientation. This requires that companies have an overall understanding of the psychological and social factors which determine the customer's action. Additionally they must be able to identify the basic customer needs that they serve, and define the nature of their business accordingly. The integration of effort that will enable the company to provide the value to meet customers' needs includes the



need to co-ordinate effort in terms of the elements of the marketing mix for each product. Furthermore, because market orientation is an organisation-wide prescription, the whole company must be organised and co-ordinated in the service of the customer, in order to achieve its main organisational objectives. The first of which should be profitability, which means that in adopting the marketing concept the organisation seeks to serve customer needs in order to meet its requirements for achieving objectives/profit. This is essential for long-term survival.

The increased interest in this distinct market oriented organisational culture, coincided with a heightened awareness of the pivotal importance of an orientation towards the market, (Harris, 1998) and more recently marketing practitioners have been placed under increasing pressure to develop the necessary organisational culture that will be focused on, 'external market needs, wants, and demands,' (Harris and Ogbonna, 2001, p. 157). The conceptualisations of MO were dominated by theories from two main sets of researchers; the first theory was suggested by Kohli and Jaworski (1990) and is an information-based conceptualisation, where MO is seen as the collection, dissemination and response of a company to intelligence about the market. The second theory which is the culture-orientated approach saw MO as that culture within a company which most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and was suggested by Narver and Slater (1990). This culture-oriented approach led to a rebirth of the marketing concept as more managers recognised MO as being that organisational culture which most effectively and efficiently creates the necessary behaviours and superior value for buyers, which will lead to continuous superior performance for the business. However, despite some studies expressing an understanding of the effect of organisational culture on MO and business performances, authors including Denison, 1990; Gordon and

Di Tomaso, 1992; Wang and Ahmed, 2003 suggest that this relationship is not yet well understood.

### **1.1.2- Business performance:**

Having a market orientation on its own, might not be enough for most organisations but it is at least, the start of a much deeper process that may make it worthwhile if it alters business performance. Many academics and marketing practitioners have found that defining and measuring business performance is difficult, which has resulted in the concept having remained a problematic issue in business research (Fahy, et al., 2000). Performance might be defined as, “the extent to which a business operation has been able to achieve the objectives set out by the management based on measures such as profit margins, market share and return on investment” (Sin et al., 2005, p. 100). Business performance can also be interpreted, however as the consequence of the interaction between an organisations’ internal capabilities and external operating conditions. Therefore, it has been argued that there are other environmental influences on business performance which exist as well as, or even instead of market-oriented behaviours. The most effective way to combat both these internal capabilities and external operating conditions is to implement market or business planning. For a very long time now, marketing researchers have argued that organisations must implement the necessary procedures to closely monitor their external environment when considering the development of a strong market-oriented culture, as part of their investigation into the influence of the external environment on market orientation. There were four key factors to consider, Golden et al, (1995) which were: changes in demand, the obsolescence of certain products, pressures from competitive and product technology. These four key factors can be directly associated to four external factors, namely market growth/demand, market turbulence, competitive intensity and technological turbulence,

which were identified as potential moderators of the market orientation-performance link by Kohli and Jaworski (1990).

According to Langerak (2003) market turbulence is related to any change in an organisations make up of customers and their preferences. If the organisation operates in a market which is stable there is little or no benefit to a company in responding to changes in customer wants because starting to focus on customer satisfaction in these market circumstances would have little or no effect. An organisational culture in Libya just as in any other country results from the knowledge acquired by an organisations' employees and can be defined as, 'the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them norms for behaviour in the organization' (Deshpandé and Webster, 1989, p. 4). From a marketing perspective, however organisational culture varies along two dimensions, which are known as informal-formal and internal-external dimensions. The first dimension is related to an organisation's degree of structure (e.g., flexibility, spontaneity, facilitation of individual initiatives). The second or internal-external dimension focuses on the maintenance of the organisation's internal socio-technical system and on the improvement of its competitive position within the external environment, (Carrillat et al., 2004).

In the past there have been many studies carried out where the researchers contended that, MO is important to organisation because of its positive association with performance, (Appiah-adu, 1998). However there were only a few where a positive link was found. The majority of those studies that did report a positive association between MO and performance are based on (Narver and Slater, 1990; Jaworski and Kohli, 1993; Slater and Narver, 1994, 1995) and their work in US firms. There are few of these researchers, however, who have studied "the implementation of performance measures and made

observations with regards to the dynamic relationship between; performance measurement, organisational culture and management styles” (Bititci et al., 2006, p. 1332).

Even though most of the research into organisational culture recognises that it has an impact on performance, again this relationship is not well understood. Furthermore organisational structure dimensions have also been theorised as antecedents to improved organisational performance, as a consequence of market orientation. There have been multiple studies which have investigated these theorised relationships and returned inconsistent results, (Green et al., 2005).

### **1.1.3- The Libyan context:**

Historically in Libya the whole area of management has been affected by the fact that the extended family, clan, tribe, village and Islamic religion characterise the social environment (Aгнаia, 1997). All of these factors play a major role in the community’s life and people’s relationships with each other. Studies in international comparative management have highlighted the impact of industrialisation on developing nations and suggested that in their quest for economic progress, the developing countries like Libya would face managerial and social problems, (Aгнаia, 1997). In Libya management decisions have a tendency to be influenced by personal connections, community attitudes, beliefs and customs, in many of its procedures, such as staffing, selection and promotion. Libyan managers are accused of being more concerned about the creation of social relationships at the workplace than the job itself. Management procedures in Arab societies in general, are frequently influenced by “personal connections, nepotism, sectarian and ideological affiliation” (Aгнаia, 1997, p. 120). This may be because tribal traditions sanction consultation in the conduct of all aspects of life, as it is the practice of tribal societies that members of the entire kinship network should be consulted on matters important to their collective welfare (Abbas, 1997).

However, this tribal mentality and rivalry also encourages authoritarian approaches to dealings with non-kin, such as other tribes or other segments of society. This leads to the authoritarian organisational structures particularly apparent in most Arab organisations. Whether public or private, they are highly centralised and adopt this authoritarian structure, regardless of corporate strategy or technology. There is a growing belief, however that global conditions require that companies in transitional countries like Libya need to be ready to adapt their policies due to changes taking place in the surrounding environment. There are a great many countries just like Libya who have a transitional economy. The main feature of this type of economy is change in the proliferation of businesses and increased competition in the market-place. The effect of competitive intensity in these countries is a greater variety of choices for buyers Appiah-Adu (1998) which requires those organisations that wish to be competitive by clearly identifying customers' changing needs/preferences to respond accordingly. There may of course be some credence to the counter argument which is that an organisation which has a monopoly in the market-place may perform well, irrespective of changes instituted to satisfy customer preferences. This means that the benefits offered by MO are greater for those organisations operating in a highly competitive sector, than for their counterparts in less competitive sectors. Performance of the national economy, and any influence from of a national culture will also have possible impact on market orientation, (Pitt et al., 1996).

In order to enhance the general Libyan business environment the CERA Report 2006 recommended an acceleration and re-organisation of the reform of the banking sector in the country, in order to channel well-priced capital to productive enterprise. This would promote entrepreneurship which would catalyze innovation, risk-taking and business formation in Libya. The Report also suggested designing and implementing critical infrastructure and clarifying property rights to support economic development as well as

upgrading Libya's information and communication technology (ICT) infrastructure and developing its information management systems. However administrative hurdles and inefficiencies are materially retarding economic development and Libya also lags behind its Middle East and North Africa (MENA) peers on key governance indicators, such as corruption and regulatory quality. Libya must improve in these areas to provide the facilitating environment for greater economic and company competitiveness. Additionally, as it is at the microeconomic level, where wealth is actually created, and Libyan companies have to raise their level of sophistication by international standards across all sectors, public, private and small-to-medium enterprises (SMEs) according to the CAIMED Report 2009. Unfortunately the present Libyan business environment does little to enhance competitiveness and there is a desperate need for the physical infrastructure as well as employees' skills both to be improved. Customer demand is also limited in Libya due to the size of the market and the fact that it has been affected artificially by Libya's historic isolation and the price-focused purchasing policy of government bodies.

Finally, the researcher confirms that the all data and information included in this research, especially about the Libyan business environment, was collected before the revolution in Libya which began in February 2011. Therefore, the researcher expects that while a significant change may occur in the future with regard to Libya's business environment, which may have an effect on the findings of this study, it is also the case that factors such as culture, customs, tribal mentality and religion will only change over a long period of time and may not change at all. Accordingly, the researcher expects the results of the study to remain valid.

## **1.2- Research Questions, Objectives and Hypotheses:**

### **- The research questions:**

1. Does a significant relationship exist between large Libyan manufacturing firm's business performance and its degree of market orientation?
2. What is the current level of market orientation within large Libyan manufacturing firms?
3. Is there evidence that the level of market orientation of large Libyan manufacturing firms varies between sectors?

### **- The research objectives:**

1. To determine if a significant relationship exists between large Libyan manufacturing firm's level of MO and its perceived business performance, the literature reviewed in chapter two, suggests that there should be.
2. To assess the current level of MO within large Libyan manufacturing companies, the survey conducted on the opinions of Libyan managers provide this.
3. To evaluate if large Libyan manufacturing companies in a number of different sectors displayed variable levels of MO, a comparison of results across Libyan businesses clarified this.
4. To provide recommendations as to how large Libyan manufacturing companies can improve their business performance via enhanced MO, the conclusions drawn from this study when compared with the literature reviewed provided these.

### **- The Research Hypotheses:**

**H1 (a):** There is a significant relationship between market orientation and perceived business performance.

**H1 (b):** The significance of the relationship between business performance and market orientation varies between sectors.

**H2 (a):** The distribution of market orientation scores for large Libyan manufacturing firms will be negatively skewed.

**H2 (b):** The distribution of market orientation scores for large Libyan manufacturing firms will vary between sectors.

### **1.3- Rationale and importance of the Research:**

According to Terterov and Wallace (2002) it is now becoming evident that after the suspension of UN sanctions in 1999 and the sustained recovery in oil prices, Libya is emerging as a market of immense potential and is generating renewed interest from among investor circles. Although the degree of openness of the Libyan market remains comparatively limited, there are a number of encouraging signs that the government is pursuing a more conciliatory approach towards foreign businesses. In the longer term, the market will deepen and grow as the Libyan authorities encourage private-sector involvement and inward investment. Since the time of Narver and Slater (1990) and Jaworski and Kohli (1993), when each group of researchers set out to understand the conceptualization and measurement of MO and evaluate its impact on a firm's performance, as well as the challenges or barriers to its development there have been many more.

However, studies on the antecedents or development of MO have been largely restricted to the developed countries, in particular, to the United States and the United Kingdom. It is unclear therefore whether, 'any of the evidence related to the development of a market orientation is relevant to other parts of the world, most notably to countries that are not considered fully market-based economies,' (Qu and Ennew, 2005, p. 82). There is a great need, in order to understand organisation's marketing capabilities and orientations, to investigate their validity in a wide variety of developing countries. However, there are only



a few empirical studies which have investigated the development of MO in transitional economies and there is increasing pressure for the MO of organisations in these developing countries, where the process of economic diversification is taking place rather rapidly, to be investigated to some extent (Anwar, 2008). This is mainly due to the fact that the contemporary research carried out in the West, has provided evidence of strong links between MO and performance. There has been very little empirical research to investigate these links in developing countries with transitional economies.

#### **1.4- The Research Contribution:**

The pressures of globalisation have intensified competition in product and labour markets, which emphasise the need for greater efficiency and productivity. Globalisation has also led to a reduction in trade barriers between countries, the deregulation of markets, increased privatisation and the ending of many state monopolies (Holman et al., 2003). Due to these two factors it is the intention of this research to investigate the market orientation construct/culture and philosophy from a Libyan perspective, thus addressing a gap in the literature relating to studies of market orientation in transitional economies (Kohli et al, 1993; Ward and Lewandowska, 2005). The main argument concerning market orientation revolves around whether it was either a cultural matter, a philosophy to be taken on, as well as, a set of behaviours which, if introduced, would be of benefit to customers and the organisation. The thrust of the argument was that any firm which becomes market-oriented is one that successfully applies the marketing concept. Although, there is evidence of a lot of research taking place in the 1990's, which contended that, 'market orientation is important to firms because of its positive association with performance', (Appiah-adu, 1998, p. 29), there are only a few where a positive link was found. There are few of these researchers, however, according to Bititci et al. (2006, p. 1332) who have studied "the implementation of performance measures and made observations with regards to the

dynamic relationship between; performance measurement". Therefore, this research is responding to the researchers such as (Kohli et al, 1993; Ward and Lewandowska, 2005) who have called for investigating the phenomenon of market orientation in different cultural and economical environments as cultural differences are crucial in such studies and can provide fruitful results. Additionally it helps to fill the gap in the existing literature especially in transitional economic countries like Libya.

### **1.5- The Structure of this Thesis:**

The research model developed from the literature reviewed which aided in the construction of research questions to be answered and the design of a methodology and hypotheses to test. In order to complete this study therefore a number of steps had to be taken and the first of these was completed in Chapter One.

#### **Chapter One:**

In the first chapter of this thesis this researcher introduces the background to the area to be studied, and considers that due to the powerful forces dictating the dynamics of world trade, there are now increasing pressures on organisations to compete. This chapter clarifies the researcher's belief that the present Libyan business environment does little to enhance competitiveness and there is a desperate need for the physical infrastructure as well as employees' skills both to be improved.

#### **Chapter Two:**

In this chapter, in order to produce a model for the research and uncover research questions that will assist in the study, a number of areas of interest were considered. There is also a contemporary look at the concept of market orientation. Barriers that may arise to impede organisations adopting market orientation are investigated and particular attention is paid to the various market orientation perspectives.

### **Chapter Three:**

This chapter of the literature review is particularly interested in the business performances' relationship with market orientation. Short or long term, financial benefits as well as organisational benefits of performance measurement are investigated, as are an organisations ability to achieve the objectives set out by the management, its profit margins and market share, as well as its return on investment. The marketing orientation-business performance link is highlighted as are the effect of market turbulence, technological turbulence, competitive intensity and the performance of the economy. A detailed review of previous business performance research, questions and findings is carried out in this chapter because business performance in transitional economies is of particular interest to this researcher. Additionally, there is possibly an impact of culture on business performance, this is also considered. Finally the need for organisations to adopt a 'learning orientation' is highlighted as are the effects such an adoption might have on business performance.

### **Chapter Four:**

In this Chapter the Libyan economy as well as the business environment and existing management styles and organisational culture are investigated. There are, as the review of the literature revealed, a number of sources from which to gather information on the Libyan economy all of which are non-Libyan. The most recent and relevant are reviewed here and Libya's competitiveness with other countries in its region, as well as internationally is compared. The performance of the national economy will also have an impact on market orientation; this and the business environment will be considered in this chapter. Internal organisational structure dimensions can affect MO and organisational performance, being market-oriented may not be enough for most organisations to improve business performance. The interactions of both internal and external environment factors which can

have an effect on MO are considered in greater detail from the Arab/Libyan perspective. The internal organisational culture/structure of Libyan companies and the management style which is countenanced to allow participation is of tremendous importance to the implementation of MO.

#### **Chapter Five:**

Before starting any research there are a number of methodological strategies to consider, each of these strategies may be linked to a particular approach or philosophy, but the research strategy chosen should reflect the fact that careful thought has been given to why the particular strategy has been selected and should include valid reasons for the decisions made regarding the research. The justification for the choice should always be based on the research objective and questions. The choice of strategy also raises a question between a fixed or flexible design. In this Chapter the philosophy, approach, and strategy used for this research are explained as are the reasons for selecting the particular research strategy. The methods of sampling, data collection, presentation and description and the characteristics of the sample units are discussed in combination, based on the frequency of distribution and subsequent analysis.

#### **Chapter Six:**

By using statistical software the non-parametric quantitative results were analysed from the questionnaire. The results from the test of difference and the comparisons they show between the respondents from all the companies and sectors are presented in this chapter.

#### **Chapter Seven:**

In this Chapter the qualitative data collected from interviews with managers were compared across the sectors. The data collected was codified and then a process of analytical induction was carried out to discover any significant areas of difference.

**Chapter Eight:**

In this chapter a discussion is carried out which relates to the findings from the survey undertaken with the literature reviewed.

**Chapter Nine:**

In this final chapter of the thesis conclusions are drawn, limitations are discussed, the research contribution is highlighted and recommendations are made.

## **Chapter Two Literature Review**

### **Market Orientation**

#### **2.0- Introduction:**

Marketing and its role within companies has received, 'much attention in the academic literature and popular press', (Verhoef and Leeflang, 2009, p. 14). Pessimists have come to the general conclusion that there is a steep decline in the marketing function, (Webster, 2005). This conclusion however is not a new one, Nath and Mahajan, (2008, p. 65) point out that, 'over the past three decades, marketing academics have raised their concern with marketing's decreasing influence at the level of corporate strategy.' This apparent decline in marketing affects more than just corporate strategy, due to the fact that marketing departments influence a company's market orientation, which in turn is related to business performance, (Kirca, et al., 2005; Verhoef and Leeflang 2009). It was Puledran et al. (2000, p. 119) who raised the question, not so very long ago that, 'If market orientation plays a pivotal role in the achievement of superior business performance then what are the factors that drive or hinder market-oriented activity?' Additionally they also point out, '...until the 1990s, the call to adopt market-oriented practices was more an article of faith than empirically grounded theory', (Puledran et al., 2000, p. 121). Researchers from the 1990s had argued that Market Orientation (MO) was either an organisational culture (Narver and Slater, 1990), and a philosophy which simply needs to be applied, or a set of behaviours (Jaworski and Kohli, 1993) that most effectively and efficiently created superior value for the customer and superior business performance for the organisation. It was the pioneering research of (Kohli and Jaworski, 1990; Kohli et al., 1993) that served as an impetus for subsequent research, examining the effect of MO on business profitability.

In the 21<sup>st</sup> century, globalisation has brought about significant changes particularly in the service economy, 'organizations of all sizes and structures are searching for strategies to improve performance without sacrificing quality? (Javalgi et al., 2005, p. 212). Market orientation is a strategic solution which is available to any company which will provide for a market-focused strategic flexibility that should sustain competitive advantage. When Kotler, (2002, p. 26) wrote about marketing in the New Millennium, he stated that, 'Many companies are beginning to realize that their organizations are not really market and customer-driven they are product or sales driven'.

There are a number of things that a company has to do if it wants to become market-driven, there are changes that will have to be made in job and department definitions, responsibilities, incentives, and even relationships. A "marketing community" needs to be built to transform a company from an inward-looking to an outward-looking orientation. The company needs to do this by reorganising divisions along market lines and holding marketing management training seminars for managers and employees. Additionally they must set up a marketing excellence recognition program, of course all of this, 'takes a great deal of planning and patience to get managers to accept customers as the foundation and future of the business but it can be done', (Kotler, 2002, p 26).

Just as Nath and Mahajan, (2008) concluded that there is a steep decline in the marketing function, when they explained that, for more than thirty-years academics in marketing have raised concerns regarding the diminishing influence of marketing at the level of corporate strategy. There is also nothing new about the advice, that within companies that wish to transform and become market-driven, a "marketing community" has to be established. In fact in the 1990s Pitt et al. (1996, p. 6) explained that, 'the market-oriented firm is one which successfully applies the marketing concept'.

This term market orientation is preferred to marketing orientation because the former expression highlights an entire organisation-wide application whereas the latter phrase tends to describe activities that are specific to the marketing department, (Kohli and Jaworski, 1990; Narver and Slater, 1990; Blankson and Ming-Sung Cheng, 2005). In fact according to Blankson and Ming-Sung Cheng (2005, p. 318), 'The marketing concept can be seen as a philosophy that will allow any company to find organisational success through the determination and satisfaction of the needs, wants and aspirations of target markets'. In other words, the marketing concept/philosophy states that, any company that wants to be profitable and/or satisfy its organisational objectives, must first orientate itself towards satisfying the needs of its customers, and understand their wants, and aspirations', (Blankson and Ming-Sung Cheng, 2005). A market orientation derives from the application of the marketing concept. The emphasis is on achieving the organisational objective of being competitive and profitable but is strongly centred on the identification of consumer needs, wants and aspirations and then delivering compatible offerings which are better than that of the competitors.

As was previously mentioned, since the 1990s, there has been an increase in interest, in market orientation and what it involved. Studies were carried out and several writers contributed to market orientation's operational definition as a construct. The majority of these researchers however have simply derived their definitions from the original conceptualizations of (Kohli and Jaworski, 1990) and (Narver and Slater, 1990). A number of studies have explored the impact of market orientation on business performance, (Slater and Narver, 1995; Jaworski and Kohli, 1993; and Greenley, 1995) however associations were not always clear. There were also some researchers who looked for potential mediating variables (Han et al., 1998) while others emphasised the cultural dimension of



market orientation, (Gauzente, 2001). The intention of this research is to investigate the market orientation construct/culture and philosophy from a Libyan perspective.

In this first chapter of the literature review market orientation as a philosophy is considered in detail, it is also considered as a culture, which requires companies to adopt a customer orientation and implement total integration of effort with defined organisational objectives. Market orientation is also investigated by considering the three broad business activities inherent in it, proposed by (Kohli and Jaworski, 1990). Additionally, however the behavioural components suggested by Narver and Slater (1990) are highlighted, as are the two company decision criteria, which they include in their model of market orientation. There has been a huge amount of research carried out into the marketing concept since the 1990s and in this chapter there is a contemporary look at the concept of market orientation. Barriers that may arise to impede organisations adopting market orientation are investigated and particular attention is paid to the various market orientation perspectives. The market orientation - business performance link is introduced, but will be considered in greater detail in the next chapter of the literature review. This researcher has particular interest in studying Libyan companies and their market orientation, and as Libya is a developing country, in transition at the moment so market orientation (in developing countries) is considered. The literature review is then summarised and in the next chapter business performance is investigated in detail.

## **2.1- Market Orientation as a philosophy/culture:**

As was mentioned in the introduction to this chapter many writers in the 1990s argued that market orientation (MO) was either a cultural matter, a philosophy to be taken on, as well as, a set of behaviours which, if introduced, would be of benefit to customers and the organisation. A firm which becomes market-oriented is one that successfully applies the marketing concept. This concept requires that any business that wishes to achieve

profitability must be oriented towards customer satisfaction. Previous research into the concept of MO and its various definitions throughout the last twenty years are considered in later sections of this review. However first of all it is important to investigate the idea of MO as a philosophy, and a culture that introduces a set of behaviours because in any research into marketing practices of developing countries this understanding will allow their market orientation to be more easily measured.

There is broad agreement between researchers, (Deng and Dart, 1994; Pitt et al., 1996; Gray et al, 1998; Gauzente, 2001; Lafferty et al., 2001; Van Der Velden, 2001; Blankson and Ming-Sung Cheng, 2005; Ellis, 2005; Javalgi et al., 2005; Kara et al., 2005; Green et al., 2006; Verhoef and Leeflang, 2009) that market orientation, as a philosophy, consists of three core aspects. These are customer orientation which requires companies to have an overall understanding of the psychological and social factors which determine the customer's action. Furthermore they need to be able to identify the basic customer needs that they serve, and then define their business accordingly. The integration of effort that will enable the company to provide the value to meet customer needs includes the need to co-ordinate effort in terms of the elements of the marketing mix for each product. Additionally, because market orientation is an organisation-wide prescription, it is necessary that the whole company be organised and co-ordinated in the service of the customer. In order to achieve its main organisational objectives, the first of which is profitability means that in adopting the marketing concept the organisation seeks to serve customer needs in order to meet its requirements for achieving objectives/profit. This is essential for long-term survival.

Additionally, all of the researchers mentioned above point out that market orientation, from the beginning, was formulated with a view to providing the organisation with long-term direction in order to achieve this long-term survival, and comprised of the three behavioural

components, that (Narver and Slater, 1990) maintain are essential. These are: customer orientation, competitor orientation and inter-functional co-ordination. Many managers, however, especially in Western firms, must balance this long-term direction in order to achieve long-term survival, against the demands they face for short-term performance. The literature reviewed on market orientation indicates that marketing as a concept is at the very heart of organisational performance, this concept according to Sin et al. (2005, p. 912), 'was formally introduced in the writings of McKitterick (1957) and Keith (1960)'. The marketing concept therefore, defines a distinct organisational culture or business philosophy that puts the customer at the centre of the firm's thinking about strategy and operations, this culture or philosophy was being promoted once again in the 1990s (Deshpande et al., 1993).

This increase of interest in this distinct organisational culture, 'coincided with a heightened awareness of the pivotal importance of an orientation towards the market', (Harris, 1998, p. 354) and more recently marketing practitioners have been placed under increasing pressure to develop the necessary organisational culture that will focus on, 'external market needs, wants, and demands,' (Harris and Ogbonna, 2001, p. 157). The conceptualisations of market orientation were dominated by theories from two main sets of researchers, (Harris and Ogbonna, 2001, p. 159) the first theory was suggested by Kohli and Jaworski (1990) and is an information-based conceptualisation, where market orientation is seen as the collection, dissemination and response of a company to intelligence about the market. Narver and Slater (1990) on the other-hand proposed the second theory which is the culture-oriented approach; this theory saw market orientation as that culture within a company which most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers.

It was essential however also, to promote a culture that encouraged the introduction of new processes, products, and ideas (Tajeddini et al., 2006, p.532). Even though 'the basic assumption behind Narver and Slater's (1990) conceptualization is that these activities reflect an underlying organizational culture that creates a setting conducive for the continuous creation of superior value for customers, which, in turn, leads to superior organizational performance' (Langerak, 2003, p. 97). There has been research carried out which explains that in discussions with store-level management it was found that 'the rapid turnover of shop-floor employees impedes their ability to develop a market-oriented culture' (Harris, 1998, p. 225) and Matsuno et al. (2005), relate that even if culture is a driver of behaviours, particularly market-oriented behaviours, it will certainly fail if it does not allow these behaviours to manifest themselves in the organisation, and the culture promoted lacks commitment to superior value for customers. Additionally top managers must play their part in the shaping of the necessary organisational culture, (Sivaramakrishnan et al., 2008).

This part is identified as being essential, for top management as a key antecedent to market orientation, (Kohli and Jaworski, 1990), this role places emphasis on market orientation and is positively and significantly correlated with the firm's market orientation (Jaworski and Kohli, 1993). Furthermore a transformational leadership style is needed to provide the initiating step, 'toward the creation of an organisational culture that permits the implementation of market-driving strategies', (Carrillat et al., 2004, p.3). It is necessary for the leaders of organisations to articulate a clear vision and provide the necessary intellectual stimulus to develop a market-driving strategy through the appropriate organisational culture. The culture supplied should affect innovation and performance within the company and starts with organisational learning as an antecedent to the creation of an innovative culture, (Hurley and Hult, 1998).

There is, of course, another culture which may have an effect, this is national culture, or more correctly 'differences in national culture that may affect determinants of business performance, in one or both of two ways that are often confused in discussions of cultural specificity', (Deshpandé et al., 2004, p. 6). The most visible cultural differences reflect different culture-defining factors and are no doubt present to some degree in various national cultures. Then there are other cultural difference, which although more subtle, may have major implications. Specifically this particular factor may have a differential effect on performance across countries and/or cultures.

The innovativeness apparent in organisation might be the strongest predictor of business performance across all countries, but it may still have a stronger effect, in one country, rather than in other (Deshpandé et al., 2004). Also there is evidence to suggest that organisational cultures which are competitive and entrepreneurial and externally oriented lead to much higher levels of performance. Those that are internally oriented and where a bureaucratic and consensual culture exists lead to lower levels of performance (Deshpandé et al., 2004). The link to performance will be considered, in greater detail in Chapter Three, and national as well as organisational culture and the business environment in transitional economies like Libya will be highlighted in Chapter Four of this literature review section of the thesis.

In the 1980s when the marketing concept was being rediscovered, and there was an influence of implementing regimes of payment by results, much of the substance of organisational culture was concerned with controlling the behaviours and attitudes of the members of the organisation, by introducing a reward system as the primary method of achieving this control. It was beginning to be believed that 'the key to developing a market-driven, customer-oriented business lies in how managers are evaluated and rewarded' (Webster, 1988, p. 38). It could be argued that if managers were evaluated and rewarded

based on short-term factors, such as current-year profits and sales, they would focus on these criteria, and neglect long-term factors, such as customer satisfaction, and the organization's long-term health, (Webster, 1988). It was also recognised in the 1990s that reward systems played an important part in shaping both desirable and undesirable behaviours (Kohli and Jaworski, 1990) and, they went on to hypothesise that, 'a market-based reward system is antecedent to market orientation, they loosely define market-based reward on criteria that emphasise customer satisfaction and market-based behaviour' (Jaworski and Kohli, 1993, p. 56).

The conceptualisation of market orientation suggested by Kohli and Jaworski (1990) was information-based in which market orientation is seen as involving the collection, dissemination and the ultimate response of a company to intelligence which has been gathered about the market. Market orientation has also been described as being composed of three sets of activities: 'organization-wide generating, disseminating and responding to market intelligence, (Gao and Bradley, 2007, p. 81). This market intelligence refers to any data gathered not only about customers, but also about the organisations' competitors and other constituencies. Kohli and Jaworski (1990) offer a behavioural view of market orientation which focuses on specific behaviours and therefore facilitates operationalising the market orientation construct, which will be dealt with later. As has been mentioned already, however Narver and Slater (1990), on the other hand view market orientation as a particular form of organisational culture which consists of three behavioural components these are, as highlighted: customer orientation, competitor orientation and inter-functional coordination. There are in addition two decision-making criteria highlighted and these are long-term focus and a profit focus. Each of these components however also involves intelligence generation, dissemination, and responsiveness to the collected information. These two conceptualisations share something in common as they generally mean that

organisations must adopt certain behaviours directed towards 'learning about market developments, sharing this information with appropriate personnel, and adapting offerings to a changing market' (Jaworski et al., 2000, p. 45).

In the developing nations of the world, who are now in a transitional period and where policies involving liberalisation will lead to an explosion of private companies, like Libya, there is an ever increasing need to learn about market developments. This need is becoming increasingly apparent and so the attention of organisations in these countries is now shifting toward gaining 'new insights into the market orientation phenomenon', (Cheiaru et al., 2002, p. 457).

#### **2.1.1- Customer orientation:**

At the heart of the culture-orientated approach proposed by Narver and Slater (1990), which saw market orientation as that culture within a company which most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers, was the need for this new insight in the area of customer orientation. In the 1990s as a result of this view many Western managers were returning to the dictum of the so-called "marketing concept," with its call for customer orientation and innovation as the focus for all business planning and strategy, (Deshpande et al., 1993, p. 23). There are even today, in the Western literature many more studies and articles which also document renewed management concern in this area. Customer orientation, it seems therefore, has always been seen as being, 'synonymous with a business philosophy loosely called the marketing concept,' (Caruana et al., 2003, p. 26). This simple business philosophy is based on a premise which is that, in order to achieve organisational goals it is not only necessary to determine the needs and wants of targeted customers, but also deliver these to attain customer satisfaction. Additionally however there is also a fundamental requirement to determine those needs and wants, much more efficiently and effectively than the

competition. Therefore customer orientation requires organisations to acquire an understanding of what their customers want, and there are two important aspects to be considered in order to do this. First of all careful consideration must be given to those psychological and social factors which determine customers' actions and an understanding of consumer behaviour will allow the marketer to ask the correct market research questions, (Caruana et al., 2003).

A definition of customer orientation is, 'the set of beliefs that puts the customer's interest first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise' (Deshpande et al., 1993, p. 27). These authors therefore see customer orientation, as an integral part of a much more fundamental corporate culture, which if merely focusing on the needs and wants of customers is inadequate. Mainly because Narver and Slater (1990), state that customer orientation requires a sufficient understanding to create products or services of superior value, most authors approach customer orientation as an element of corporate culture from the vantage point of the seller (Kohli and Jaworski 1990; Narver and Slater 1990). However greater consideration has to be given to the more deeply rooted set of values and beliefs that are likely to consistently reinforce a customer focus and spread throughout the organisation. As has already been pointed out, if an organisation has a customer understanding ethos, it is also essential that it has a customer satisfaction orientation, (Dawes, 2000). This kind of orientation would produce an even stronger emphasis on being responsive to information on customer needs and wants and furthermore would help to ensure action was actually taken. In other words, customer orientation advocates, 'a continuous, proactive disposition toward meeting customers' exigencies' (Dawes, 2000, p. 174). Such a focus on total customer satisfaction also 'serves to foster continuous innovation,' (Han et al., 1998, p. 33). It is important to remember however, that even though such a customer focus can play an



important part in the organisational strategy of improving customer value, any such strategy needs much more than simple customer-centred methods. The warning is that any reliance on customer orientation alone, will only lead to a strategy which, although helpful, will be incomplete which, 'leaves an organization prone to a reactive posture, as opposed to a proactive disposition, in coping with competitors' strategies, (Han et al., 1998, p.33).

Customer orientation it appears therefore is, 'the sufficient understanding of target customers and continuously finding ways to provide superior value for them', (Gao and Bradley, 2007, p. 83). However it also includes, 'active encouragement of customer comments and complaints, an after-sales service emphasis, regular evaluation of ways to create superior product/service value and the regular measurement of customer satisfaction levels' (Gray et al., 1998, p. 900). More specifically, in order for an organisation to have this type of orientation, requires it to be, 'responsive to changing customer needs with innovative marketing programmes and strategies, which can be viewed as continuous innovative behaviour,' (Gao and Bradley, 2007, p. 83). This is because a positive attitude toward change, which is coupled with a willingness to innovate, is much more likely to facilitate customer orientation within an organisation. Additionally intellectual stimulation from managers will encourage workers to explore creative ways in which they might improve their performance. Furthermore if an organisation adopts market orientation this will also enhance employees' organisational commitment (Sivaramakrishnan et al., 2008). These commentators make this claim based on their interpretation of the findings from the initial work carried out by (Jaworski and Kohli, 1993; Siguaw et al., 1994; Caruana et al., 1999 and Harris, 1999) in this area, all of which indicated that market orientation enhances organisational commitment. These commentators also agree that employee commitment mediates the relationship between market orientation and performance. Market orientation affects salespeople's customer orientation and their organisational commitment, this is

important as the attitudes and actions of employees are strong influencers of higher levels of market orientation, and indicate that the development of market orientation is related to the understanding, belief, and commitment of all employees.

The role of the marketing department in all of this, needs to be highlighted due to 'the extent to which the marketing department is able to translate customer needs into customer solutions and the extent to which it demonstrates the criticality of external customers and their needs to other organizational functions' (Verhoef and Leeflang, 2009, p. 17). The influence of the marketing department should be increased if it demonstrates its ability to connect with the customer, but the relationship between customer-connecting capabilities and the marketing department's influence has also been seen as controversial. This is mainly due to the fact that there are, in each organisation, many managers who might share the idea of developing, managing, and maintaining client relationships and this could lead to a lack of clarity, with regard to who is ultimately responsible for the organisations' relationships with its customers. Perhaps just as importantly, however there is a definite need to be clear about who is responsible for the organisations relationship with its competitors.

#### **2.1.2- Competitor Orientation:**

In order to achieve this kind of orientation there is a need to be clear and to have a complete understanding of 'the strengths, weaknesses, capabilities and strategies of competitors as well as being responsive to their activities' (Dawes, 2000, p. 178). This kind of orientation, known as a competitor orientation, might assist company performance because any organisation must not only consider how well its products suit customer needs but how well they perform relative to competitor products. Additionally by being aware of competitors' products the organisation can discover good ideas for new products of its own, as well as helping the organisation to know which product markets or parts of those markets to enter

or avoid. Although traditionally customers have been considered to be the primary focus of a market orientation, (Heiens, 2000), 'some researchers have begun to embrace a broader perspective on the market orientation construct by including exogenous factors that influence customer needs, such as competitors and even government regulation' (Heiens, 2000, p. 1). This perspective can also be reinforced by an organisation having 'superior capabilities in marketing which give the firm the ability to generate and act on information about competitor actions and reactions,' (Vorhies et al., 1999, p. 1172).

By generating knowledge about competitors and customers' needs, then applying it to deliver superior customer value an organisation will gain a competitive advantage and achieve better performance than its less capable competition, (Vorhies et al., 1999). Price holds a position of particular importance with customers, which means that any market-driven organisation must also be informed and sensitive to consumer views regarding existing price levels and to consumer views of competitor's prices, (Vorhies et al., 1999). Setting prices is much more complicated than just matching those of competitors. Organisations have to consider their own pricing goals and develop and set prices acceptable to their existing customers and also those they want to attract.

A competitor-focus entails gathering intelligence on three main questions both Han et al., (1998, p. 34) and Heiens, (2000, p. 2) point out that these are:

1. Who are the competitors?
2. What technologies do they offer?
3. Do they represent an attractive alternative from the perspective of the target customers?

But as relates, 'the number and power of competitors could strongly affect the focus of the intelligence gathering activity' (Heiens, 2000, p. 1), while, 'an unbalanced focus on competitors also, is not desirable, because exclusive attention on the competition can lead

to the neglect of the exigencies of customers', (Han et al., 1998, p. 34). There is therefore a need for organisations to mix a customer and competitor orientation to maintain a competitive advantage in the marketplace. This is consistent with Narver and Slater's, (1990) equal weighting of market orientation's core components. Such a focus on, 'both customers and competitors is important because a complete reliance on either customer-focused or competitor-focused decision making can often lead to an incomplete business strategy, leaving an organization handicapped by a reactive posture,' (Heiens, 2000, p. 2).

### Market Orientation Matrix

#### Customer Focus

|                         |             |                             |                        |
|-------------------------|-------------|-----------------------------|------------------------|
| <b>Focus Competitor</b> |             | <b>High</b>                 | <b>Low</b>             |
|                         | <b>High</b> | Strategically<br>Integrated | Marketing<br>Warriors  |
|                         | <b>Low</b>  | Customer<br>Preoccupied     | Strategically<br>Inept |

Figure (2.1) Market Orientation Matrix, Heiens, (2000, p. 2)

The market orientation matrix indicates that organisations can decide to place their primary focus on either competitors or customers or attempt to simultaneously monitor both with equal emphasis (Heiens, 2000). Those organisations that decide to direct their focus on customers are classified as "customer preoccupied". An organisation which is forward looking is likely to be more interested in long-term business success as opposed to short-term profits and will be customer focused or preoccupied. Those on the other hand who emphasise competitors in their external market analysis have been labelled "marketing warriors". In this type of organisation which is competitor focussed they try to identify their own strengths and weaknesses in order to keep pace with or stay ahead of the rest of the field. However, as competitors may frequently alter their strategic emphasis, it is important to closely monitor competitors in a hostile environment. Organisations which are

“strategically integrated” assign equal emphasis to the collection, dissemination, and use of both customer and competitor intelligence. There is of course, as was previously mentioned, a need to strike a balance between these two perspectives, and ‘organisations should seek to remain sufficiently flexible to shift resources between customer and competitor emphasis as market conditions change in the short run,’ (Heiens, 2000, p. 2). In the West where there are predominantly mature economies, and market conditions are unlikely to change in the short run, because they are, ‘characterized by the prevalence of buyer’s markets, stable growth and intense competition,’ (Ellis, 2005, p. 629). These more mature economies consist of many more organisations that are oriented towards customers’ needs and the intensity of the competition means those with knowledge of competitors’ actions will do best. However, in developing economies, ‘characterized by ill-defined market boundaries and strong or burgeoning demand,’ (Ellis, 2005, p. 629), with little or no confidence and knowledge of competition, organisations may still be able to succeed even with the minimal amount of market orientation. This investigation of market orientation in developing countries will be considered further in section 2.6 of this Chapter.

In the 1990’s Narver and Slater (1990) believed that competition orientation meant understanding the strengths, weaknesses, capabilities and strategies of competitors, while Lafferty et al., (2001) considered it as being remarkably similar to customer orientation in terms of information gathering. Both of course require a thorough analysis of technological capabilities and competences to satisfy the same market (Tajeddini et al., 2006). Those organisations which set out to beat the competition, ‘should target, prioritise and make in-depth assessments of their competitors, focusing on their goals, strategies, products, resources, capabilities, and information management policies’ (Olsen et al., 2005, p. 51). However, in order to be able to compete successfully such organisations must be able not only to match but in certain cases exceed competitor performance. Unfortunately this

orientation does have an element of risk, if it is not linked with innovation, for as Olsen et al., (2005, p. 51) pointed out;

“A competitor orientation carries with it a certain amount of risk, including hampering creativity because of the energy required for monitoring competitors, distracting managers' attention from customer need satisfaction, or failure to seize opportunities”.

Finally, the failure on any organisations part to develop any form of market orientation, either customer or competitor-focused, may adversely affect business performance and consequently those organisations that fail to orient their strategic decision making to the market environment, will find themselves labelled as “strategically inept”, (Heiens, 2000).

#### **2.1.3- Inter-functional co-ordination:**

As has been mentioned before there are two main complementary perspectives on market orientation: behavioural and cultural (Langerak, 2003), the first of these describes market orientation in terms of specific behaviours related to the generation and dissemination of market intelligence, and the firm's responsiveness to it. The second describes market orientation as a culture that commits the organisation to the continuous creation of superior value for customers. Such a culture should create an environment that, ‘maximizes opportunities for learning about markets, for sharing information among functions in the organization that allows for common interpretations, and for taking coordinated actions,’ (Langerak, 2003, p. 96). As a result the efforts of employees are integrated across the organisations' various departments to create superior value for customers, which, in turn, give rise to superior organisational performance for the company.

Although this is the inter-functional co-ordination component of market orientation as cited by Narver and Slater (1990), there is an alternative view from Wooldridge and Minsky

(2002, p. 29) who see this component of a market orientation, as “the synchronization of personnel and other resources throughout the company to create value for buyers”, which they state is of particular importance to any organisation wishing to develop a competitive advantage. This view of inter-functional co-ordination being important both to value for customers and in developing competitive advantage is supported by Lafferty et al., (2001) who concluded that coordinated integration of business resources is also closely linked to customer and competitor orientation. Only now, after several decades of interest in the marketing concept, are there indications that practitioners are acknowledging the responsibility of a market orientation as reaching beyond the scope of the marketing department alone (Tajeddini et al., 2006). It is no longer sufficient in any organisation for just some of the departments to be aware of market intelligence. There is now a much more competitive environment and a much greater need for a coordinated effort among various functions, which should be instrumental in the organisations’ responsiveness to customer needs. This means that, ‘as functions are integrated across departments in an organization, the problem-solving capabilities potentially are enhanced by employees working toward the common goal,’ (Tajeddini et al., 2006, p. 536). This common goal, for an organisation to acquire superior performance, will come about by creating a sustainable competitive advantage, (Langerak, 2003), but only by ensuring superior value for customers can this be achieved.

In order to understand the explanation of superior value for customers it is necessary to view it from the perspective of any customer. Before a customer makes a purchase, that customer, must perceive that the expected value of that product exceeds the expected value of any competing products. Superior value for customers will be created when an organisation exploits its own sources of advantage to obtain a positional advantage in comparison to its competitors. The sources of advantage available to any organisation are

its own superior resources and the superior skills of its employees. Superior skills include the distinctive capabilities of employees that bring the organisations' assets together and enable them to be deployed advantageously. Distinctive capabilities include particular organisational behaviours or those activities that enable coordinated efforts to make proper use of assets and establish a positional advantage.

This inter-functional coordination, which Narver and Slater (1990) stated ensured the proper utilisation of company resources, Lafferty et al., (2001) believe is closely linked to the customer and competitor orientation to be attained. There should be a mechanism for the organisation to use the information generated by the market coordinated use of company resources, to disseminate the information throughout the organisation. The use of this particular market orientation component must be cultivated by placing greater emphasis on the advantages inherent in the different areas in the organisation cooperating closely with each other. To be effective however, all departments must be sensitive to the needs of all the other departments in the organisation.

Despite the particular perspective of market orientation adopted by an organisation, the need for the company to understand its customers, meet their needs now and in the future and create value for them, as well as put their interests first, is clearly put forth in the various definitions of market orientation. Another major emphasis in the conceptualisations of market orientation is the importance of information within the organisation, because a truly market driven organisation is one which acquires and utilises information on all the important influencing factors that affect the buyers. Supporters of both conceptualisations agree that the organisation also needs to understand the strengths and weaknesses of its competitors through market intelligence, (Lafferty et al., 2001). In the Kohli and Jaworski (1990) conceptualisation they specify that market intelligence requires organisations to monitor their competitors' actions in order to determine the effect of these actions on



consumers. Whereas Narver and Slater (1990) considered competitor orientation, to be just as important as customer orientation in their conceptualisation and indicated that information gathering is equally important in both areas. There was also agreement between the supporters of the two main groups as to the importance of inter-functional coordination in the dissemination of information within the organisation.

#### **2.1.4- Decision making criteria:**

As this review of the literature shows Narver and Slater (1990) viewed market orientation as consisting of three behavioural components (customer orientation, competitor orientation, and inter-functional coordination) however they also included two decision-making criteria (a long-term focus and a profit focus). These two criteria are 'the principles that guide an organisations' particular marketing and strategy-making activities', (Noble et al., 2002, p. 25). As such, they represent the important elements of those particular organisations' culture and therefore indicate its relationship with the marketplace including both its customers and competitors.

Although the vast majority of the literature reviewed emphasises the fact that, 'while a high degree of market orientation may lead to superior performance', (Kumar et al., 2002, p. 41), this topic will be investigated in more detail in the next Chapter of this review. It is important to remember that various forms of market orientation may be necessary for successful achievement of different strategic goals, (Kumar et al., 1998). The review so far shows that organisations who have placed a strong emphasis on Narver and Slater's (1990) inter-functional co-ordination are expected to pursue a cost leadership strategy which creates value to the customer in the form of low cost.

However, alternatively those organisations that pursue a differentiation strategy will place their emphasis on Narver and Slater's (1990) competitor, customer, and long term focus components of market orientation, each of which will help them explore and exploit new

market opportunities. According to Kumar et al., (2002, p. 39), 'market orientation is more likely to be a strong complementarity to an organization pursuing a differentiation strategy (because of the strategy's external focus) than it is to an organization pursuing the internally focused strategy of cost'. The review so far indicates that market oriented organisations are more likely than others, 'to pursue product-market strategies involving an emphasis on new products, new markets or some combination of the two,' (Pleshko and Heiens, 2008, p.110). The conclusion that appears to be being drawn is that those organisations which have a higher level of market orientation tend to exhibit higher performance, when they implement a differentiation strategy in favour of a cost leadership strategy.

It has already been pointed out that Kohli and Jaworski, (1990) took a behavioural perspective on market orientation, using market intelligence rather than customer focus as the central element because it is a much wider concept, as 'it includes consideration of exogenous market factors that affect customer needs and preferences and current as well as future needs of customers (Kohli and Jaworski, 1990, p. 3). While Narver and Slater (1990) considered competitor orientation to be just as important as customer orientation in their conceptualisation and indicated that information gathering is equally important in both areas. It is also clear that there is agreement between the supporters of the two main groups concerning the importance of inter-functional coordination in the dissemination of information within the organisation. Even though the conceptualisation of market orientation suggested by Kohli and Jaworski, (1990) was an information-based conceptualisation, where market orientation is seen as the collection, dissemination and response of a company to intelligence about the market, they also, like Narver and Slater (1990) define market orientation as being composed of three sets of activities: organisation-wide generating, disseminating and responding to market intelligence, rather than the

customer orientation, competitor orientation and inter-functional co-ordination, which are incorporated in Narver and Slater (1990) conceptualisation Gao and Bradley (2007).

Until the time of Narver and Slater and Kohli and Jaworski in the 1990's the call on organisations to adopt market-oriented practices was more an article of faith than empirically grounded theory. Nowadays however many are starting to realise that their companies are not really market-and-customer-driven, but are in fact product or sales driven. In order to transform from an inward-looking to an outward-looking orientation any organisation has to embark on a number of activities. These activities include building a marketing community and setting up a marketing excellence recognition program. The pioneering work of Kohli and Jaworski, (1990) and Kohli et al, (1993) served as an impetus for subsequent research examining the effect of MO on business profitability. In the next section of this literature review the market orientation activities suggested by Kohli and Jaworski, (1990), will be considered in further comparison to those of Narver and Slater, (1990).

## **2.2- Market orientation activities:**

There are serious advantages and benefits for organisations in 'identifying explicitly market orientation activities,' (Balabanis et al., 1997, p. 585) and the conceptualisation of market orientation proposed by Kohli and Jaworski, (1990) is more appropriate in this context, as it presents certain advantages over that offered by Narver and Slater, (1990). The market orientation activities conceptualisation focuses more specifically on market intelligence rather than narrowly defined customer intelligence, it emphasises specific inter-functional co-ordination operations based on collected intelligence and then highlights activities related to intelligence rather than its effects.

### **2.2.1- The generation of market intelligence:**

According to Kohli and Jaworski (1990) this generation of such intelligence relies on a variety of complementary mechanisms and although they might include customer surveys, the intelligence might also be acquired through other formal and informal means. These might involve informal discussions with trade partners, or the collection of primary data, as well as researching secondary sources alongside meetings with customers, analysis of sales reports or databases or even sales responses in market tests.

However most importantly Kohli and Jaworski's (1990) findings lead them to suggest that the generation of such intelligence cannot be left as responsibility of the marketing department alone, as it is generated throughout the departments within any organisation and therefore mechanisms must be put in place for the intelligence generated at one location to be disseminated effectively to other parts of an organisation (Kohli et al., 1993, p. 468), also point out that, 'market orientation refers to the organization wide generation of market intelligence pertaining to current and future needs of customers, dissemination of intelligence within the organization, and responsiveness to it'. They further relate however that there are three main features of this integrated view; the first is that the organisation has to adopt a wider focus on market intelligence rather than customer intelligence, next there is a need for an emphasis on a specific form of inter-functional coordination with respect to market intelligence and finally a much stronger focus on those activities which relate to the processing of intelligence gathered instead of just the possible effects of these activities.

Market orientation according to Kara et al., (2004, p. 59),

“refers to the organization-wide generation of market intelligence through some type of Decision Support Systems, Marketing Information Systems, marketing

research efforts, dissemination of the intelligence across company departments, and organization-wide responsiveness to the changes taking place in the environment”.

Market orientation as a construct also refers, not only to the generation of market intelligence with the aid of Decision Support Systems (DSS), Marketing Information Systems (MIS), Strategic Information Systems (SIS) and other Market Research Activities, and its effective dissemination throughout the firm, (Anwar, 2008), it also refers to the gathering of this information or intelligence and the process of acting upon it, which leads organisations to become more responsive to the changes taking place in their marketing environment. Furthermore market intelligence is not only the monitoring of customers' needs and preferences, (Kara et al., 2004, p. 62) but also has to include subsequent analysis of how the organisations' consumers could be affected by environmental factors, such as government regulation, technology or competitors. This means that market orientation must be seen as a company resource because, in terms of the theory of the resource-based view (RBV), market orientation is an intangible property of the organisation which enables it to manage market information and deliver value to its customers, (Armario et al., 2008).

#### **2.2.2- The dissemination of this intelligence:**

According to (Kara et al., 2004 and Armario et al., 2008) the organisation that wishes to practice effective market orientation has to implement decision support systems, marketing information systems, strategic information systems and other market research activities. However, the dissemination of the intelligence which is gathered across company departments is required in the pursuit of such an orientation. This allows, ‘a shared basis for concerted actions by different departments’, (Kohli and Jaworski, 1990, p. 5). However, low levels of concern for the ideas of individuals in other departments can be expected to impede the dissemination of market intelligence across departments (Kohli and Jaworski, 1990).

### **2.2.3- Organisation-wide responsiveness:**

Furthermore according to Jaworski and Kohli (1993, p. 53) it is because the needs of customers change over time that, 'delivering consistently high-quality products and services requires ongoing tracking and responsiveness to changing marketplace needs, i.e., being market-oriented'. In 1990 they defined 'responsiveness' as that action which is taken, as a response to the market intelligence that has been generated and then disseminated. However the responsiveness component was redefined in 1993, as being a composite of response design and response implementation, (Jaworski and Kohli, 1993). Response design involved using the market intelligence to develop plans, while response implementation was the execution of those plans. The whole point of responsiveness is for an organisation to react to the changing needs of customers over time, as a consequence there may be a need for, 'the introduction of new products and services to match the evolving customer needs and expectations,' (Jaworski and Kohli, 1993, p. 55). This final component of Kohli and Jaworski's conceptualisation of marketing orientation, is not represented in Narver and Slater's work, but must be recognised as a key issue in its implementation, (Diamantopoulos and Hart, 1993).

The significant importance of responsiveness was made clear by the emphasis placed on it in Kohli and Jaworski's data collection tool (MARKOR) used to measure an organisations' market orientation. Market orientation was measured using a 32-item scale. On this scale ten related to market intelligence generation, and eight to intelligence dissemination. There were fourteen related to responsiveness at the business unit level. Of these fourteen responsiveness items, seven investigate the extent to which an organisation develops plans in response to market intelligence (response design), and the remaining seven assess the actual implementation of these plans (response implementation). It was Kohli and Jaworski's hope no doubt that their conceptualisation of market orientation and the 32 item-

scale they created to measure it, would encourage organisations throughout the years to investigate their own market orientation and adjust it according to the results they found.

### **2.3- Contemporary concept of market orientation (MO):**

For more than thirty years now various marketing academics have been strongly suggesting that there must be increased attention to the development of measures of marketing constructs. This emphasis has stemmed from the debate on whether marketing is to be considered as a science. The main reason for this emphasis is that with the desire to become more scientific, comes the expectation that the progress and maturity of a science is judged by the extent to which it has succeeded in the development of measures for its constructs. There have been contemporary studies in to the concept of MO and attempts have been made to further develop an acceptable scale for measuring the market orientation construct (the MARKOR scale).

There has always been some differentiation in all the literature on the use of marketing orientation versus market orientation, Lafferty et al., (2001) initially the term marketing orientation was adopted to refer to the implementation of the marketing concept. The traditional emphasis of marketing orientation was customer oriented, focusing on consumer needs and making profits by creating customer satisfaction. Market orientation MO, on the other hand, is the more recently utilised term for instituting the marketing concept. Kohli and Jaworski, (1990) stress the preference for this label suggesting that it removes the construct from the province of the marketing department and makes it the responsibility of all departments in the organisation. Additionally it was felt that under this guise, a market-oriented approach is more likely to be accepted by non-marketing departments. In general, the term market orientation (MO), according to some researchers, implies an expanded focus, paying balanced attention to both customers and competitors, (Kohli and Jaworski, 1990; Narver and Slater, 1990), but it is also seen, as still remaining predominantly

customer oriented by others, (Shapiro, 1988; Ruekert, 1992; Deshpande et al., 1993). However, there is generally a consensus that MO reflects the need for an organisation to be market oriented or market driven, (Deng and Dart, 1994).

Market-oriented companies are seen by some as developing “inside-out” capabilities, which connect the internal processes that define organisational capabilities with the external environment, (Day, 1994) thus allowing the company to be competitive by creating solid relationships with customers, distributors, and suppliers. These distinctive capabilities can be characterised says Amario et al., (2008, p. 489) as; ‘Market-sensing which refers to the way in which MO enables a firm to learn about its market and anticipate future events’. The process of collecting, interpreting, and using market information about customers, competitors, distributors, and suppliers is more systematic and predictable in companies that have a greater degree of MO. According to this view, market-oriented companies develop the experience and resources to acquire more market information and use it more effectively than companies that are not as market oriented. Kohli and Jaworski's (1990) definition of MO emphasises the importance of market-sensing capabilities. Customer linking and channel bonding refers to the manner and intensity of any organisations’ relationships with its customers and distributors.

### **2.3.1- The Market Oriented Company:**

Market-oriented companies devote special attention to these relationships to ensure that they understand the particular needs and preferences of their customers and distributors, thus enhancing the process of value creation. The delivery of superior value produces customer satisfaction and enhanced relationships with customers. These, in turn, contribute to better financial performance--given the higher profitability of loyal customers, (Day, 1994). Jaworski and Kohli (1993) later contended that there are three sets of antecedents related to market orientation, these are; the emphasis of top management on market focus



and risk aversion, the conflicts that can occur between departments and the level of connectedness among organisational systems.

### **2.3.2- The Marketing Culture:**

In the market oriented company the culture, 'supports the effectiveness of marketing activities', (Simberova, 2009, p. 513) this culture is most frequently designated by two basic terms in the literature as; either the marketing culture or the market culture. If the corporate culture is of marketing or market character, which in both cases means figuratively market-oriented, then the company would be affected by the environment in which it exists. However it would still be able to establish and analyse impacts of the environment and react to them, while satisfying the needs of the key stakeholders (customers, suppliers and intermediaries). There would also be basic values accepted by the company and shared by the members of the company, which would include; team work, the competitive nature of the company and its emphasis on results, the internal or external nature of its orientation and market aggressiveness. Of particular importance are the organisations' success, flexibility and the levels of inter-functional cooperation.

According to Simberova, (2009) norms of behaviour in the company would include; the continual monitoring and measuring of market success and the innovativeness and flexibility of the organisation and its processes for the solving of problems in a non-bureaucratic manner. Additionally there would be a sincere openness in market related communication coupled with inter-functional coordination. However, most importantly, the organisation should exhibit market-related quality orientation, market-related velocity and market-related staff appreciation. These characteristics are essential for the market-oriented company and the relevant thinking has to be shared in the whole company and reflected at all corporate levels. Market orientation would become the dominant culture pulling the company together. However, 'when the basic values are not accepted by company and are

not shared by members of company then corporate culture should be an important barrier of market orientation implementation' (Simberova, 2009, p. 513).

Much of the contemporary research has tended to "focus on investigating the relationship between various measures of company performance and the adoption or implementation of particular aspects of a market or marketing orientation," (Gray et al., 1998, p. 884). Unfortunately there have been a wide range of methodologies and measures employed with only very limited validation, (Gray et al., 1998). At the heart of this problem is the confusion over definitions, the terms marketing orientation defined as a business philosophy and an organisations' market orientation or implementation of that philosophy are often confused and/or used interchangeably.

There is also an unresolved dispute about how best to measure company performance, with continuing debate over the applicability and reliability of various organisational and social measures. This will be considered in more detail in the next chapter of the literature review. The two best known and used measures of MO are those proposed by Narver and Slater (1990) and Kohli et al. (1993), the MKTOR measuring tool is linked with customer value while the MARKOR scale is defined in terms of intelligence gathering, dissemination and response and may be less well suited to measure performance, (Ellis, 2006, p. 1098). Ultimately however the existing practice of measuring market orientation by questioning and interviewing only managers is also questionable, (Caruana et al., 2003, p. 37), for in order to effectively measure an organisations' MO it would seem to make more sense to develop measures for this that ask customers.

#### **2.4- Market Orientation perspectives:**

Over the years there have been researchers' who have considered perspectives that take slightly different approaches to market orientation, (Shapiro, 1988; Kohli and Jaworski,

1990; Narver and Slater, 1990; Ruekert, 1992; Deshpande et al., 1993; Slater and Narver, 1995; Jaworski and Kohli, 1996; Wrenn, 1997; and Hurley and Hult, 1998).

The confusion that exists between some researchers with regard to the term market orientation (MO) is highlighted by Lafferty et al., (2001, p. 93), who points out that on one side of the debate there are those who pay attention to both customers and competitors while others stick to a predominantly customer oriented point of view. There is however a consensus that MO requires that an organisation be market oriented or market driven.

As a result five recent perspectives have been advanced in the literature; Lafferty et al., (2001) each was taking a different approach to the concept of market orientation: (see Figure 2.2).

#### **2.4.1- The decision-making perspective:**

The first of these is the decision making perspective, where the need for an organisation to understand its markets and customers is stressed and where customer information is allowed to, 'permeate every corporate function,' (Lafferty et al., 2001, p. 96). It is also suggested that an organisation which is market oriented should also possess the ability to make tactical and strategic decisions both inter-functionally and inter-divisionally, despite any conflicting objectives. The functions and divisions within an organisation must listen to each other and have an open transfer of information and ideas in order to allow an effective decision making process. In order to be effective this decision making process must be well coordinated and carried out with a sense of commitment. The sharing of ideas and the open transfer of information will allow the market oriented organisation to work to its strengths. Even though all of these characteristics of market orientation are customer focused, Shapiro, (1988) pointed out the need for an organisation to understand the strengths and weaknesses of competitors as also being a part of being market oriented from the decision making perspective.

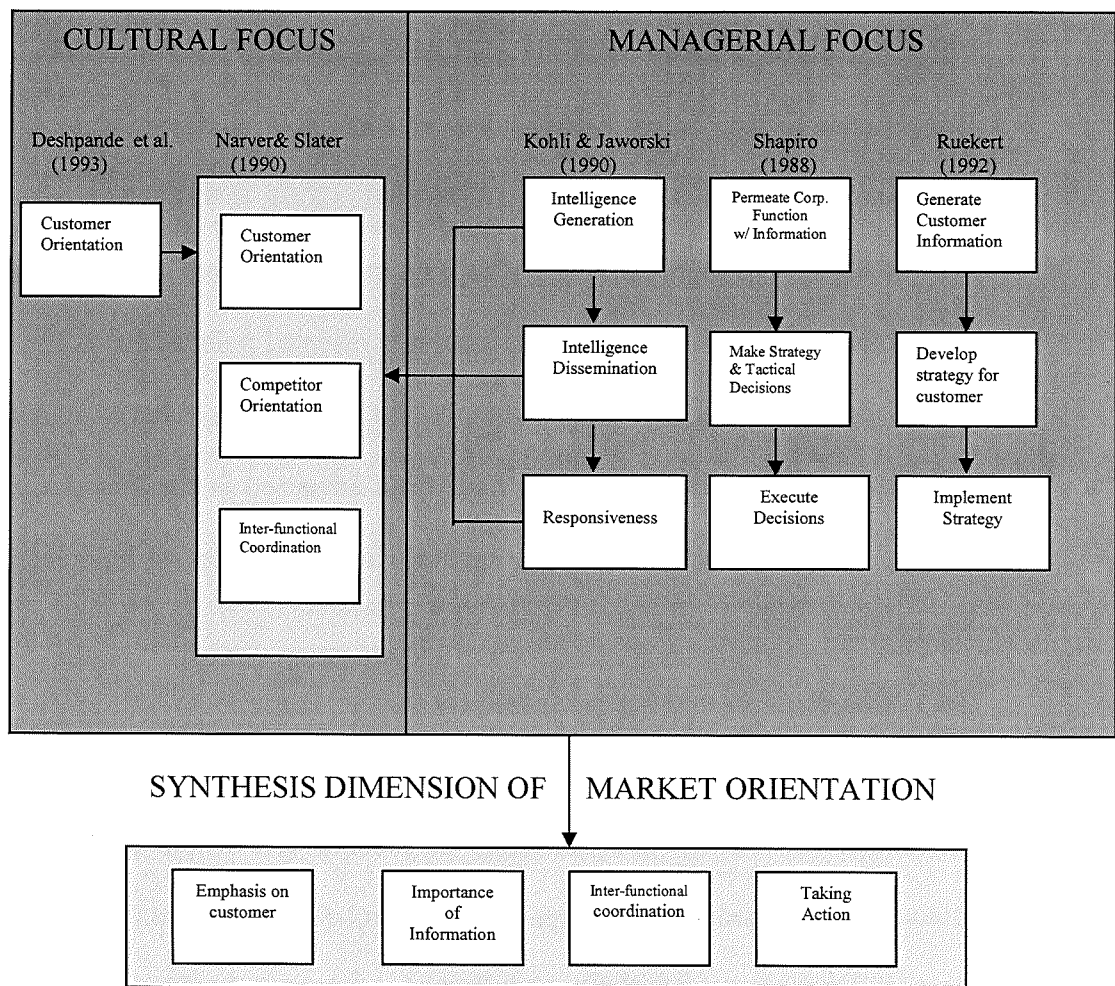


Figure (2.2) A Conceptual framework of market orientation perspectives. Lafferty et al., (2001, p. 100)

#### 2.4.2- The market intelligence perspective:

In the market intelligence perspective Lafferty et al., (2001) explain that Kohli and Jaworski (1990) conceptualised market intelligence as a broader concept, that went beyond the verbalised needs and preferences of customers. In fact it included the monitoring of competitors and their actions and the effect these would have on customers' preferences. Additionally it would also require organisations to be aware of the effect of other factors, such as government regulation, technology and environmental forces, as well as not just current needs but future ones. There is a need for organisations, according to this

perspective, to take a long term view and anticipate customers' needs while knowing that it may be some time to develop products to fulfil those needs. However the most important parts of market intelligence are 'the dissemination of the information gathered and the responsiveness of the organisation that has gathered it', (Lafferty et al., 2001, p. 97).

### **2.4.3 The culturally based behavioural perspective**

The third perspective offered by Lafferty et al., (2001, p. 98) is the culturally based behavioural perspective, which refers back to market orientation as the culture established by an organisation, 'that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continues superior performance for the business,' (Narver and Slater, 1990, p. 21). At the very heart of Narver and Slater's 1990 conceptualisation was this behavioural component and they state that, the culturally based perspective is comprised of organisations adopting three important behaviours, namely, customer orientation, competitor orientation; and inter-functional coordination.

### **2.4.4- The strategic perspective:**

The next perspective suggested by Lafferty et al., (2001) is the strategic perspective, in this perspective market orientation is the level to which an organisation, 'obtains and uses information from customers, develops a strategy which will meet customer needs, and implements that strategy by being responsive to customer needs and wants (Ruekert, 1992, p. 228). This strategic approach means that managers in an organisation are able to gather and then interpret essential information from the external environment and then respond to the information, set goals and objectives and allocate resources to marketing programs.

The second dimension of market orientation according to Ruekert (1992) is the development of a plan of action or a customer focused strategy. In its final dimension, according to the strategic perspective a customer-oriented strategy must be implemented

and executed as a consequence of the organisation's responsiveness to the needs and wants of the marketplace.

#### **2.4.5- The customer orientation perspective:**

The customer orientation perspective is the fifth perspective suggested by Lafferty et al. (2001, p. 99) based on their research into the work of Shapiro, (1988); Kohli and Jaworski, (1990); Narver and Slater, (1990); Ruekert, (1992) and Deshpande et al., (1993). They suggest that in this particular perspective the organisation adopts a set of beliefs which puts the customers' interest first. The interests of other stakeholders such as owners, managers, and employees, are however not excluded, 'in order to develop a long-term profitable enterprise' (Deshpande et al., 1993, p. 27). The competitor focus should be excluded as it is the antithesis of customer orientation in the view of Deshpande et al. (1993) but inter-functional coordination as it is consistent with a customer orientation should be part of its meaning.

As part of their conceptual framework of market orientation perspectives Lafferty et al., (2001, p. 99) propose a synthesis in the market orientation framework, in this they integrate the original five perspectives suggested by their research. The synthesis can be achieved because even though there are some inherent differences among the five models, there are several similarities that reflect a general agreement as to what constitutes the basic foundation of market orientation. The general areas of agreement include an emphasis on customers; the importance of shared knowledge (information) and inter-functional coordination of marketing activities and relationships. Shapiro (1988) held to a pragmatic view and noted that while there are fine distinctions between market orientation and market driven very few are important, (Harris, 1998, p. 221).

It was Kohli and Jaworski (1990) who argued that there was strong need to emphasise coordination and cooperation and therefore the label 'market orientation' (MO) should be

adopted. For any who are interested, such as managers, practitioners and researchers the identification of barriers to market orientation and its development are most likely at the customer interface, (Harris, 1998).

### **2.5- Barriers to market orientation:**

Marketing theorists and practitioners have for many years extolled the need for and the value of developing a concept which has become known as a “market orientation” and indeed, since the early 1950s a variety of researchers have argued that, ‘ a market orientation is frequently associated with high levels of performance’, (Harris, 1998, p. 221). The relatively limited extent of MO development is possibly explained through the findings of a number of studies which conclude that a wide range of organisational barriers impede the take up of MO, (Harris, 2000). This diversity of academic opinion regarding the components of MO is evenly matched by the variety of barriers to its implementation in many cases, Harris (1998). However, Aggarwal, (2003, p. 88) supplies a definition, which is that, ‘Barriers to market orientation are the factors that impede the implementation of business philosophy represented by marketing concept’.

Additionally the barriers to market orientation at an organisational level are those related to top management, those that occur as a result of inter-departmental conflict and any which occur as a result of existing organisational systems, (Aggarwal, 2003). Many past studies have been carried out, however they tended to research the strategic level or the organisational level with the information gathered coming from the management or executive level. These studies looked at management level barriers to MO and abandon those at the employee level. Those conducting research looking into the barriers to market orientation have discovered an assortment of attitudinal, behavioural, structural, strategic and system-related obstacles. There are two kinds of barrier that emerge in these studies according to Harris (2002, p.605):

1. The organisational characteristics of the firm.
2. The actions, attitudes and behaviours of managers.

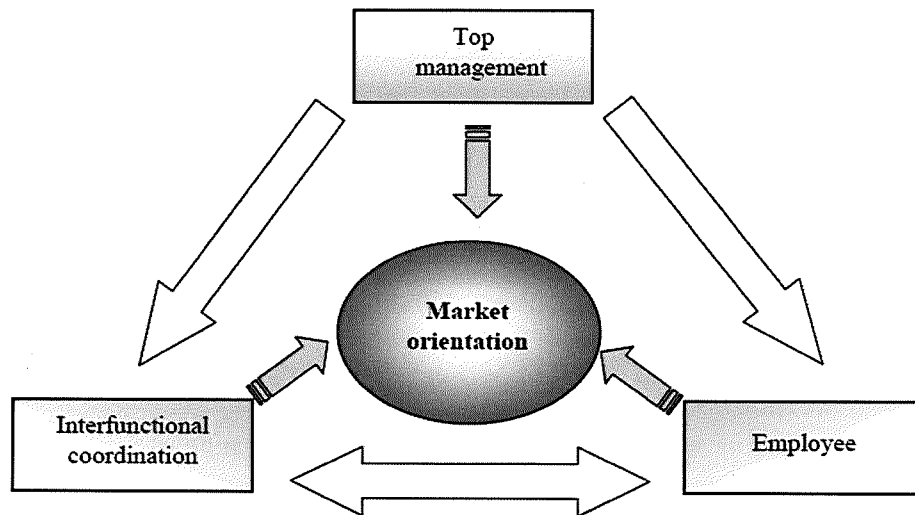


Figure (2.3): Elements of Market orientation's internal barriers. Tomaskova, (2009, p. 536)

The internal environment of MO will be influenced by a number of elements which include the opinions of and approach taken by top management, the level of inter-functional coordination and most importantly the opinions of employees, (Tomaskova, 2009), see Figure (2.3). Top management is influenced by the following elements: personality and perception of market orientation and knowledge, skills and commitment. These elements influence management style and mission, goals and strategy. It can be stated that there are six prerequisites for market orientation creativity: a sense of risk, competence, responsibility, long-term horizon, planning and monitoring filling of goals.

#### **2.5.1- Organisational characteristics of the firm:**

In larger organisations there is a reluctance or even an inability to become market oriented, Balabanis et al., (1997, p. 598), 'their enormity inhibited the dissemination of information and this made them less responsive'. Furthermore there might even be a cultural barrier according to Harris, (1998) which means that far from there being any reluctance by the



organisation or its managers to accept MO, there might be ingrained cultural factors which they are not prepared to give up.

The creation of a marketing community within any organisation requires changing, ‘the fundamental way in which a company and its employees see themselves, their business environment, and the future,’ (Harris, 1998, p. 223). However, there are three main areas in which barriers to market orientation might exist, (Tomaskova, 2009) as can be seen from figure (2.3) above, these are at top management, inter-functional and employee level within the organisation and related to the internal environment. There are however a number of additionally, barriers at a sectoral and external level, these can be divided into political, economic and technological barriers.

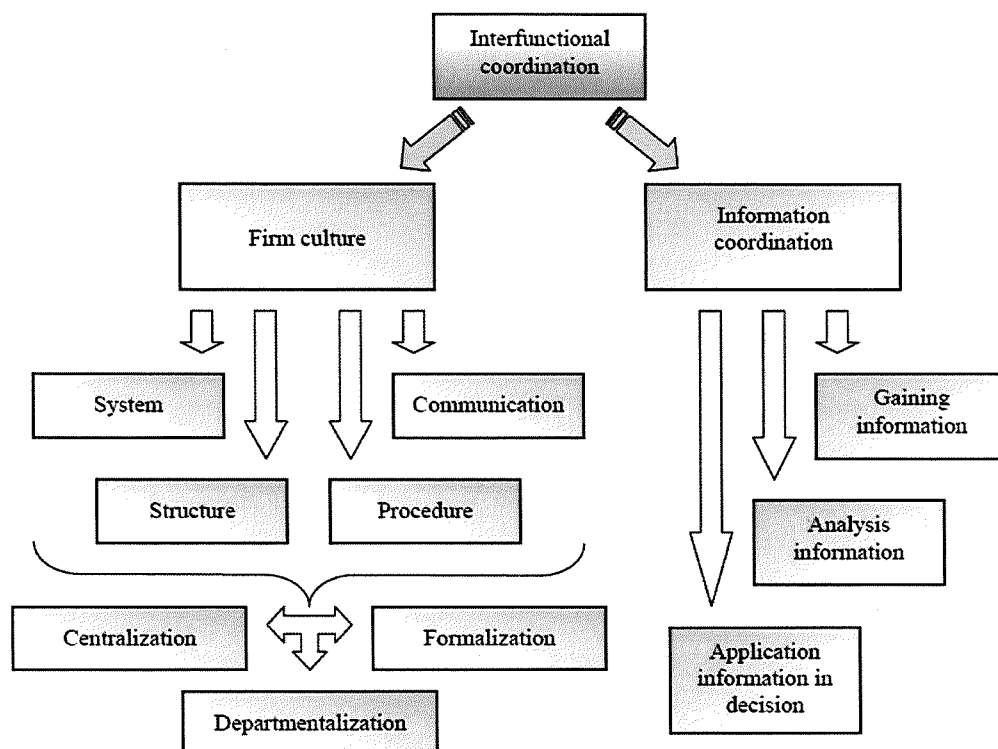


Figure (2.4): Inter-functional coordination connected barriers (Tomaskova, 2009, p. 538).

Inter-functional barriers might easily be caused by the enormity of the organisation as pointed out by Balabanis (1997) or it might be as a result of knowledge and capability gaps, (Harris, 2000) or possibly managers are wholly supportive of market orientation but, the barrier to it is an indolent organisational culture, (Harris, 2000). The culture and organisational system in a firm is one of these groups of barriers proposed by Tomaskova (2009), because this is connected with system, structural and procedural barriers. Another barrier associated with the culture in an organisation is communication and coordination, acquisition, analysis and application of information in the decision making process.

#### **2.5.2- Actions, attitudes and behaviours of managers:**

There is a view that MO could simply be impeded by some employees at the management level, who are inexperienced and therefore unable to handle the complexities of the marketing concept. Additionally there may be some that are more concerned with their positions within the organisation and therefore are too conscious of political position or even personal gain, (Harris, 2000). On the other hand it has also been suggested that it is defects in development that are directly attributable to the limitations of top management. The attitudes, knowledge, skills and experience of all employees, managers in particular are important to the attempts of an organisation to become market oriented. Additionally, remuneration packages and incentives are a means of securing acceptance on the part of all employees and ensuring there is no inter-departmental conflict, (Tomaskova, 2009).

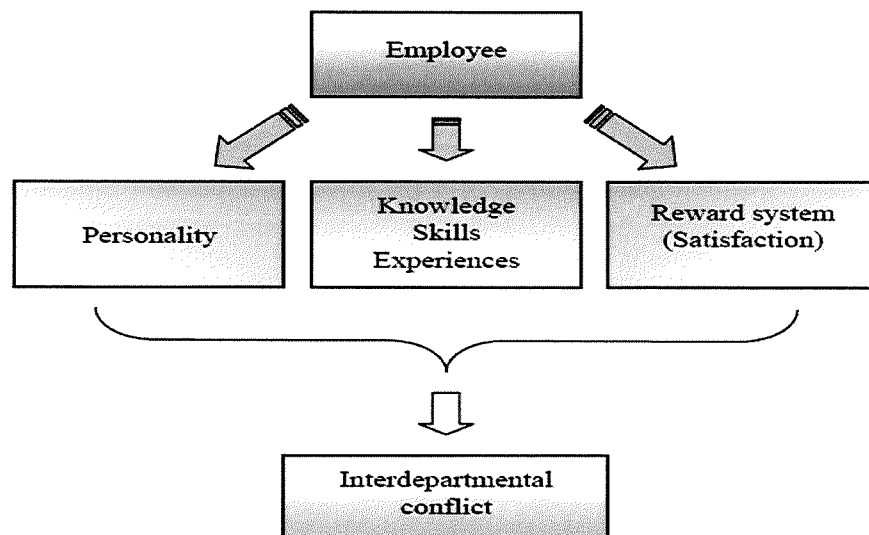


Figure (2.5) Employee connected barriers. Tomaskova, (2009, p. 539).

Among the aims of this researchers' study, perhaps the most important is the assessment of the current level of awareness and application of the concept of MO within larger Libyan manufacturing companies. This requires an evaluation to see if the better prepared Libyan firms (in terms of MO) display better perceived business performance. The barriers of organisational characteristics and culture and actions, attitudes and behaviours of managers will be introduced, as will the market orientation link with performance and previous research in other countries, in the next section of this chapter.

## **2.6- MO and the performance link (in other countries):**

Even though, the importance of market orientation is apparent in studies that have been carried out over the years, Greenley, (1995) as has its assumed relationship with company performance, it has been the subject of little empirical investigation. Narver and Slater in 1990 reported the first major empirical work, which tested a scale for measuring MO, and tested its association with performance. In the strategic management literature, 'market orientation is particularly advocated in corporate culture and in the mission statement, which puts markets, customers and competitors at the heart of the modus operandi of the organization, (Greenley, 1995, p. 1).

However, identifying the achievement of MO, in some companies in certain countries can be rather difficult and in some cases the mere introduction of the 'trappings' of marketing into an organisation is not enough. In the study carried out by Greenley, (1995) the Narver and Slater questionnaire was used, it had been developed and refined for their research in the United States. The sample Greenley used was a randomly selected group of companies in the UK, who employed more than 5000 people; their analysis was carried out on the data from 240 fully completed questionnaires. The results of Greenley's analysis showed that, 'market orientation may not have a direct affect on performance in all national business cultures, as its influence seems to be dependent on the environment,' (Greenley, 1995, p. 5). There have been other studies carried out in the United Kingdom, which show the widespread acceptance of the merits of MO, is comparatively low within British industry. Since the time of Narver and Slater (1990) and Jaworski and Kohli (1993), when each group of researchers, set out to understand the conceptualization and measurement of MO and evaluate its impact on a firm's performance, as well as the challenges or barriers to its development there have been many more. However, studies on the antecedents or development of a MO have been largely restricted to the developed countries in particular, to the United States and the United Kingdom. It is unclear therefore whether, 'any of the evidence related to the development of a market orientation is relevant to other parts of the world, most notably to countries that are not considered fully market-based economies,' (Qu and Ennew, 2005, p.82).

Although Kuada and Buatsi, (2005, p. 58) agree a review of the available literature reveals that 'major studies on market orientation have been limited to the developed countries'. There are some exceptions, according to Cheiariu et al., (2002) which include Deshpande and Farley, (1998) who assessed the inter-rater reliabilities for their market orientation scale on a ten-country sample comprising, among others, India, Vietnam, Thailand, and

China. Also in Turkey, Saudi Arabia, both Menguc, (1996) and Bhuian, (1998) carried out research. The former consisted of an analysis of the influence of market orientation on sales force behaviour and attitudes. Bhuian (1998, p. 23) used Kohli and Jaworski's framework to examine its applicability in Saudi Arabia, they found that 'the generalizability of the concept of market orientation and its antecedents and consequences to other cultures and economies is questionable'.

The transitional economies of Eastern Europe have also been the focus of several studies aimed at understanding the development of marketing capabilities at the firm level (Fahy et al., (2000) and the role of employees' involvement in promoting a market-oriented organisational culture (Martin et al., 1998). The statement made by Bhuian, (1998) about the generalisability of the MO concept to countries which are neither, Western, developed or operating a free market economy is supported by Kuada and Buatsi, (2005, p. 59) who point out that, 'in most developing countries, the concept and practice of market orientation may constitute a radical departure from heavy state-controlled sales activities. Furthermore those countries which are developing may be doing so at completely different rates, in Asia several countries are developing quite rapidly, while in Africa there is a much slower pace of development', (Kuada and Buatsi, 2005). There is a great need, in order to understand organisation's marketing capabilities and orientations, to investigate their validity in a wide variety of developing countries. This work has been attempted over the last few years with a number of studies taking place in Africa and Asia. These can be seen in Table (2.1).

These studies have provided useful insights into market orientation in some developing countries where the environment is making a transition from a state controlled economy to a more market driven one, the economic and political as well as the economic environment of Libya will be considered in Chapter Four of this thesis.

The investigation of the external environment in Libya is important as a part of this research as, a number of previous studies suggests that, it is the marketing environment, which influences the speed with which marketing concepts are adopted and also affects the forms of MO and the level of competitiveness adopted by an organisation, (Akimova, 2000, p.1128). However, there are only a few empirical studies which have investigated the development of MO in transitional economies and there is increasing pressure for the MO of organisations in these developing countries where the process of economic diversification is taking place rather rapidly, to be investigated (Anwar, 2008). This is mainly due to the fact that contemporary research carried out in the West has provided evidence of strong links between MO and performance. There has been very little empirical research to investigate these links in developing countries with transitional economies, and this relationship has not been studied in Libya, especially by extended MARKOR questionnaire.

Both Akimova (2000) and Ellis (2005) point out the need to appreciate the environment in developing countries with transitional economies and the obstacles that such an environment may raise to MO. The environmental changes which take place in developing countries with a transitional or liberalising economy might cause some organisations to fail. Those which are able to adapt to the changes in demand, the hardening of budget constraints and increasing competition by adjusting their activity to a new market requirement will succeed while non-viable firms go bankrupt.

Table (2.1) Summary of recent empirical studies of market orientation in developing countries. Kuada and Buatsi, (2005.p. 60)

| Author/Year                           | Region           | Country               | Focus of Study                                                                                                               | Methodology                                                                      | Results                                                                                                                                                                                                               |
|---------------------------------------|------------------|-----------------------|------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Winston and Dadzie (2002)             | Africa           | Nigeria and Kenya     | Tests the role of top managers in developing market-oriented culture in sub-Saharan Africa.                                  | Sample of 250 Nigerian and 200 Kenyan top executives drawn from Owens Directory. | Top management emphasis on market orientation is high in both countries, but this emphasis is influenced by age and degree of competitive intensity in the countries.                                                 |
| Chelariu, Ouattara, and Dadzie (2002) | Africa           | Ivory Coast           | Tests the validity of Jaworski and Kohli's (1983) and Narver and Slater's (1990) frameworks in a developing country context. | 109 returned responses form a sample of 200 firms. Used mailed questionnaires.   | The Narver and Slater framework appeared more robust than the Jaworski and Kohli framework.                                                                                                                           |
| Mavondo (1999)                        | Africa/Australia | Zimbabwe<br>Australia | Tests the relationship between market orientation and Porter's generic strategies in two countries.                          | 208 and 176 returned responses from Australia and Zimbabwe, respectively.        | Australian firms had higher levels of customer orientation and interfunctional coordination. Competitor orientation was equal in both countries. Association found between market orientation and generic strategies. |
| Appiah-Adu and Blankson (1998)        | Africa           | Ghana                 | Tests the relationship between organizational culture and market orientation.                                                | 90 returned responses from a sample of 232 firms. Used mailed questionnaires.    | Market, adhocracy, and clan cultures are positively associated with market orientation, whereas hierarchical culture is negatively associated.                                                                        |
| Ramasathan, Caruana, and Pang (2002)  | Asia             | Singapore             | Tests the relationship between market orientation and performance of new products.                                           | Data collected from 127 returned responses using mail questionnaire.             | Market information collection has a positive effect on the performance of new products.                                                                                                                               |

Table (2.1) (Cont)

| Author/Year               | Region | Country | Focus of Study                                                                               | Methodology                                                                                       | Results                                                                                                                                                                                                                                          |
|---------------------------|--------|---------|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Kwon and Hu<br>(2000)     | Asia   | Korea   | Tests the relationship between market orientation and export performance.                    | Data collected from sample of 341 export firms using combination of mail and personal interviews. | Positive association found between market orientation and export performance.                                                                                                                                                                    |
| Deng and Dart<br>(1999)   | Asia   | China   | Compares private and state-owned enterprises in terms of their degree of market orientation. | Data collected from 282 private and state-owned firms.                                            | Private firms were more market oriented than were state-owned firms (in terms of customer orientation, competitor orientation, and interfunctional coordination). Smaller firms exhibit greater degrees of market orientation than larger firms. |
| Chang and Chong<br>(1998) | Asia   | Taiwan  | Explores the relationship among market orientation, service quality, and profitability.      | Data collected from brokerage service industry.                                                   | Positive association found among the three constructs.                                                                                                                                                                                           |



Thus, “the ability to adjust to the environmental impact is an essential characteristic of company competitiveness,” (Akimova, 2000, p. 1130). There is also an assumption that rewards will accrue to those organisations that are better able to gather, interpret, and respond to market intelligence, (Ellis, 2005, p. 629).

However in developing economies conditions are unlike those found in mature markets, here products are typically in short supply, consumers have fewer choices, supply chains are unreliable, and prices often do not reflect the true state of supply and demand owing to government intervention in markets. Additionally, while in mature economies there is a relatively free flow of information about market prices, competitors' product offerings and changing consumer preferences, in developing economies, the pursuit of a MO will be constrained to the degree to which these favourable environmental conditions are absent.

It is apparent from the work of Appiah-adu, (1998) that Ghana just like Libya is a rapidly developing country, the Government there is liberalising the economy as part of an economic reform programme. Since the lifting of sanctions in Libya the country has nurtured an open market economy which, in turn, has fostered a competitive business environment. Such changes in the market place require ‘a transformation in management attitudes to customers’ (Appiah-adu, 1998, p. 28) and means that organisations must develop formal programmes to enhance quality in production, as well as improve the responsiveness of the services they offer and promote a renewed commitment to serving the customer. A significantly important indicator of any organisation's level of market orientation is the attention it devotes to market research and this is particularly important in transitional economies, as it reflects the recognition of economic transformation and the consequences of a free, competitive business environment. Furthermore the increased focus customer satisfaction or new product development suggests that the business is committed to addressing current and future customer needs, (Appiah-adu, 1998). The work

of Cheiariu et al., (2002) shows that there are similarities between the situation in Ivory Coast and that faced by Libya, as it transforms. The leadership in companies has to clearly communicate their total commitment to change to their employees and create a sense of urgency in the MO implementation program, (Cheiariu et al., 2002). They must also have a full and complete understanding of those key problem areas, which need to be addressed and the benefits this understanding will bring. It is also extremely important that employees do not view MO as just another Western fad that will be abandoned shortly.

A way of ensuring that, 'employees accept a personal stake in creating a market orientation and become active agents of change is by implementing the appropriate system of incentives,' (Cheiariu et al., 2002, p. 466).

At the end of the 20<sup>th</sup> century there was a transition from centrally planned economies in eastern and central Europe to free market economies, (Akimova, 2000). The research carried out by Akimova (2000) showed that in these countries of the former Soviet block, process of transition required fundamental changes in the behaviour of business units whose primary goal must now become to achieve a competitive position within the marketplace. Managers in these countries were pushed, just as they are being in Libya, to change their traditionally socialist outlook, of simply fulfilling centrally planned quotas, to now identifying the appropriate target markets and developing products that meet the consumers' needs.

This position is similar to that identified by Cheiariu et al., (2002), where organisations in The Ivory Coast had to realign structural influences, systems, and incentives to reflect both the objectives of the firm and to be sensitive to new local conditions. This shift in the economy and the resultant buyers' market will lead to environments in which, 'sellers vie for the custom of buyers and, hence, sound strategies need to be designed in order for firms to be effective in the market- place,' (Appiah-adu, 1998, p. 28). The incentives that might

be of use to make employees accept a personal stake in creating a market orientation have to be considered carefully, (Cheiariu et al., 2002). As group rewards might work better than individual rewards, in some societies and non-monetary as opposed to monetary, ones might be best in others. This is because workers in some developing countries may be motivated more by instrumental than higher order concerns, while in others employees place a high value on status, prestige, and position in the organisation. Therefore the implementation of an effective rewards system to ensure employees become active agents of change requires a balance between monetary and non-monetary rewards.

It has been pointed out however that the adoption of marketing has to go through numerous stages which reflect the implementation of separate marketing functions and also the development of the attitudes required of management toward marketing in the corporate structure and culture, (Akimova, 2000). The stages of the development of market orientation have been the subject of analysis both in western societies and East European transitional economies. The Narver and Slater (1990) model can be used in both developed and transitional economies and across cultures and political systems, even though it was originally formulated for the United States in their investigation of the effects of market orientation on business performance, (Sin et al., 2003).

This link appears to have been taken for granted by both academics and practitioners, (Pitt and Berthon, 1996), and in their investigation of the market orientation-business performance link, Kohli and Jaworski (1990) saw this as being influenced by four moderators. These moderators were market turbulence; technological turbulence; competitive intensity and performance of the economy, which also suggests the possible impact of a national economy and culture on market orientation. In this research by Kolhi and Jaworski (1990) the linkage appears to have been taken for granted and empirical tests

were limited partly because of an absence of a clear operational definition of market orientation, (Caruana et al., 2003).

Narver and Slater (1990) also provide support for a market orientation-business performance link. This link is seen to be moderated by two 'business specific factors' (relative cost and relative size) and six market level factors (growth, concentration, entry barriers, buyer power, seller power and technological change). However, like Jaworski and Kohli (1993) before them, Slater and Narver (1994) confirm that competitive environment has no effect on the strength and nature of the market orientation--business performance relationship and that a market-oriented business should be prepared to achieve and sustain competitive advantage in any environmental situation.

## **2.7- Summary and Conclusions:**

As was mentioned in the introduction to this chapter marketing has been a topic of research for numerous academics as far back as the 1950s. Throughout the 1990s there were a variety of researchers working in this area, (Kohli and Jaworski, 1990; Narver and Slater, 1990; Ruekert, 1992; Deshpandé et al., 1993; Jaworski and Kohli, 1993; Slater and Narver, 1995; Gray et al., 1998; Day, 1994; Vorhies et al., 1999) perhaps the best known of course are Kohli and Jaworski,; Narver and Slater; for their work on the conceptualisation of marketing orientation. Even in this new century there were writers like, (Harris and Ogbonna, 2001; Ellis, 2005 and Green et al., 2006) who all to a certain extent, relied on the work carried out previously, by Kohli and Jaworski,; Narver and Slater. However there has been very little research into market orientation in developing countries, small private businesses or public sector organisations and certainly none of the particular type this researcher intends to carry out in Libya. This review of the research shows that a market oriented organisation is one which successfully applies the marketing concept. The term market oriented is preferred to marketing oriented as it highlights organisation-wide application (Kohli and Jaworski, 1990; Narver and Slater, 1990). Marketing orientation is seen to be too specific and relates mainly to the activities of the marketing department or division. Much of the confusion that has occurred over the years, in defining marketing and in the understanding of the marketing concept, results from a failure to make these three distinctions between marketing as a culture, as a strategy, and as a tactic. The biggest definitional problem is with the terms marketing orientation that is used to explain a business culture or philosophy and having a market orientation which is the act of implementing that philosophy.

Over the years there has been continued interest in market orientation and exactly what it entailed, any number of studies were carried out and many researchers simply derived their

definitions from the original conceptualizations of (Kohli and Jaworski, 1990) and (Narver and Slater, 1990). Although there have been studies into the impact of market orientation on business performance, (Slater and Narver, 1994; Jaworski et al., 1993; and Greenley, 1995) associations were not always clear. The intention of this research is to investigate the market orientation construct/culture and philosophy from a Libyan perspective. The main argument concerning market orientation revolves around whether it was either a cultural matter, a philosophy to be taken on, as well as, a set of behaviours which, if introduced, would be of benefit to customers and the organisation. The thrust of the argument was that any firm which becomes market-oriented is one that successfully applies the marketing concept.

Verhoef and Leeflang, (2009) consider market orientation to be a philosophy which consists of three core aspects

- customer orientation which requires companies to have an understanding of the psychological and social factors which determine the customer's action and identify the basic customer needs that they serve, and define their business accordingly.
- The integration of effort which will enable the firm to provide the value to meet customer needs, this includes the need to co-ordinate effort in terms of the elements of the marketing mix for each product.
- Organisational objectives including profitability which means that in adopting the marketing concept the organisation seeks to serve customer needs in order to meet its requirements for achieving objectives/profit. This is essential for long-term survival.

These will provide any firm with long-term direction, however many managers, especially in Western firms, must balance this against the demands they face for short-term performance. The main conceptualisations of market orientation came from two different

sets of researchers the first which was suggested by Kohli and Jaworski, (1990) is an information-based conceptualisation, where market orientation is seen as the collection, dissemination and response of a company to intelligence about the market. Narver and Slater, (1990) on the other-hand proposed the culture-orientated approach which saw market orientation as that culture within a company which most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers.

Narver and Slaters' culture oriented approach brought about increasing interest in the marketing concept as many managers began to recognise that a market orientation instigated an organisational culture which involved the creation of certain behaviours that led to superior value for buyers and ultimately continuous superior performance for the business. An essential part of this culture however was the necessity to introduce new processes, products, and ideas. This instigation of an organisational culture requires total commitment to superior value for customers as well as the commitment of managers. The leadership in an organisation wishing to follow this route needs to provide the initiating step toward the creation of an organisational culture that permits the implementation of market-driving strategies. However there may be differences in national culture that affect determinants of business performance, and entrepreneurial and competitive cultures will lead to higher levels of performance while bureaucratic and consensual ones will not. This maybe the case but it should not be forgotten that the principal indicators of culture are the basic level assumptions, values and standards of behaviour shared in the firm and a firm's strength defines the extent to which these elements of individual levels are being shared by its members and will significantly influence the firm's operation. A weak corporate culture means that there is very little sharing of common assumptions, values and standards of behaviour among members of the firm, and their behaviour is more influenced by their individual characteristics, i.e. personal characteristics, values and standards of behaviour.

In their conceptualisation of market orientation Kohli and Jaworski, (1990) saw it as an information-based process requiring the collection, dissemination and response of a company to intelligence about the market. They relate that this information based process is composed of three sets of activities: organisation-wide generating, disseminating and responding to market intelligence. This market intelligence refers not only to data that is collected regarding customers, but also to competitors. Both of these conceptualisations agree however that organisations need to learn about market developments, and share this information with appropriate personnel; they also have to have the ability to adapt to what they offer customers in a changing market. There is now perhaps more than ever a growing interest in the developing countries of the world to learn about market developments and the attention of organisations in these countries is now shifting toward new insights into the market orientation phenomenon.

The culture-orientated approach sees market orientation as that culture within a company which most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers. However there is also a need to be clear in any organisation about the relationship with competitors, this requires an understanding of the strengths, weaknesses, capabilities and strategies of competitors and additionally requires being responsive to their activities. The marketing orientation matrix, suggested by Heiens (2000) indicates that organisations themselves can decide to place their primary focus on either competitors or customers or attempt to simultaneously monitor both with equal emphasis. In developed countries with mature economies and buyers' markets that provide stable growth and intense competition, organisations with a market orientation towards customers' needs and competitors' actions will do best. However in less well developed or transitional economies there may be less well defined market boundaries and strong or burgeoning demand, and organisations may still be able to succeed even with the minimal amount of



market orientation. The confusion which exists regarding market orientation is highlighted by Lafferty et al., (2001). The ongoing debate rages between those who advocate paying attention to both customers and competitors while the others stick to a predominantly customer oriented point of view. The only consensus seems to be that market orientation requires that an organisation be market oriented or market driven. Over the years there have been researchers' who have considered perspectives that take slightly different approaches/perspectives to market orientation.

The first sees market orientation as an information-based process where there is a need for an organisation to understand its markets and customers and the need for this information to permeate throughout the organisation is paramount in order to coordinate a committed decision-making process. There is also a need for an organisation to understand the strengths and weaknesses of competitors as this is an important part of being market oriented. In this market intelligence perspective however the information required goes further than the needs and preferences of customers and must include the monitoring of competitors and their actions and the effect these would have on customers' preferences. Perhaps most importantly it also requires awareness, on the part of the organisation, with regard to the effect of other factors such as government regulation, technology and environmental forces, as well as not just current needs but future ones.

The culturally based behavioural perspective requires that organisations adopt customer orientation, competitor orientation; and inter-functional coordination. The strategic perspective requires managers in an organisation to gather and then interpret essential information from the external environment and then respond to this information and set goals and objectives. But also allocate the necessary resources to marketing programs in order to develop a marketing plan or a customer focused strategy. That is then implemented

and executed as a consequence of the organisations' responsiveness to the needs and wants of the marketplace.

In the customer orientation perspective a set of values and beliefs are adopted in the organisation that puts the customer interest first. Other stakeholders' interests are not excluded, this enables the development of a long-term profitable enterprise, however competitor focus should be excluded as it is the antithesis of customer orientation, but inter-functional coordination is essential as it is consistent with a customer orientation. Heiens (2000) offers a final perspective which is a synthesis of the rest because there are several similarities that reflect a general agreement as to what constitutes the basic foundation of market orientation.

The general areas of agreement include an emphasis on customers; the importance of shared knowledge (information) and inter-functional coordination of marketing activities and relationships.

After so many years of research and growing interest in this topic it may come as somewhat of a surprise that there is evidence of a relatively limited extent of market orientation development. This situation can be explained through the findings of a number of studies which conclude that there are a wide range of organisational barriers which impede market orientation. According to Harris (2000), these barriers are those factors which hamper the implementation of business philosophy represented by marketing concept. At an organisational level they can be related to top management, inter-departmental conflict or may even be caused by existing organisational systems. The two main types of barrier to the development of a market orientation, according to Harris (2000, p. 605) are to be found in the actions, attitudes and behaviours of managers or in the organisational characteristics of the firm. There are however barriers which can be found externally either at a sectional or national level, these maybe political, economic or technological barriers. Another barrier

associated with the culture in an organisation is communication and coordination, acquisition, analysis and application of information in the decision making process.

This review of the literature has shown that market orientation is particularly advocated in corporate culture and in the mission statement, which puts markets, customers and competitors at the heart of the *modus operandi* of the organisation. However, the achievement of market orientation can be rather difficult and in some cases the mere introduction of the 'trappings' of marketing into a company is not enough.

There have been others carried out in the United Kingdom, which show the widespread acceptance of the merits of a market orientation is comparatively low within British industry. Most studies carried out however have been largely restricted to the developed countries in particular, like the United Kingdom or the United States; therefore it is unclear whether the evidence from these is relevant to other parts of the world, especially to those countries that are not considered fully market-based economies.

This is unfortunate, as there is a tremendous need to fully understand an organisation's marketing capabilities and orientations and this would only be answered by investigating a wide variety of developing countries.

The investigation of the external environment in Libya is important as a part of this research, as a number of studies suggests that it is the marketing environment which influences the speed with which marketing concepts are adopted and also affects the forms of market orientation and the level of competitiveness adopted by an organisation. It is also most important to appreciate the environment in developing countries like Libya, with transitional economies and the obstacles such an environment may raise to market orientation.

Even though the Narver and Slater, (1990) model can be used in both developed and transitional economies and across cultures and political systems, it was originally

formulated for the United States in their investigation of the effects of market orientation on business performance. However, like Jaworski and Kohli, (1993) before them, Slater and Narver, (1994) confirm that competitive environment has no effect on the strength and nature of the market orientation--business performance relationship and that a market-oriented business should be prepared to achieve and sustain competitive advantage in any environmental situation.

The whole question of market orientation measurement and its link with business performance will be considered in the next chapter of this literature review.

## **Chapter Three Literature Review**

### **Business Performance**

#### **3.0- Introduction:**

In chapter two of this literature review section, it was pointed out that the influence of the marketing department should have a positive relationship to market orientation; this in turn should be related to overall business performance. The first question, that every marketing manager or director should ask themselves is;

If market orientation plays such a significant role in the achievement of this organisation's superior business performance then what are the factors that drive or hinder market-oriented activity in this company?

There has been research carried out into the link between market orientation (MO) and business profitability. The strategic solution advocated is that MO will provide for a market-focused strategic flexibility that should sustain competitive advantage, however in order for a business to achieve profitability and/or satisfy its objectives, great emphasis must be placed on the need for companies to be competitive and profit based by identifying consumer needs, wants and aspirations and delivering compatible offerings which are competitively better than that of its competitors. There have been studies in the past exploring the impact of MO on business performance, however this research is intended to investigate the market orientation construct/culture and philosophy from a Libyan perspective. As a result of the globalization process, during the past few decades, more and more companies throughout the world have adopted a global outlook through which the world becomes their market, (Sin et al., 2005). 'The growth in the internationalization of business and markets has led to a greater need for analysis of the role and the effectiveness of strategies in different geographic markets', (Sin et al., 2005, p. 36). There have also been

some previous studies which have suggested that, it is differences in the market environments of different countries that influence the types of strategies that companies develop and adopt, which in turn influence business performance. The findings from these studies have serious implications for, 'the choice of strategy standardization or strategy localization in international business operations, which has been the most debated topic throughout the past decades in global businesses', (Sin et al., 2005, p 36).

Because of the differences which exist in national market environments the theme of performance measurement has received increasing attention by both academics and practitioners in marketing. These academics and practitioners have found that defining and measuring business performance is difficult, which has resulted in the concept having remained a problematic issue in business research, (Fahy, et al., 2000). In chapter two it was pointed out that a market orientation provides a company with a better understanding of its customers, competitors, and environment, which subsequently leads to superior firm performance, (Kara et al., 2005).

This chapter of the literature review is particularly interested in the business performances relationship with market orientation. In section (3.1) short or long term financial benefits, as well as organisational benefits of performance measurement are investigated as are an organisation's ability to achieve the objectives set out by the management, its profit margins and market share as well as its return on investment. In section (3.2) the marketing orientation-business performance link is highlighted as are the effect, market turbulence, technological turbulence, competitive intensity and the performance of the economy. The most important question is: why measure business performance? This will be answered by looking at managers attempts within the organisation to use the measurement of performance to monitor and control while also driving improvements and trying to maximize the effectiveness of the improvement effort, which is considered in section (3.3).

As part of the research process a detailed review of previous business performance research, questions and findings are carried out in section (3.4) because business performance in transitional economies is of particular interest to this researcher as is the possible impact of culture on business performance, which is also considered. Finally in section (3.5) the need for organisations to adopt a 'learning orientation' is highlighted as are the effects such an adoption might have on business performance.

### **3.1- Financial and Organisational benefits of business performance measurement:**

Performance measurement although not an end in itself, is an effective tool to enable the delivery of more effective management. Results of performance measurement however only indicate what happened, not what to do about it. Therefore in order for an organisation to make effective use of its performance measurement outcome, it must be able to make the transition from measurement to management. Various approaches that are applied to study performance in research settings, together with the lack of agreement on basic terminology, make performance measurement a controversial subject for strategic management researchers. Business performance also has been defined in numerous ways and can have a variety of meanings;

- Organisational benefits

- Financial benefits

- Short or long term

However, even though, 'performance as a concept can have a variety of meanings (e.g. short- or long-term, financial or organizational benefits), it is broadly viewed from two perspectives', (Appiah-Adu, 1998, p. 31). First of all there is the subjective concept of performance where the primary concern is with an organisation's performance in relation to its own expectations or those of its competitors. Next there is the objective concept where absolute measures are used to calculate an organisation's performance. In previous studies

carried out by (Venkata, Ratnam, and Ramanujam, 1986; Robinson and Pearce, 1988), where both concepts of performance measurement were adopted, there was a very strong association reported, between objective measures and subjective responses. Of course this association may simply be an indication of the subjective expectations of management being met by their own desire to motivate staff to attain the objective measures required.

### **3.1.1- Achieving management objectives:**

Sin et al. (2005, p. 100) pointed out that “performance can be defined as, ‘the extent to which a business operation has been able to achieve the objectives set out by the management based on measures such as profit margins, market share and return on investment’”. Business performance can also be interpreted, however as the consequence of the interaction between an organisation’s internal capabilities and external operating conditions. Therefore, it can be argued that there are other environmental influences on business performance as well as, or even instead of market-oriented behaviours. The most effective way to combat both these internal capabilities and external operating conditions is to implement market or business planning.

This type of planning is, ‘a set of techniques and activities, that assists an organization in achieving an appropriate alignment of external environment and internal capabilities in order to achieve a desired outcome,’ (Pulendran et al., 2003, p 478). The interaction of both these factors may be disproportionately affected in certain cultural contexts, this factor will be considered in greater detail from the Libyan perspective in Chapter Four. Sin et al., (2005) also relate that it is important to remember, that financial indicators as evidence of business performance, may not be easily available to researchers, as most organisations treat detailed financial information as highly confidential. This may also be of particular relevance in the Libyan context.



For the last thirty years marketing researchers have argued that organisations should implement procedures in order to closely monitor their external environment when considering the development of a strong market-oriented culture, as part of their investigation into the influence of the external environment on market orientation in transition economies. There are four key factors to consider, Golden et al., (1995) which were; changes in demand, the obsolescence of certain products, pressures from competition and product technology. These four key factors can be directly associated to four external factors, namely market growth/demand, market turbulence, competitive intensity and technological turbulence, which were identified as potential moderators of the market orientation-performance link by Kohli and Jaworski, (1990).

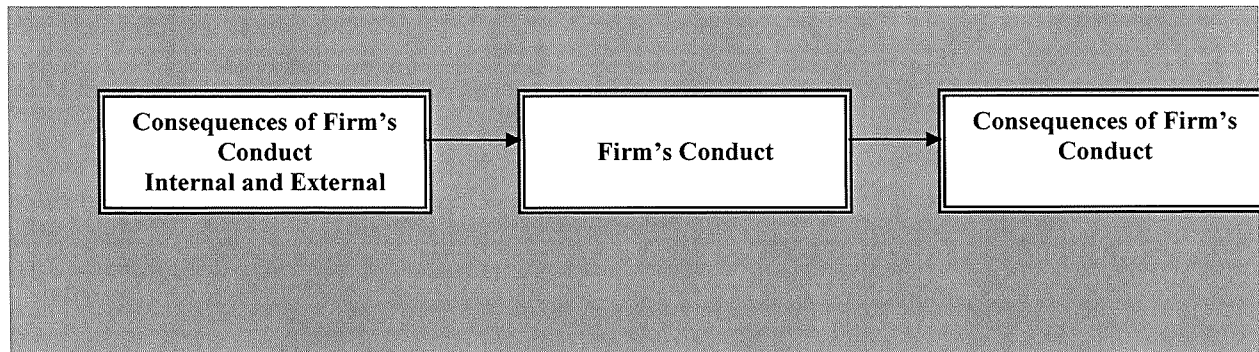


Figure (3.1) A generic conceptual causal model: source Matsuno et al., (2005, p3).

In figure (3.1) Matsuno et al. (2005) offer a model that organises and reconciles two distinct market orientation conceptualisations, one behavioural and the other cultural. They introduce an extended market orientation (EMO) scale, which is built upon both Kohli and Jaworskis' and Narver and Slaters' conceptualisations. This generic conceptual causal model was relative to an organisation's environment, both internal and external. The model incorporates organisational conduct which would necessarily include objectives set out by the management and takes into account consequences and therefore builds on the classic "structure-conduct-performance" paradigm.

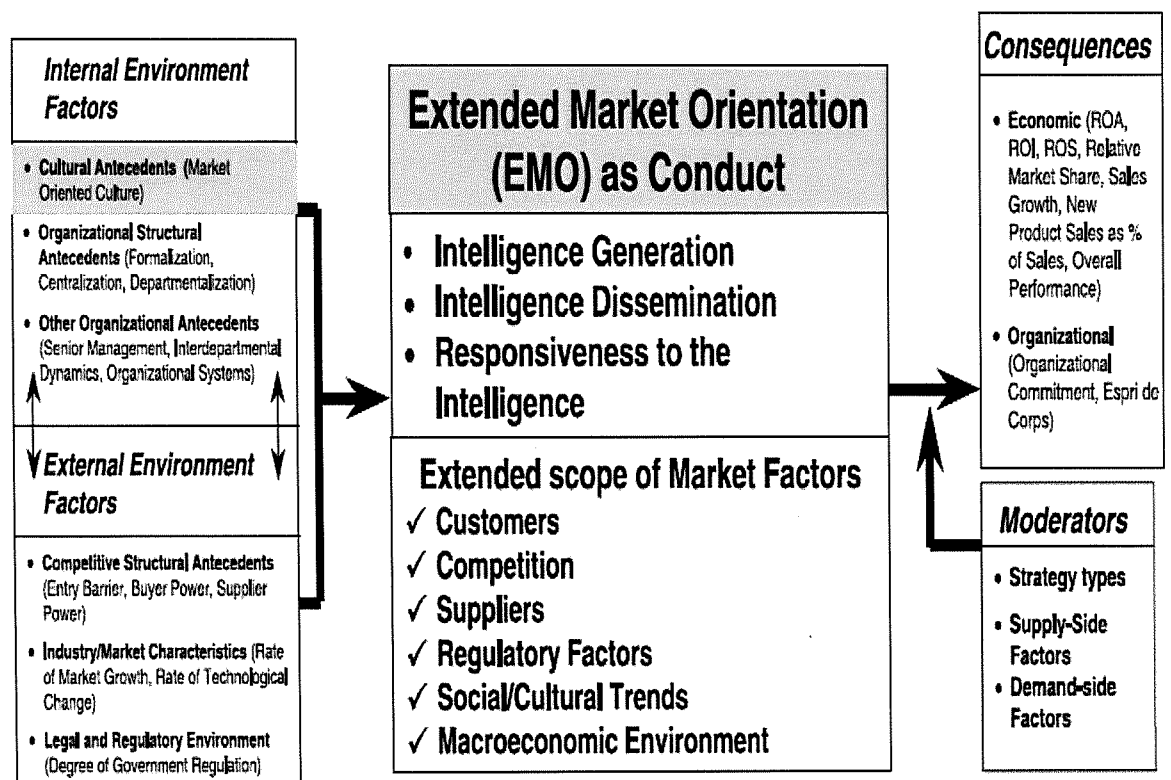


Figure (3.2) The EMO Conceptual model; source Matsuno et al., (2005, p 5).

In Figure (3.2) Matsuno et al., (2005) explain their extension of the generic model, and not only clearly identify the various types of internal and external environment factors, as well as moderators that can be put in place by organisations, they also point out the extended

scope of market factors namely; customers, competition, suppliers, regulatory factors, social and cultural trends as well as the macroeconomic environment, all of which will be considered from the Libyan context, in the next chapter.

The consequences of MO highlighted by Matsuno et al., (2005) are indicators of performance, no matter the context and therefore will be dealt with in greater detail in this chapter. The EMO model distinguishes between economic and organisational consequences, in the first of these; emphasis is placed on factors like profit margins, market share and return on investment.

### **3.1.2- Profit margins:**

In his study almost 10 years ago Dawes, (2000, p. 183) examined the association between MO and company profitability and concluded that there are many, 'environmental and organisational variables that are believed to affect organisational performance'.

However within any organisation financial performance is, 'commonly measured with profit margins and return on investment (ROI), emphasising internal efficiency relative to rivals', (Hyvonen and Tuominen, 2007, p. 427) whereas market performance is seen to reflect the outcomes of an organisation's strategic decisions in the long run, the two most common measures of market performance are, 'market share and sales volume,' (Hyvonen and Tuominen, 2007, p. 427). According to the CERA report 2006, 70% of Libyan small and medium sized businesses SMEs report annual sales of less than LD 50,000, while 80% report net profit margins of less than 10% and employ less than 5 workers, this report and others will be considered further in the next chapter on the Libyan business environment.

### **3.1.3- Market share:**

There have been a number of studies which used sales or market share as a measure of performance, Shoham and Rose, (2001) while some found no relation between market share and performance. Others having combined these variables with profitability as well as

growth found a minimal relationship (Deshpande et al., 1993; Pelham and Wilson, 1996). One line of argument put against the total sales and market share measure is that these are often the result of many years of cumulative business performance, and some organisations that were successful in the past, may become complacent or be unable to adjust to changes in their environment.

Sales growth however provides a more immediate measure of performance, as it tracks the life of companies, (Kotler, 2002), which after having set initial prices and creating a pricing structure for their products, may have had to cut or raise prices in certain situations. Any companies' performance can be altered by implementing a price increase to raise profits considerably, for instance "if the company's profit margin is 3 percent of sales, a 1 percent price increase will increase profits by 33 percent if sales volume does not drop", (Kotler, 2002, p. 230). Additionally there are some circumstances which might lead a company to cut prices, one being excess plant capacity, another is where the company needs additional business but cannot generate it through increased sales and therefore initiates a price cut. Yet another circumstance is where the company is experiencing a decline in market and is prompted to cut prices as a way of regaining their share. Furthermore, companies sometimes initiate price cuts in a drive to dominate the market through lower costs and artificially increase their market share.

#### **3.1.4- Return on investment:**

As market share and high-growth markets began to receive greater strategic emphasis, performance evaluation tended to focus more sharply on relatively (short-term financial measures) especially return on investment (ROI). There was a 'reversion to the more traditional sales orientation' (Webster, 1988, p. 34). Furthermore in many companies, the marketing department had encountered great difficulty in justifying its expenditure in terms of direct return on investment, (Verhoef and Leeflang, 2009) which lead to a situation

where it became difficult to account for marketing's contribution and this undermined its standing, (O'Sullivan and Abela, 2007).

### **3.1.5- Subjective measures and Objective measures:**

In order to evaluate business performance, there are two perspectives in the previous studies. A first perspective is the subjective measure, which is typically framed in terms of the performance of an organisation relative to their own expectations Pelham and Wilson, (1996) or relative to the competition (Verhage and Waarts, 1988 and Golden, 1992). It has often been used in order to defeat the problems of gathering performance data across industries (Dess and Robinson, 1984; Govindarajan, 1988; Miller, 1988).

Therefore, the term “subjective” is used to mean that the company’s performance score is derived using a scale with anchors such as “very poor” to “very good,” or “much lower” to “much higher” compared to competitors.

The other perspective is the objective measure which is based on absolute measures of performance (Chakravarthy, 1986; Cronin and Page, 1988). It is measured in terms of industry, region or simply in terms of ‘your competitors’. Therefore, objective measure refers to an actual proportion number for profitability or sales growth.

In addition, Forth and McNabb, (2008, p 108) stated that:

“subjective measures tend to be more broadly defined than objective ones, asking managers to make a judgement either about overall establishment performance or in terms of broadly defined ‘profitability’ or ‘productivity’. Although there are differences in the way data are collected, there is an underlying presumption that subjective assessments of establishment performance should correspond reasonably closely with objective data”.

However, Narver and Slater, (1990, p 27) pointed out that “subjective measures of performance are commonly used in research on private companies and on business units of large companies”. There are many studies which have employed subjective measure of

business performance (e.g., Narver and Slater, 1990; Deshpande et al, 1993; Greenley, 1995; Pelham and Wilson, 1996). However, objective measures of business performance have also been used by many studies (e.g., Ruekert, 1992; Diamontopoulos and Hart, 1993). Jaworski & Kohli (1993) utilised both types of performance measure. Also there have been some studies that demonstrate a strong correlation between subjective and objective measures (e.g., Narver and Slater, 1990; Slater and Narver, 1994a.).

This study will focus on subjective measure of business performance, that for several reasons are as follows:

- Managers may be reluctant to disclose actual performance data if they consider it commercially sensitive or confidential (Dess & Robinson, 1984).
- According to Dawes, (1999.p.3) “Subjective measures may be more appropriate than objective measures for comparing profit performance in cross-industry studies. This is because profit levels can vary considerably across industries, obscuring any relationship between the independent variables and company performance. Subjective measures might be more appropriate in this situation because managers can take the relative performance of their industry into account when providing a response (e.g. rate the profit performance of your firm relative to others in your industry)”
- Performance measures such as profitability may not accurately indicate the underlying financial health of a company. Profitability may vary due to reasons such as the level of investment in R&D or marketing activity, which might have longer term effects.

### **3.2- Changes in the MO business performance link:**

The market orientation (MO) - business performance link was also investigated by Golden et al., (1995) they went on however to state that, it could be affected by, market turbulence, technological turbulence, competitive intensity and the performance of the economy. These

variables also have the potential to moderate the link between MO, new product performance, and organisational performance (Langerak, et al., 2004).

According to Langerak, (2003, p. 100) market turbulence is “the rate of change in the composition of customers and their preferences. If the market is stable there is little or no benefit to a company in responding to changes in customer wants because starting to focus on customer satisfaction in these market circumstances would have little or no effect. The company’s positional advantage would not necessarily change due to the fact that little adjustments are necessary to cater effectively customer’s preferences.

However in a market which is much more turbulent there would be a much greater positional advantage to be gained and if already in place maintained, by the marketing departments’ anticipation of customers’ expressed or even latent needs and development of superior solutions to those changing needs. In such a turbulent market therefore, there is a much greater need for companies to be market-oriented (i.e., to track and anticipate to evolving customer preferences) to obtain a positional advantage, much more than there is in more stable markets”. Therefore this type of turbulent environment will mean that in order to be successful a company will have to be adaptable to any change in consumer needs and likes, and also place a greater emphasis on those activities oriented towards ‘...not only understanding the consumers but also by following competitors quickly’ (Varela and Del Rio, 2003, p. 9). Technological turbulence can have an effect on MO and the businesses performance link, mainly due to the fact that there are rapid and significant changes in the technology. Then the customer focused innovation that is essential to MO can often be abandoned in favour of research and development driven innovation, (Rose and Shoham, 2002). It has been suggested that companies who are operating in markets with a high degree of competitive intensity will be inclined towards the customer focused innovation that is essential to MO (Varela and Del Rio, 2003). Even in an environment where

competition is absent, an organisation may still do well, even if it does not have a positional advantage, because customers are stuck with that organisation's value proposition (Langerak, 2003).

However in a highly competitive environment there are many alternative options open to customers to satisfy their needs and wants, and organisations without a positional advantage, to pass on to customers, will lose out. In such an environment the organisation that is not market oriented is likely to lose customers to competitors that use their own MO to obtain a positional advantage and use this advantage to create additional value for customers.

There are a great many countries just like Libya who have a transitional economy. The main feature of this type of economy is change in the proliferation of businesses and increased competition in the market- place. The effect of competitive intensity in these countries is a greater variety of choices for buyers Appiah-Adu, (1998) which requires those organisations that wish to be competitive by clearly identifying customers' changing needs/preferences to respond accordingly.

There may of course be some credence to the counter argument which is that an organisation which has a monopoly in the market-place may perform well, irrespective of changes instituted to satisfy customer preferences. This means that the benefits offered by MO are greater for those organisations operating in a highly competitive sector, than for their counterparts in less competitive sectors. Performance of the national economy, and any influence of a national culture will also have a possible impact on market orientation, (Pitt et al., 1996). The effect of the Libyan national culture and economy and the changing Libyan business environment will be considered in more detail in Chapter Four.



### **3.3- Purpose of measuring Business performance:**

The question why measure Business performance? will be answered by looking at managers' attempts within their organisations to use the measurement of performance to monitor and control, while driving improvement in an attempt to maximize the effectiveness of the improvement effort. Business Performance Measurement (BPM) systems have grown in use and popularity over the past twenty years and organisations adopt BPM systems for a variety of reasons, but mainly to improve control over the organisation in ways that traditional accounting systems have not allowed, (Kellen, 2003). Over the years several approaches, or frameworks, for building and managing BPM systems have evolved with the balanced scorecard as the dominant framework in use today. Despite the growing use of BPM systems in organisations of all kinds, significant problems have caused companies to experience difficulty in implementing BPM systems. BPM has a variety of uses, but mainly it should be used by organisations to monitor and control, in an attempt to drive improvement or maximise the effectiveness of the improvement effort (Bititci et al., 2006). However the measurement of business performance can also be used to achieve alignment with the goals and objectives, put in place by the organisation and also to reward and discipline their lack of achievement. Therefore BPM has to be an integral part of, how organisations know things, which should lead to how they do things, in order to help them develop and prosper. If it is the intention of an organisation to survive and succeed they have to set strategic directions, make sure they establish achievable goals, and take the necessary decisions to act, which with careful monitoring, will ensure they attain their goals (Kellen, 2003). There is a point at which if an organisation continues to grow it becomes too large for any single manager to be able to sense and then control the organisations behaviour. It is at this point that the organisation must use performance measurement and control systems to replace the eyes and ears of the beleaguered manager.

Over the past few decades, more and more organisations have used information technology to provide this “sense and control” capability. Internet technology today makes the diffusion of performance measurement and its monitoring and control across the business or across businesses much simpler than in the past. BPM and control systems are now much more easily available and can be used to ‘replace the formal, information-based routines and procedures managers used, to use to maintain or alter patterns in organisational activities’ (Simmons, 2000, p100). These BPM systems can also be used as a tool to balance five major tensions which usually exist within any company; these are first of all, balancing profit, growth and control, next balancing short term results against long-term capabilities and growth opportunities. They also balance performance expectations of different constituencies and the opportunities and attention as well as balancing the motives of human behaviour (Simmons, 2000). However despite the importance of measuring business performance, ‘there is little research on the measures used to evaluate marketing effectiveness,’ (Eusebio et al., 2006, p. 145).

#### **3.4- Comparison of Market Orientation Measures:**

The body of literature on market orientation includes numerous studies that have measured the degree of market orientation of firms and organizations in various industries and countries, and which have tested the relationship of market orientation to various factors, including the business performance of firms. However, business performance is not an item of market orientation, it is a component influenced by market orientation (Kara et al., 2005). Several scholars have developed their market orientation constructs into research instruments which can be used to measure both the degree of market orientation of a firm and its relationship to other factors (Deshpande et al., 1993; Jaworski & Kohli, 1993; Narver & Slater, 1990).

The MARKOR scale is one of the most widely used market-orientation scales for empirical investigation. In addition, many studies on a variety of aspects have appeared since the early 1990s; however, there is no agreement on a universal construct that best measures market orientation (Matsuno, 2005).

The most important models for the quantification of the degree of market orientation, however, remain:

- Narver and Slater (1990) developed their own research instrument for the measurement of market orientation, referred to as MKTOR, which was constructed around three primary components: customer orientation, competitor orientation, and inter-functional coordination.
- The MARKOR scale was developed by Kohli and Jaworski in 1990 and improved in 1993 by Jaworski, Kohli and Kumar: it suggested a 20-item market orientation scale as an alternative to the original 32 item MARKOR scale. This was constructed around three primary components: intelligence generation, intelligence dissemination, and responsiveness.

The table below show the most widely used market orientation constructs. It is derived from the summary of empirical studies of market orientation contained in appendix 8.

**Table (3.1) Market Orientation Constructs**

| Measure of MO                   | F         | %          | NDC       | Authors (Date)                     | Context                 |
|---------------------------------|-----------|------------|-----------|------------------------------------|-------------------------|
| MARKOR (1990, 1993)             | 14        | 35         | 6         | Pitt et al. (1996)                 | UK and Malta.           |
|                                 |           |            |           | Avlonitis & Gounaris (1997)        | Greek                   |
|                                 |           |            |           | Bhuian (1998)                      | Saudi Arabia.           |
|                                 |           |            |           | Vorhies et al. (1999)              | Australia.              |
|                                 |           |            |           | Grewal & Tansuhaj (2001)           | Thailand.               |
|                                 |           |            |           | Rogers et al. (2005)               | Hungary & UK            |
| MKTOR                           | 11        | 27.5       | 3         | Subramanian & Gopalakrishna (2001) | India.                  |
|                                 |           |            |           | Matear et al.(2002)                | New Zealand.            |
|                                 |           |            |           | Sin, and Lee (2003)                | China & Hong Kong       |
| Mixed constructs                | 3         | 7.5        |           |                                    |                         |
| MARKOR and MKTOR                | 3         | 7.5        | 2         | Horng and Chen (1998)              | Taiwan                  |
|                                 |           |            |           | Soehadi, Hart & Tagg. (2001)       | Indonesian              |
| Deshpande et al, (1993)         | 2         | 5          | 1         | Deshpande` et al. (1993)           | Japan                   |
| Ruekert, (1992)                 | 1         | 2.5        |           |                                    |                         |
| Deshparde and Farley,(1998)     | 1         | 2.5        | 2         | Deshpande` & Farley (1999)         | Japan and India.        |
|                                 |           |            |           | Liu, Luo, & Shi (2003)             | China                   |
| Deng and Dart, (1994)           | 1         | 2.5        | 1         | Deng & Dart. (1999)                | China                   |
| Diamontopoulos and Hart, (1993) | 1         | 2.5        |           |                                    |                         |
| Kotler, (1977)                  | 1         | 2.5        | 1         | Au and Tse (1995)                  | New Zealand & Hong Kong |
| Pelham & Wilson's, (1997)       | 1         | 2.5        |           |                                    |                         |
| Langerak, (1997)                | 1         | 2.5        |           |                                    |                         |
| <b>Total</b>                    | <b>40</b> | <b>100</b> | <b>16</b> |                                    |                         |

NOTE: F = Frequency; NDC = Number of studies for developing country.

From this table it can be seen that the most extensively employed scales are MARKOR and MKTOR, developed by Kohli and Jaworski (1990, 1993) and Narver and Slater (1990).

These two scales represent the highest proportions of usage in previous market orientation studies (35% and 27.5% respectively).

Matsuno, Mentzer and Rentz (2000) extended Kohli and Jaworski's original MARKOR scale to 51 item by not only including customers and competitors, but also other market factors that influence the market environment (i.e., social, cultural, regulatory, and macroeconomic factors), as opposed to Kohli and Jaworski's scale, which measures only customers and competitors as providing market intelligence. The improved scale extends the MO item domains to explicitly include supplier relationships, regulatory aspects, social and cultural trends, and the macro-economic environment. Thus, MO involves the generation, dissemination, and response to all the marketplace participants and market factors.

Studies carried out after the development of these scales have made manifest both their virtues and their defects. One group of criticisms of the MKTOR scale refers to the operationalisation of market orientation. Thus Kohli et al. (1993) consider that this scale ignores additional factors that form the consumer's needs and expectations, and does not take account of the speed with which market information is generated and disseminated within the organisation; and they include a series of items that do not take into account the activities and behaviours associated with market orientation. Bisp et al., (1996) criticise the measurement scales, with the exception of the MARKOR scale, for not differentiating between customers and end users. In the opinion of these authors, for companies that produce and commercialise products for the consumer, it seems especially relevant to include the generation of information on end users.

Other criticisms of MKTOR refer to the items used in the measurement. Kohli et al. (1993) accuse the scale of Narver and Slater (1990) of including a series of items that do not measure activities and behaviours specific to market orientation. Siguaw (1994) also found

a certain conceptual confusion among the items; and Siguaw and Diamantopoulos (1995) pointed out that the reliability of the MKTOR scale is questionable because some items can belong to both consumer orientation and to inter-functional coordination, and others can be classified both in competition orientation and in inter-functional coordination. Among the objections made to the MARKOR scale is the critique by Pelham (1993) of its theoretical underpinning. Van Bruggen and Smidts (1995) point out that, in formulating the items, Kohli et al. (1993) do not differentiate among the participants who intervene in market orientation, which renders it difficult to make recommendations regarding each of these participants to improve such orientation. Specifically, they note the lack of a differentiation among separate groups of customers (e.g. end users and distributors). In order to address these disadvantages of the existing scales, Matsuno et al. (2000) refined the MARKOR scale. The first advantage of this scale over existing ones lies in its structure: On the one hand, it contains the dimensions of the MARKOR scale with the explicit addition of inter-functional coordination from the scale by Narver and Slater (1990); on the other, it considers consumer orientation and competition orientation in each of its dimensions. This structure overcomes the conceptual confusion of which the MKTOR scale has been accused (Siguaw, 1994; Siguaw and Diamantopoulos, 1995). Furthermore, it incorporates items relating to environmental aspects, thus agreeing with recent studies that have resulted in the refining of the MARKOR scale (Matsuno et al., 2000). They extend and improve their MARKOR scale by specifically incorporating additional market factors, resulting in a modified market orientation scale used in this research.

Another advantage of this scale is that it adopts a broad concept of “consumer”. Indeed, by distinguishing between customer, end user, and distributor it overcomes the criticisms made of MKTOR (Bisp et al., 1996) and MARKOR (Van Bruggen and Smidts, 1995). A comparison of these market orientation measures can be found in table (3.2):

**Table (3.2): Comparison of Market Orientation Measures**

| <b>Author, Market orientation Measure</b> | <b>Advantages</b>                                                                                                                                                                                                                                                                   | <b>Disadvantages</b>                                                                                                                                                                                                                             |
|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| MKTOR<br>(Narver & Slater, 1990).         | <ul style="list-style-type: none"> <li>• More generalisable across cultures, countries, groups, (Mavondo &amp; Farrell, 2000).</li> <li>• 15 items.</li> <li>• behavioural.</li> <li>• broadly used.</li> </ul>                                                                     | <ul style="list-style-type: none"> <li>• Content analysis indicates checklist approach, strong consumer orientation focus that doesn't match theory.</li> <li>• Does not consider stakeholder or cultural dimension (Gauzente, 1999).</li> </ul> |
| MARKOR<br>(Kohli et al., 1993).           | <ul style="list-style-type: none"> <li>• 20 items.</li> <li>• behavioural.</li> <li>• broadly used.</li> <li>• best used to assess organizational phenomenon (Gauzente, 1999).</li> <li>• temporal language, so can be used to assess firm's potential (Gauzente, 1999).</li> </ul> | <ul style="list-style-type: none"> <li>• The lack of market factors and stakeholders. (Matsuno et al., 2000).</li> </ul>                                                                                                                         |
| Deng and Dart (1994).                     | <ul style="list-style-type: none"> <li>• Wider scale – includes profit orientation, but is this valid theoretically?</li> </ul>                                                                                                                                                     | <ul style="list-style-type: none"> <li>• Profit orientation is a consequence of market orientation (Farrell, 2002).</li> <li>• Not broadly used.</li> </ul>                                                                                      |
| MORTN<br>(Deshpande & Farley, 1998).      | <ul style="list-style-type: none"> <li>• 10 item (most parsimonious).</li> </ul>                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>• Items focus on customer; ignore critical behaviours for creating superior value for customers (Farrell, 2002).</li> </ul>                                                                               |
| Gray et al. (1998).                       | <ul style="list-style-type: none"> <li>• 20 items</li> </ul>                                                                                                                                                                                                                        | <ul style="list-style-type: none"> <li>• Empirical development instead of theoretical.</li> <li>• Order effects, demand bias.</li> </ul>                                                                                                         |
| Rueckert (1992).                          | <ul style="list-style-type: none"> <li>• Behavioural.</li> <li>• Seems to be the broadest in terms of cross functional application (Farrell, 2002).</li> </ul>                                                                                                                      | <ul style="list-style-type: none"> <li>• Not broadly used.</li> </ul>                                                                                                                                                                            |

From this table it can be seen that there are disadvantages to the MARKOR scale, however, it applies only to the original MARKOR scale, because extended MARKOR includes customers and competitors and also other market factors that influence the market environment (i.e., social, cultural, regulatory, and macroeconomic factors). They extend

and improve their MARKOR scale by specifically incorporating additional market factors, resulting in the modified market orientation scale employed herein.

### **3.5- Impact of culture on business performance:**

Any organisational culture results from the knowledge acquired by an organisation's employees and can be defined as, 'the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them norms for behaviour in the organization' (Deshpandé and Webster, 1998, p. 4). From a marketing perspective, organisational culture varies along two dimensions: 'an informal-formal dimension that relates to the firms' degree of structure (e.g., flexibility, spontaneity, facilitation of individual initiatives'. As well as, '....an internal-external dimension that focuses on the maintenance of the organization's internal socio-technical system and on the improvement of its competitive position within the external environment', (Carrillat et al., 2004, p. 5).

Academic scholars and business practitioners have continuously advocated, 'the importance of developing a market orientation', (Appiah-adu, 1998, p. 29). Proponents argue that as a result of such an orientation an emphasis is placed on competitiveness, that is based on identifying customer needs and offering products which are different from or better than the competition. It has also been suggested that a market orientation appears to provide a unifying focus for the efforts of employees and departments within the firm, Kohli and Jaworski, (1990) thus leading to superior performance. According to Narver and Slater, (1990), the implementation of market orientation provides the organisational culture that most effectively and efficiently creates the necessary behaviours for developing superior value for customers. It is also believed that it will deliver 'continuous superior performance for the firm', (Bititci et al., 2006, p. 1331).



As a result of the literature reviewed for this chapter it is apparent that other researchers have recognised that culture guides and shapes behaviours and attitudes of all employees before, these include, (Hofstede, 1980; Handy, 1985; O'Reilly and Chatman, 1996; Burnes et al., 2003), their research also suggests that culture might have an effect on business performance.

Although, there is evidence of much research taking place in the 1990s, which contended that, 'market orientation is important to firms because of its positive association with performance', (Appiah-adu, 1998, p. 29), there are only a few where a positive link was found, in Japan Deshpande et al., (1993), and in the UK Pitt et al., (1996). The majority of those studies that did report a positive association between MO and performance are based on (Narver and Slater, 1990; Jaworski and Kohli, 1993; Slater and Narver, 1994, 1995) and their work in US firms. There have been multiple studies which have investigated these theorised relationships and returned inconsistent results (Green et al., 2005).

### **3.6- A learning orientation for business improvement:**

It has long been suggested that being market-oriented may not be enough for most organisations or, at least, it is only the start of a much deeper process, (Farrell and Oczkowski, 1997). Specifically, the argument is that by also having "learning orientation" companies will have a greater effect on business performance than simply being market-oriented', (Uncles, 2000: vi). Marketing scholars, in various studies over the years, have stated that those businesses that do develop better market orientation practices, will improve their business performance, (Narver and Slater, 1990). There are others like Kara et al., (2005, p.109) who point out that, 'As a small private business may have difficulties pursuing other sources of potential business profitability, such as research and development or low-cost leadership, market orientation becomes an important strategic alternative for them'.

Results in business performance make it worthwhile to implement MO programmes, (Van der Velden, 2001). Other important benefits as a result of such programmes are ‘an increase in employee motivation and feelings of belongingness’, (Van der Velden, 2001, p. 363). This increase in employee motivation is particularly important when organisations, like small private businesses are short of trained personnel. Additionally ‘motivation and commitment are important human characteristics that increase job satisfaction’, (Gauzente, 2001, p. 1). It takes time to develop a market-oriented culture and strategy within an organisation, but it is suggested that the longer a firm is market oriented, the greater the benefits of MO will be. The length of time is thus a moderating and reinforcing variable. A long-term view reinforces the impact of MO on output indicators such as business performance and esprit de corps as conceptualized by Kohli and Jaworski, (1990). The length of time a firm has MO should lead to organisations taking into account three distinct effects: which can be lagged, threshold or cumulative.

It may be the case of course, that there are older organisations that are not likely to change because of their inertia and bureaucratisation. However, it could also be argued that, if firms have survived through time, it is because they were able to adapt and integrate MO, which is the key to survival (Narver and Slater, 1990). This would suggest a positive association to the successful history of the organisation. Several authors have studied the impact of the order of entry on market share and business performance, (Szymanski et al., 1995). Those organisations described as first movers are supposed to have a competitive advantage, however, Gauzente, (2001) suggest that late entry into the market might foster better MO, because the competitive intensity is likely to be stronger over time. Newcomers are bound to demonstrate higher MO levels in order to reach a profitable place on the market. Hence from a competitive point of view, time could reinforce the necessity of MO for young firms or for firms just entering new markets. In other words, the historical period

when a firm is founded and enters a new market implies higher pressure to be market oriented. It is probably in young firms or for firms just entering new markets, that the question would be asked, If market orientation plays such a significant role in the achievement of this organisation's superior business performance, then what are the factors that drive or hinder market-oriented activity in this company?

### **3.7- Summary and Conclusions:**

As a result of this review of the literature it appears that this is the very first question any marketing manager or director should ask. Many authors reviewed for this chapter suggest that the strategic solution is that MO will provide for a market-focused strategic flexibility that should sustain competitive advantage. However in order for a business to achieve profitability and/or satisfy its objectives, a much greater emphasis must be placed, on the need for companies to be competitive and profit based by identifying consumer needs, wants and aspirations and delivering compatible offerings which are better than that of its competitors.

The main aim of this research is to investigate the market orientation construct/culture and philosophy from a Libyan perspective. There is some evidence from the review that it is differences in the market environments of different countries that influence the types of strategies that companies develop and adopt, which in turn influence business performance. Many of the academics and practitioners reviewed have found that defining and measuring business performance is difficult, which has resulted in the concept having remained a problematic issue in business research. However even though 'performance as a concept can have a variety of meanings (e.g. short- or long-term, financial or organisational benefits) it is broadly viewed from two perspectives, according to Appiah-Adu, (1998, p. 31). First of all there is the subjective concept of performance where the primary concern is with an organisation's performance in relation to its own expectations or those of its competitors. Next there is the objective concept where absolute measures are used to calculate an organisation's business performance.

The review of the MO literature had predicted a positive relationship between it and performance on the assumption that a market orientation provides any organisation with a better understanding of its environment and customers. This understanding leads ultimately

to enhanced customer satisfaction. The marketing literature also mainly asserts that implementing the marketing concept using the MO concept will result in superior organisational performance. However, any attempt to find empirical backing for this association has produced mixed results, (Slater and Narver, 1994 and 2000; Bhuian, 1998; Van Egeren and O'Connor, 1998), as it appears that findings can vary depending on how an organisation's performance is defined as well as what organisational settings are studied.

This review of the MO literature suggests that most studies have found a direct, positive relationship between MO and at least one performance variable, but that there are notable inconsistencies in the findings according to which performance variables are examined. Some empirical studies suggested a positive relationship between market orientation and managers' perceptions of overall firm performance, (Jaworski and Kohli, 1993), managers' perceptions and financial performance, (Slater and Narver, 1994) and managers' perceptions and new product performance, (Slater and Narver, 1994). On the other hand there was at least one study that did not support a direct positive relationship between performance and MO, (Han, et al., 1998). Additionally, numerous academics have questioned the link between market orientation MO and business performance. For instance, Diamantopoulos and Hart, (1993) identified only a weak association between MO and business performance, while Bhuain, (1998) and Greenley, (1995) found no relationship between the two variables at all. Also, MO is found not to be related to a firms' actual market share, (Jaworski and Kohli, 1993) or actual net income, (Han, et al., 1998).

In their original conceptualisation of market orientation Kohli and Jaworski, (1990) saw MO as an information-based process where the need for an organisation to understand its markets and customers and the need for this information to permeate throughout the organisation is paramount, in order to coordinate a committed decision-making process. It

was also suggested that there was a need for an organisation to understand the strengths and weaknesses of competitors, as this is an important part of being market oriented.

In the market intelligence perspective however the information required goes further than the needs and preferences of customers and must include the monitoring of competitors and their actions and the effect these would have on customers' preferences. Perhaps most importantly it also requires awareness, on the part of the organisation, with regard to the effect of other factors such as government regulation, technology and environmental forces, as well as, not just current needs, but also future ones.

This review of the literature next investigated the objective concept where absolute measures are used to calculate an organisation's business performance, which has been interpreted as the consequence of the interaction between an organisation's internal capabilities and external operating conditions. Therefore, it can be argued that there are other environmental influences on business performance than market-oriented behaviours. Marketing researchers have argued for some time that organisations should implement procedures in order to closely monitor their external environment when considering the development of a strong market-oriented culture, in their investigation into the influence of the external environment on market orientation in transition economies.

Matsuno et al., (2005) offer a model that organises and reconciles two distinct market orientation conceptualisations, and provided a framework with which to carry out any investigation of a country's external environment and its influence on behavioural and cultural contexts. The model incorporates organisational conduct which would necessarily include objectives set out by the management and takes into account consequences and therefore builds on the classic "structure-conduct-performance" paradigm. Matsuno et al., (2005) added to their generic model, and not only clearly identified the various types of internal and external environment factors as well as moderators that can be put in place by

organisations, but also point out the extended scope of market factors, namely; customers, competition, suppliers, regulatory factors, social and cultural trends as well as the macroeconomic environment, all of which will be considered from the Libyan context, in the next chapter. This extended model not only distinguishes between economic and organisational consequences, it emphasises factors like profit margins, market share and return on investment.

This would seem to make sense as within any organisation financial performance is usually measured with profit margins and return on investment (ROI) which indicates internal efficiency relative to rivals. Market performance on the other hand is seen as reflecting the outcomes of a firm's strategic decisions in the long run, the two most common measures of market performance are, market share and sales volume. In the past there have been a number of studies which used sales or market share as a measure of performance, some found no relation between market share and performance and others combined these variables with profitability and growth and found little relation. There is evidence to suggest that sales growth however provides a more immediate measure of performance.

This search for the performance link with MO has been informed by a number of authors, many of whom however highlighted that this link could be affected by, market turbulence, technological turbulence, competitive intensity and the performance of the economy. These variables it was suggested also have the potential to moderate the link between market orientation, new product performance, and organisational performance. There has been growth in the use and popularity of Business Performance Measurement (BPM) systems over the past twenty years. In more and more companies, in more and more countries information technology is now being used to provide a "sense and control" capability, this technology makes the diffusion of performance measurement and its monitoring and control across the business or across businesses much simpler than in the past.

Market orientation by itself may not be enough for most organisations but it is at least the start of a much deeper process that may make it worthwhile if it alters business performance. Other important benefits as a result of such programmes are an increase in employee motivation and feelings of 'belongingness' which will affect or could be affected by organisational culture. Despite the importance of market orientation in the modern business world, the need for market orientation studies has been largely ignored in developing countries. There is a lack of studies in non-western contexts, and the few efforts that have been made to study market orientation in developing countries have involved studies that were very specific and limited in nature, and none of them was done in a comprehensive manner (Bhuian, 1997; 1998; Deng and Dart, 1999; Akimova, 2000).

One of the measures used most in investigations of market orientation and business performance is the MARKOR questionnaire. This researcher intends to use this questionnaire in an investigation of MO in Libyan companies. In addition, the majority of existing market orientation literature / studies have been quantitative. There is a need for more research to understand the issues associated with implementing market orientation and in particular the obstacles/barriers and influence of culture, especially in developing countries. This would suggest there is value in combining qualitative as well as quantitative methods. A combination of quantitative and qualitative allows researchers to capitalise on the strengths of each approach and offset their different weaknesses, going beyond the limitations of a single approach. In the context of this study, it also provides a more comprehensive answer to the research objectives of the study, such as to provide recommendations as to how large Libyan manufacturing companies can improve their business performance through enhanced MO.

In the next Chapter the Libyan economy as well as the business environment is investigated.



## **Chapter Four**

### **Libyan Business Environment**

#### **4.0- Introduction:**

In Chapter Two it was pointed out that having a market orientation (MO) should provide a company with a better understanding of its customers, competitors, and environment, basically because it is thought that this would subsequently lead to superior organisational performance. However, from this researcher's review of the literature regarding business performance in Chapter Three it is apparent that there has been research which suggested that it is actually the differences in the market environments of countries that can influence the types of strategies companies adopt, which in turn influence business performance. The literature reviewed for Chapter Three also made it apparent that there are environmental influences on business performance, other than market-oriented company behaviours. These have been identified as being either internal or external. Marketing or business planning are the most effective ways to combat both these internal capabilities and external operating conditions. There are a number of techniques and activities that can assist an organisation in achieving an appropriate alignment of external environment and internal capabilities. However the interaction of both these factors may be disproportionately affected in certain cultural contexts, and therefore the Libyan economy and the Libyan business environment will be considered in this chapter. At an internal company level organisational structure dimensions can affect MO and organisational performance, being market-oriented may not be enough for most organisations to improve business performance.

There are a number of countries just like Libya, not only in Africa or the Arab nations who have a transitional economy, all of these countries are making attempts to change the

proliferation of businesses and increase competition in the market-place. A major effect of an increase in competitive intensity in these countries should be a greater variety of choices for buyers. Organisations that wish to be competitive therefore, will need to clearly identify customers' changing needs/preferences and respond accordingly.

The literature and research reviewed in the previous chapters suggest that the implementation of MO by a company will provide a worthwhile benefit, namely improved business performance. There are however other benefits which can occur as a result of the introduction of a 'learning orientation' within these companies which include an increase in employee motivation and feelings of 'belongingness'. This increase in employee motivation is particularly important to small, newly privatised organisations, which may be short of adequately trained personnel. Additionally employee motivation and commitment are important human characteristics that increase job satisfaction (Gauzente, 2001). These small, newly privatised organisations must realise that the longer term view of a market orientation is that it will not only improve business performance, but encourage esprit de corps. The length of time allowed for market orientation to produce these benefits should not be limited by these companies. Until they take into account the fact that these effects can be lagged, threshold or cumulative, it may be the case of course, that some older organisations which are transformed into new privatised organisational structures, are unlikely to change and implement MO because of their inertia and bureaucratisation.

As the interaction of both external environment and internal capabilities can have an effect on MO these will be considered in the Libyan national culture and economic characteristics as well as the Libyan economy and business environment. In addition, the Libyan national economy today and the Public Sector and Privatization in Libya's Economy which is countenanced to allow participation will be considered in sections (4.7) and (4.8) of this

chapter. The economy and industrial sector and Industrial policies and strategies in Libya as well as the structure of Libyan industries, will be considered in sections (4.9, 4.10 and 4.11) of this chapter. First in section (4.1) however it is important to understand the location and population, as well as the moves now taking place towards economic liberalisation.

#### **4.1- Location and population:**

Libya, as one of the developing countries, is located in the centre of North Africa with a long (nearly 2,000 kilometres) Mediterranean coastline to the north, borders with Egypt and Sudan to the east, Niger, Chad and Sudan to the South, and Algeria and Tunisia to the west. The country occupies an area of 1,775,500 square kilometres, making Libya the fourth largest country in Africa, about eight times the size of the United Kingdom. Additionally, Libya is the fifteenth largest country in the world, (Aghile, 2000), with over 90% of her land being either desert or semi-desert, creating a situation of heavy concentration of population and industry in the major urban areas. It is worth noting the particularity of Libya if compared with the rest of North-African countries which shared several institutional characteristics and historical backgrounds. Libya has three main regions; the first region consists of coastal lands along the Mediterranean Sea. The vast majority of the population and social and economic activities are concentrated in this region. The second region comprises two ranges of mountains; these are the Western Mountains in the northwest and the Green Mountains in the northeast. The third topographical region is the desert or Sahara lands (see figure 4-1). Libya's climate is a mixture of the climates of the Mediterranean Sea and Sahara desert.



Source: <http://geography.about.com/library/cia/blclibya.htm>,

Figure (4.1) Map of Libya

According to Terterov and Wallace, (2002), the Libyan population is estimated to be 5.5 million, including numerous foreign residents, and is said to be growing at a rate of 3.5 percent, one of the highest population growth rates in the world. The population is young (almost 50 per cent are under 20 years old) and 86 per cent urban - one of the highest urbanisation rates in the world. Additionally, most of the population is educated and a number of highly-qualified people were counted in the country, the country has now one of the highest literacy rates in Africa. Some 97 percent of the adult population is literate. Public education in Libya is free and compulsory for children ages 6 to 15. Arabic is the language of instruction.

#### 4.2- Libyan national culture:

According to social anthropologists, social scientists and psychologists, culture and social environment have a vital impact on the economic development of any country; Libya's environment is no exception. Economic development is associated with the social changes

that people have with their environment, society, relationship with family and people around them. Economic development has also been associated with, '... certain religions, city life rather than rural life and cultural attitudes which emphasise competition rather than contemplation', (Kindleberger, 1969, p. 81).

The basic unit of Libyan society is the extended family, the tribe, the village, and the community plays a major role in all this. Since Arabic culture is the most dominant force in Libyan individuals and groups, people's social values, beliefs and attitudes, state law, political and economic policies are all governed by Islamic rules in addition to many aspects of their life, such as marriage, divorce and most importantly trade relations. It has to be remembered that, '...Libya's work culture is very different from Europe's in the sense that it is more similar to that which exists in the Arab and Mediterranean world', (Wallace and Wilkinson, 2004, p. 38). This means that meetings may well not start immediately as first there will be an element of small talk and something to eat, and only then will work commence. There is only strategic thinking when it comes to large-scale projects. Additionally, because of the Libyans' propensity to act within groups, business does depend on friendship and, indeed, is geared at generating new friendly relations among people. This means that trust and reliability are important factors. In recent years the leadership styles of higher-ranking personnel who have studied abroad, or who have management experience, reflect their British and American training.

The Mediterranean African/Arab states today find themselves in a transitional period, their business systems are being transformed from state-led to an uncertain 'something else', (Schlumberger, 2000, p. 250-251). The shift from, '...centrally commanded economies or high government interference to an economic system where market driven forces rather than government sponsored and protected initiatives drive the economy', (Budhwar and

Mellahi, 2007, p. 4) and 'The "Euro Med" style of liberalisation are unlikely to alter the current non-democratic power structures', (Schlumberger, 2000, p. 253) but, 'could contribute to a preclusion of competition in both the political and the economic spheres'. In fact according to Schlumberger (2000, p. 253), '...the EU's Mediterranean strategy is not an adequate instrument for achieving the policy goals declared'.

Islam as a religion and a way of life also has an influence on the political, social and education systems as well as other cultural aspects of Arab and Muslim societies. There have however been significant changes in the African/Arab region since the mid-1990s the levels of state ownership in several countries have been significantly reduced as a massive process of privatisation was introduced. At the heart of this change was the shift from centrally commanded economies or high government interference to an economic system where market driven forces rather than government sponsored and protected initiatives drive the economy, (Metcalf, 2007).

As a result, central government control over organisations has been greatly reduced and further, economic liberalisation has had a strong impact on organisational systems. This has resulted, in the erosion of job security in the public sector as firms in this sector have downsized, privatised or closed.

#### **4.3- Economic Liberalisation in Libya:**

Responding to the economic crises, caused by the decline in international oil prices of the 1990's the government departed from its centralised planning approach to introducing a series of liberalisation measures at the beginning of 1988. Private shops were encouraged to reopen for example, and the government proposed an increase in privatisation, announcing that Libya would be able to import and export in complete freedom (Fisher, 1990). This restructuring policy initiated and regulated through the Issue of Government

Act number (9), dated 5/1/1992, was intended to regulate and enhance the role of private sector activities in the national economy. Some of its main provisions included the Libyan economy would now be based on joint ownership, popular socialism and individual initiatives and abilities. Secondly, the economic areas open for private and individual initiatives would include production, distribution and services. These new businesses would now take place in areas such as agriculture, industry, commerce, tourism, housing and finance, as well as in the private practice of professionals. Finally, based on a recommendation of the General People's Committee, public or joint enterprises could be sold to private ownership. In 2000 the Libyan General People's Congress and the Government authorities embarked on an ambitious programme of decentralisation, abolishing most central government functions and making the devolution of responsibility to 31 governorates a national priority. This has highlighted a need for capacity building to support the decentralization process, in particular at the governorate level. It also presents an opportunity to respond more accurately to some of the country's development needs, through increased needs-based targeting of resources. Complementing this, support is needed for a number of central authorities to develop capacity in areas such as environment and information and communications technology (ICT) and to upgrade public services. Such support at the central and governorate levels is valuable for assisting the development of the country and contributing to economic reform.

Consideration has begun to be given to ways of reforming the public sector. This sector employed some 70 per cent of the workforce. In June 2003, Libya accepted its obligations under Article VIII of the IMF's Articles of Agreement (IMF 2003) with the key challenge facing the Libyan authorities in the medium and long term being to achieving sustainable high rates of economic growth to generate employment opportunities for a rapidly growing

labour force. The authorities agreed that this goal would not be achievable without reducing the dominant role of the public sector.

In comparison with the rest of North Africa, Libya has the highest number of academically trained and highly qualified citizens. Many Libyans have completed study programmes at well-known foreign universities across the world and returned to transform the Libyan business environment. Despite the effort to build valuable projects to develop the economy, the contribution of the non-oil sectors in the GDP has remained low or limited and it remains to be seen what effect these returnees will have on Libyan business in general.

#### **4.4- Economic Characteristics:**

A review of the literature on planning and the economy aspects in Libya reveals that the economy has experienced six historical phases over the past decades as follows:

1. The first phase was between 1951 and 1962 in which Libya was classified as one of the world's poorest countries and its economy relied on a narrow range of primitive agriculture and international financial assistance (World Bank, 1960, p.3-4).
2. Between 1963 and 1969 the economy was transformed from a primitive economy into an oil-based economy. Since then it can be said that the Libyan society has moved from being a primitive agricultural society to a hydrocarbon society. In addition, the economy moved from capital deficits to capital surpluses (El-Mallakh, 1969, p. 308).
3. Between 1970 and 1983, Libya experienced an economic boom owing to the dramatic increase in oil prices in the 1970s. As a result the national gross domestic product and annual personal income levels increased and standards of living improved rapidly, (Fayad, 2000, p. 15). Moreover, the process of social and economic development accelerated. Furthermore, this period saw the nationalization of Libya's economy, the application of the principles of socialism in 1978 and the expansion of the public sector (Abbas, 1997, p.112).



4. Between 1984 and 1999, the Libyan economy witnessed a period of drastic recession as a result of the dramatic slump in oil prices (with a 50% drop in oil revenues since the mid-1980s) (www.newnations.com, 2005; Fayad, 2000 p. 26), the impact of the United Nations sanctions and the poor management of the public sector.
5. Since 1988, the Libyan economy has undergone a process of structural adjustment aiming at liberalising markets, privatizing the public sector and encouraging the private sector to participate in economic and development efforts.
6. Between 2000 and 2004, after the United Nations sanctions were lifted in 1999 and increases in oil prices, the Libyan economy has been improving rapidly. In addition, an open door policy has been adopted to reform and reorganize the economy.

From the above brief outline two important points should be taken into account:

1. The Libyan economy is an oil-based economy. As a result, the most important factor which determines its overall performance is the production of oil and its prices, which are subject to disturbances and shocks. Owing to these fluctuations the state's decisions to invest in social and economic development have also fluctuated throughout recent decades.
2. Since the mid-1970s, Libya's economy has been organized around socialist principles and the public sector. Recently, the economy has been reorganized according to the rules of the free market.

Consequently, it can be said that fluctuation and instability have been the most important features of the Libyan economy over the past three decades. For example, the annual growth rate of GDP was 6.7 per cent in 1996, minus 10.5 per cent in 1998 and 3.3 per cent in 2002 (GCP, 2003, p.5). The growth rate averaged 5.3 per cent per year during the period 1973-1975; however, from 1975 to 1980, it declined to only 1.1 per cent; and between 1985 and 1990 GDP growth averaged minus 6.2 per cent. This dramatic decline can be attributed

to the slump in oil prices in the 1980s and the impact of sanctions against Libya between 1982 and 2003. In 2002, Libya's GDP was LD 14,313.9 million (US Dollar = 1.40 LD) and the GDP per capita was around US \$7.750. In 2003, GDP was LD 19,131,000 million (www.newnations.com, 2005).

According to the General Council for Planning (2000a, p.34), Libya's economy is classified into six main sectors:

1. Commodity and production sector (agriculture, manufacturing, mining and quarrying, and oil and natural gas).
2. Infrastructure or service sector (construction, electricity, water and gas, transportation, storage, and communications).
3. Production services sector (trade, restaurants and hotels)
4. Social services sector.
5. Public services (public administration, educational services, and health services).
6. Other services.

From the above, Libya's economy can be classified as a centrally planned economy, relying completely on oil and its related industries. Owing to fluctuations in oil prices, sanctions and the dominance of the public sector, the overall performance of Libya's economy experienced a period of deep stagnation between 1983 and 1999.

#### **4.5- The Libyan economy and business environment:**

There are many factors which can have an influence on the business environment in the Arab World, these include the extended family, clan, tribe, village and Islamic religion all of these characterise the Libyan business environment, they also have an effect on the whole area of business management (Aagnaia, 1997). Libya's quest for economic progress in recent years has meant facing up to many managerial and social problems. The two main issues, which stand out, are, the transfer of Western management techniques and practices,

and the selection of appropriate business models to achieve the Libyan governments ambitious developmental goals. Because of globalisation many developing countries, including Libya, have paid a great deal of attention to national economic and social problems, but less attention has been given to managerial and organisational problems, which have an important impact on the performance of national development plans, (Almhdie and Nyambegera, 2004).

Globalisation and international competitive pressures are not new, but a new spate of economic liberalisation in some African countries is perhaps an indication of the far-reaching effects of globalisation and its accompanying international demand for competitiveness, (Scullion and Lineham, 2005). An emerging economy can be defined as a country that satisfies two criteria: a rapid pace of economic development, and government policies favouring economic liberalisation and the adoption of a free-market system. Globalisation has also meant rapid growth development and transformation in multinational companies, and the need to handle marketing much more effectively.

In Libya the globalisation phenomenon has been enhanced by the wave of economic liberalisation, the encouragement of foreign investment, the deregulation of financial markets and the lowering of tariff and non tariff barriers to international trade. In the 32 years since the Revolution, Libya has made very considerable progress, developing from one of the poorest countries in the world into one whose physical and human infrastructure compares favourably with that of its neighbours. However this process of globalisation according to Scullion and Lineham (2005, p. 275), ‘...is a double-edged sword, it provides opportunities for managers to overhaul their antiquated management practices and adopt modern ones that are capable of dealing with the threats and opportunities in the business environment. In the Arab states, attracted by prospects of quick profits, more and more

bureaucrats and regime members established private businesses; today, families of the heads of state, the upper strata of bureaucracy and governmental institutions, ‘...leaders of the ruling parties and the top ranks of the military establishment and security services all run their private enterprises’, (Schlumberger, 2000, p. 253).

According to Scullion and Lineham (2005, p. 275), “ there is a need for competitiveness in developing countries”, but economic policy regulations, even if modified in the frame of liberalisation, are still handled by governments as powerful tools of political control over economic agents and interactions to maintain the political and economic hegemony of the ruling elites and their clientele.

#### **4.6- The Libyan national economy today:**

There are, as this review of the literature revealed, a number of sources from which to gather information on the Libyan economy, all of which are non-Libyan. The most recent and relevant are reviewed here and Libya’s competitiveness with other countries in its region, as well as internationally is compared. It has been claimed that since the Revolution Libya has developed from one of the poorest countries in the world into one whose physical and human infrastructure compares favourably with that of the others in Africa and the MENA region. A number of publications have over the years offered guidance on the prospect of doing business with Libya and these have been reviewed as well.

In 2006 the Cambridge Energy Research Associates (CERA) conducted a study and produced an assessment on the competitiveness of Libya. This report suggested that Libya had been taking ‘major steps forward, but reforms have been piecemeal and unsystematic’ CERA (2006, p. 7). Libya needs to achieve consensus on a single competitiveness agenda that will become the mandate for senior members of government and for those that lead the change program. The CERA Report concluded that Libya needed to take action in four different areas in order to improve its competitiveness. The first of these should comprise

of a perfect Libyan democracy, by leveraging ICT and redesigning processes to reduce inefficiencies. There was also a need the Report stated, to establish a governance structure comprising special purpose entities such as an Economic Development Board and Competitiveness Council that could drive and accelerate the reform process CERA (2006). The Report also suggested the education and empowerment of a new generation of Libyan business leaders. These new business leaders would be required to rapidly expand the nation's capacity to act and drive workforce readiness through a radically improved education system connected to market needs and new immigrant workforce policies. These moves the Report suggested would enhance the quality of life for every Libyan through targeted interventions in housing and healthcare. The Report also recommended that the productivity and competitiveness of Libya's energy sector be enhanced by increasing investment and making some structural reforms, but also by initiating a program to actively diversify the Libyan economy as well as developing Libya's vast rural resources through enhancing agriculture and water management.

In order to enhance the general Libyan business environment the CERA Report 2006 recommended an acceleration and re-organisation of the reform of the banking sector in the country, in order to channel well-priced capital to productive enterprise. This would promote entrepreneurship which would catalyze innovation, risk-taking and business formation in Libya. The Report also suggested designing and implementing critical infrastructure and clarifying property rights to support economic development as well as upgrading Libya's information and communication technology (ICT) infrastructure and developing its information management systems.

In summary, Libya needs to take action in four different areas in order to improve its competitiveness it needs to:

- Accelerate and organise the reform of the banking sector in Libya in order to channel well-priced capital to productive enterprise.
- Inaugurate a far-reaching entrepreneurship program to catalyze innovation, risk-taking and business formation in Libya.
- Design and implement critical infrastructure and clarify property rights to support economic development.
- Upgrade Libya's information and communication technology (ICT) infrastructure and develop its information management systems.

Libya is still not a simple market for foreign investors because of the intricate laws and regulations, as well as a general lack of clear law and corruption at many levels. However, in the belief that global economic integration will attract much-needed foreign direct investment and will expand economic growth, the Libyan government has been trying to tout for an economic liberalisation program, focused on structural modernisation and privatisation. Foreign investments are considered a successful means to develop certain underdeveloped regions, to diversify the economy, to create new qualified jobs, to reduce costs of production, to innovate services and to rationalise the exploitation of local resources according to the Centre for Administrative Innovation in the Euro-Mediterranean Region (CAIMED) Report 2009. In Figure (4.2) there are a number of interesting facts supplied regarding Libya and its moves to enhance both economic as well as its human development since the Revolution.

## Key indicators

|                                            |          |
|--------------------------------------------|----------|
| Population (millions), 2008.....           | 6.3      |
| GDP (US\$ billions), 2007.....             | 69.9     |
| GDP (PPP) per capita (int'l \$), 2007..... | 13,593.3 |
| Sectoral value-added (% GDP)               |          |
| Agriculture .....                          | n/a      |
| Industry.....                              | n/a      |
| Services.....                              | n/a      |
| Human Development Index, 2006              |          |
| Score (0–1, 1 is best) .....               | 0.84     |
| Rank (out of 179 economies) .....          | 52       |

Source: UNFPA, IMF, EIU, World Bank, UNDP

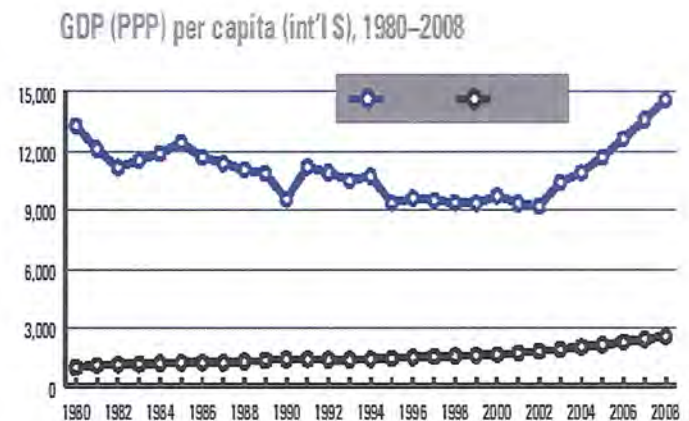


Figure (4.2): Libyan Key Indicators. WEF Report, (2009, p. 200)

The researcher for this guide indicated a slow but steady acceleration in the economic reform process, producing some modest changes in the banking system, small and medium business development, and access to foreign imports. However there are still substantial challenges remaining for foreign investors and Libyan entrepreneurs. The whole process of reform has caused a great deal of confusion, particularly among foreign investors, as shifting regulations and procedures and a weak regulatory environment have not inspired confidence in the market. The economy in Libya is still highly centralised and dominated by the energy sector, despite some tentative steps toward the privatisation of state companies and the thinning of government bureaucracy. There has been a recent boost in oil prices and this coupled with modest government spending has produced a surplus of revenue which is being utilized to address Libya's myriad infrastructure development needs.

As a result of this review of the recent literature on economic development in Africa, the Middle-East and the Arabic countries it is apparent that, in order for Libya to improve its economic performance and competitiveness it must be prepared to consider the macro-



economic as well as the social, legal and political contexts, within which it can effect necessary change. As can be seen from Figure (4.3) this means establishing micro-economic foundations which encompass not just company operations and strategy but also the micro-economic business environment.



Figure (4.3): Determinants of Competitiveness. CERA, (2006, p. 21)

Although these multiple influences on competitiveness can be organised into two important groups CERA (2006, p. 21) these groups have different but interlinked roles. A stable political and legal system as well as the necessary social institutions and sound macroeconomic policies will help to create the potential for company productivity and national prosperity. Improving social conditions, in particular, is vital to sustain a competitive economy, and is not a different or even a conflicting objective. Social policies need to be integrated into a competitiveness agenda to increase their effectiveness.

Libya, just like other countries in the region is at a particular stage of economic development and just like these other countries, it often registers significant weaknesses in these overall 'context' areas. These weaknesses need to be addressed for companies and individuals to be willing to make the long-term investments in skills and capabilities that are critical for higher productivity. Progress in these areas is important for economic reforms to be politically sustainable and economically fully effective. In any country wealth is actually created at the level of an economy's microeconomic foundations by companies



which are able to create valuable goods and services through increasingly sophisticated strategies and operations, supported by a strengthening business environment. Countries at Libya's stage of economic development often face challenges in both these elements as companies tend to work at low levels of operational efficiency and compete on low prices without differentiated market positions. Business environments suffer from wide-spread weaknesses in assets such as infrastructure and skills, and poorly-developed rules and regulations affecting business.

This review of the literature on national economic competitiveness clearly shows Libya as a factor driven economy, the basic requirements of which are well-functioning public and private institutions, well developed infrastructure, a stable macro-economic framework, and a healthy and literate workforce. It is hoped however that Libya will progress to the innovation-driven stage where it will be able to sustain higher wages and the associated standard of living. This can only happen if businesses are able to innovate and produce new and different goods using the most sophisticated production processes.

#### **4.7- The Public Sector and Privatization in Libya's Economy:**

According to the Central Bank of Libya, (2002, p.3), the public sector has played a dominant role in Libya since 1973. Social and economic development plans and productive and service activities have been organised and managed by, and have relied heavily on, the public sector. According to the Ministry of Planning (2001, p.40), eighty six per cent of the total investment in the development plans in Libya between 1975 and 1999 were performed by the public sector. Only 10 per cent were implemented by the private sector.

However, by 1985, the state reviewed its public policies owing, in part, to the failure of the public sector to meet national goals and the inability of the state to manage and fund it. As a consequence, the public sector has undergone a slow process of privatisation since the

second half of the 1980s. Many public factories, establishments, state-owned organisations and companies have since been privatized.

Furthermore, in 2000, the state introduced a huge plan for privatization with the aim of liberalising economic markets and privatizing state-owned companies. Moreover, in his speech in the General People Congress in June 2004, Al-Qadhdhafi indicated that the public sector in Libya had failed to achieve its objectives; he attributed that to bureaucracy and administrative corruption (LTV, June, 2004a). According to the International Monetary Fund, (2005, p.5), "Since the freezing of the UN sanctions in 1999, Libya has been gradually implementing measures to reform and open its economy". However, the report concluded that "Libya is generously endowed with energy resources, but has one of the less diversified economies in the Maghreb (Libya, Tunisia, Algeria and Morocco) region and even among the oil producing countries". To conclude this section, the Libyan economy has been based on and managed by the public sector since the second half of the 1970s. As a result, the public sector has played a dominant role in economic and social life. In turn, little attention has been paid to the private sector and its role in economic growth and the development process. However, since 1985, the public sector has undergone a series of privatization or acquisition processes aimed at encouraging the domestic and private sector to share in economic and social development.

#### **4.8- Economy and industrial sector:**

Before the discovery of oil, the Libyan economy was basically dependant on agriculture and pasturage. Associated with oil discoveries some factories were established. With about 80 per cent of the population of Libya confined to primitive agriculture, it is not surprising that industry was rare. However, a wide range of small factory industries had been established during the 25 years before the discovery of oil. These were based mainly on the processing of local agricultural products, and included flour milling, olive oil refining,

tobacco and salt manufacture, textiles, footwear and clothing, vehicle repairs and printing. Altogether, factory industries in Libya at that time employed around 15,000 to 20,000 people and contributed about 10 per cent of the national output, (International Bank for Reconstruction and Development, 1960, p. 48).

The industry was controlled by the private sector until the last quarter of the 1970s, when public sector firms replaced this. The transformation from the private sector to the public sector was carried out in accordance with a new socialist economic perspective in Libya. The industrial sector was established to reduce the country's dependence on the crude oil exports. The government pressed ahead in building industrial bases such as those which processed crude oil and natural gas for petrochemicals and related industries. The non-oil industries also received considerable attention. The non-oil industrial sector consists of light and heavy industries. Light industry comprises: food, light chemical, engineering and minerals, textile, furniture and paper products industries. State gave priority to heavy industries in the budgets of the various development plans (1970- 1990). For example, the total allocations to the heavy industries were about 2043 million LDs, (Secretariat of Industry and Minerals, 1995). This allocation reflects the insisted desire of the country to develop this sector so that it may achieve the aims of developing the national economy and replacing the oil sector in the future. Examples of heavy industries are: the iron and steel complex, chemical industries, trucks and buses, tractors and trailers, etc.

The industrial sector forms an important part of the Libyan economy by creating capital investment, creating new jobs, freeing the economy from dependence on oil, contributing to the gross national income and providing a better life for existing and future generations, as well as creating an educated and resourceful workforce. Consequently, the industrial sector contributed to the Libyan GDP by 3800 million LDs in the period of 1970-2000, and the total number of workforce in the year 2000 was 124,900

people, (General Secretariat of the production's affairs, 2002). The UN and USA sanctions and reduction of oil prices and other problems forced the industrial sector to perform below their designed capacities, that action reflected on the output values of industrial sector, for example, the output value in 1992 was 86.324 million LDs, 1141.614 million LDs in 1993 and declined to 952.122 million LDs in 1994 (Secretariat of Industry and Minerals, 1997). Aghila, (2000) mentioned that other problems have appeared in recent years in the Libyan economy such as mismanagement, centralisation, lack of cooperation among sectors and a poor pay system. The contribution of the non-oil sectors in the GDP has remained low or limited, despite the effort to build valuable projects to develop the economy and to take the place of oil in the future. The low performance of the industrial sector could be returned to the absence of positive management, especially in the areas of planning, organising, controlling and marketing. Moreover, the Secretariat of Industry and minerals reports for example, indicate other internal factors such as frequent machinery breakdowns and underestimated levels of maintenance. Shortages and delays in receiving raw materials (except oil), semi-finished goods and spare parts, shortage of water supplies, inadequate operating and maintaining systems, shortage of skilled and trained personnel, (The Secretariat Annual Report, 1997-2002). These circumstances consequently adversely affect the performance of Libyan employees as well as their organisations and the overall economy. Ministry of Economy and Libyan Central Bank have been given mandates by the General People's Congress (Parliament- the highest authority in the country) to manage and control operations in all public organisations.

#### **4.9 - Industrial policies and strategies in Libya:**

Developing countries strive to implement the economic development pattern followed by the advanced countries. Therefore, the developing countries focus on the industrial sector, given its importance in relation to the other sectors of the economy. Strenuous efforts are

exerted to rough short- term and long – term plans to provide the necessary and adequate investments for the industrial sector Training and habilitation programs are prepared and various economic policies are applied in order to enhance the national industries sector .

In Libya, the state policies have supported the industrial sector due to its role as an engine of growth and development.

This role includes the diversification of the sources of national income to reduce the economy's quasi – total reliance on oil proceeds.

The industrial sector also helps to provide job opportunities, satisfy the society's needs of various goods, and exploit the existing natural and human resources. The Committee for the evaluation of the industrial companies' status shows that the adopted policies and strategies are diversified and dynamic. Those strategies ranged from import substitution to export promotion and exporting the surplus production of import – substitution industries after satisfying the local market demand. Hence, development strategies have been diversified and changing (Tarbaghia, 1995).

When studying the Libyan economy, two major points must be taken into consideration: First: the Libyan economy is a developing economy, operating in a vast geographical region with a small number of inhabitants, and heavily relying on petroleum which is an exhaustible resource.

Second, the Libyan economy has greatly changed during the last three decades, since the adoption of the socialist philosophy that encourages public ownership. Therefore, the industrial policy in Libya relied on two main factors: abundant capital expenditure on the industrial sector while highly emphasizing the role of the public sector for developing and improving the industrial sector, (Libya report, 2001).

This policy adopted a number of crucial strategic objectives, Libya report (2001), such as:

- The diversification of the national economy – dealing with the impediments of the Libyan economy by turning it into a protected economy that does not solely rely on petroleum but includes several subsidized essential industries yielding an income for financing growth and development operation in the country .
- Contributing to meeting the growing local demand for goods, especially food product while focusing on import – substitution industries.
- Creating new job opportunities.
- Exploiting the available natural resources.
- Realizing balanced location distribution of development projects.

In order to realize the above – mentioned objectives, the industrial development strategies followed two parallel paths:-

1. Establishing and developing small and medium size industries that meet the domestic needs and reduce the reliance on imports.
2. Establishing and developing heavy industries , especially for producing exportable goods, by giving first priority to chemical and petrochemical industries , petroleum and natural gas refineries, which depend on available local resources.

#### **4.10- The structure of Libyan industries:**

The ratified classification of Libyan industries divides them into six groups, as follows:

- 1- Food Industries: Including mills, fodders, dairy products, canned vegetables and fruits, bread, sweets and pastries, gaseous drinks and tobacco.
- 2- Yarns and Textiles, leather, furniture, and paper industries: including clothes, shoes, bags, house furniture, office furniture, paper products, bondages and medical cotton.
- 3- Chemical Industries: Including batteries and tyros, soup and various detergents, resinous and sponge products, various points and coatings, industrial and medical gases.

4- Cement and Building Materials Industries: including cement bricks, plastic pipes, glass tiles, ceramics and pottery.

5- Basic Industries: including iron and steel products such as iron rolls, dishes, table ware, etc.

6- Engineering and Electrical Industries including the production of tractors, cables, trailers aluminium pipes, refrigerators, ovens, bicycles, electrical wires, computers , video equipment, audio and video recorders, etc.

The most important category in the Libyan industrial structure is the food industrial group which contributed 29.3% of the total production of the industrial sector in year 2000/2001. This group includes large companies such as mills, and companies producing fertilizers fodders, dairy products, gaseous drinks companies, as well as El Ma'amoura Company for canning and producing fruits and vegetables and other food companies.

Although the production value at current price of the food industries increased during the period (2000/2001-2000/2004), the contribution of those industries to the total industrial production slightly decreased from 29.3% in year 2000/2001, to 27.2% in year 2002/2004. This was due to the accelerated growth of the production of the basic metallurgical industries and the engineering and electrical industries.

The three groups of: textiles, leather and furniture industries, chemical industries, and cement and building materials industries increased during the above- mentioned period, then relative consecration to the total industrial production declined due to the fast increase in the production value of the basic metallurgical industries and the engineering industries (See table 4.1):

The information in the table below showed that there was a sharp increase in the production value of the basic metallurgical industries, the engineering and electrical industries during the period from year 2000/2001 to 2003/2004, as their production value almost doubled

therefore, the contribution of those industries to the total industrial production rose from 15.4% to 19.8 and from 16.5% to 18.9% for the engineering and electrical industries. In the next chapter there will be some details on these sectors.

**Table (4.1) Production value of the various industries**

| <b>(In million Libyan Dinars)</b>        |                  |                  |                  |                  |
|------------------------------------------|------------------|------------------|------------------|------------------|
| <b>Industry</b>                          | <b>2000/2001</b> | <b>2001/2002</b> | <b>2002/2003</b> | <b>2003/2004</b> |
| <b>Chemical industries</b>               | 95.3             | 103.8            | 115.7            | 121.6            |
| <b>Electric and Engineering industry</b> | 120.9            | 137.9            | 155.8            | 203.3            |
| <b>Metal industry</b>                    | 112.3            | 171.1            | 176.7            | 212.8            |
| <b>Building materials industry</b>       | 94.7             | 99.5             | 102.0            | 130.8            |
| <b>Food industry</b>                     | 214.8            | 189.4            | 223.0            | 291.3            |
| <b>Textile and Furniture industry</b>    | 94.4             | 98.1             | 85.5             | 113.9            |
| <b>Total</b>                             | <b>732.4</b>     | <b>799.8</b>     | <b>858.7</b>     | <b>1073.7</b>    |

Source: Centre Sciences Economic Research, (2005).



#### **4.11- Summary and Conclusions:**

The review of the literature for this chapter revealed that the Libyan economy it would seem is not generating the levels of prosperity that might be expected. In fact the overall picture is one of low levels of productivity and factor mobilisation outside the energy sector. Another very important issue is the figures of employment indicate that a large segment of the available labour force is idle or are forced to work in low-value activities below their capabilities. In this researcher's experience the process of reform in Libya is very confused because there are various regulations and procedures. Also the economy is still highly centralised and dominated by the Oil sector. There has also been very little progress toward the privatisation of state companies and a reduction of government bureaucracy.

Both the cultural and social environment has a vital impact on the economic development of any country. Economic development is associated with the social changes that people have with their environment and has also been associated with, religion, life style and cultural attitudes which emphasise competition rather than contemplation. In Libya the work culture is very different from Europe's. There is only strategic thinking when it comes to large-scale projects and because of Libyans' propensity to act within groups, business depends on friendship. This means that trust and reliability are important factors. In recent years the leadership styles of higher-ranking personnel who have studied abroad, or who have management experience, reflect their British and American training. Libya finds itself in a transitional period, where business systems are being transformed from state-led to something else. There is a shift from a central commanded economy with high government interference to an economic system where market driven forces rather than government sponsored and protected initiatives drive the country's economy. As a result, central government control over organisations has been greatly reduced and further, economic

liberalisation has had a strong impact on organisational systems. There are of course a number of factors that influence the business environment in the Arab World, these include the extended family, clan, tribe, village and Islamic religion all of these characterise the Libyan business environment, they also have an effect on the whole area of business management. In Libya the wave of economic liberalisation, encouraged foreign investment, the deregulation of financial markets and the lowering of tariff and non tariff barriers to international trade.

This research started out with a number of research objectives the first was to determine if a significant relationship between an organisation's level of market orientation and its perceived business performance exists. A particular objective was to assess the current level of awareness and application of the concept of market orientation within larger Libyan manufacturing companies. As a result the researcher could evaluate if the better prepared Libyan firms (in terms of MO) display better perceived business performance. Finally the researcher wished to provide recommendations as to how larger Libyan manufacturing companies could improve their business performance via enhanced market orientation.

The review of the literature for Chapters Two, Three and Four allowed a number of research questions to be created which included:

1. Does a significant relationship exist between large Libyan manufacturing firm's business performance and its degree of market orientation (MO)?
2. What is the current level of MO within large Libyan manufacturing firms?
3. Is there evidence that the Level of market orientation varies between sectors?

As has already been pointed out one of the most successful measures used in investigations of market orientation and business performance is the extended MARKOR questionnaire. This researcher intends to use this questionnaire in an investigation of market orientation in

Libyan companies. This data collection tool and the research methodology for this study are presented in Chapter Five.

## **Chapter Five**

### **Research Methodology**

#### **5.0- Introduction:**

The general approach taken to any research is known as the research paradigm, which “refers to the progress of scientific practice based on people's philosophies and assumptions about the world and the nature of knowledge” (Hussey and Hussey, 1997, p16). This means those assumptions made by a researcher about how the research should be conducted, and begins with deciding the approach to the entire process. The research approach or methodology to be implemented is determined by the research problem, and assumptions used in the research paradigm as well as the way the research problems are defined, all influence the conduct of the study. There are, “a number of different types of research methodology, some of which lend themselves more to one paradigm than another” (Hussey and Hussey, 1997, p.16). However, it is also possible to construct a continuum of research methods, which allows the researcher to differentiate between different methods, in terms of the various logics they bring to bear in conducting research. “The choice of an appropriate level of analysis for the problem at hand is a major problem in a lot of social science research” (Hofstede et al.,1993, p.484). At its most general form, this problem is based on the fact that the subject of the social sciences is concerned with the behaviour of individuals and/or the properties of some kind of social system, which is composed of individuals. Therefore the data collected derives from individuals and includes variables describing characteristics of individual behaviours, or answers by individuals to questions. In Figure (5.1) it is apparent that the research process consists of a number of stages, which include the research philosophy, research approaches, research strategies, data collection methods as well as time horizons. Having begun to understand the nature of research it is

now necessary to consider a research paradigm “the two main philosophies or paradigms are labelled positivist and phenomenological or quantitative and qualitative” (Collis and Hussey, 2003, p.47). However these can also be referred to as “positivism and interpretivism, they are views about the way in which knowledge is developed and judged as being acceptable” (Saunders et al., 2007, p.102).

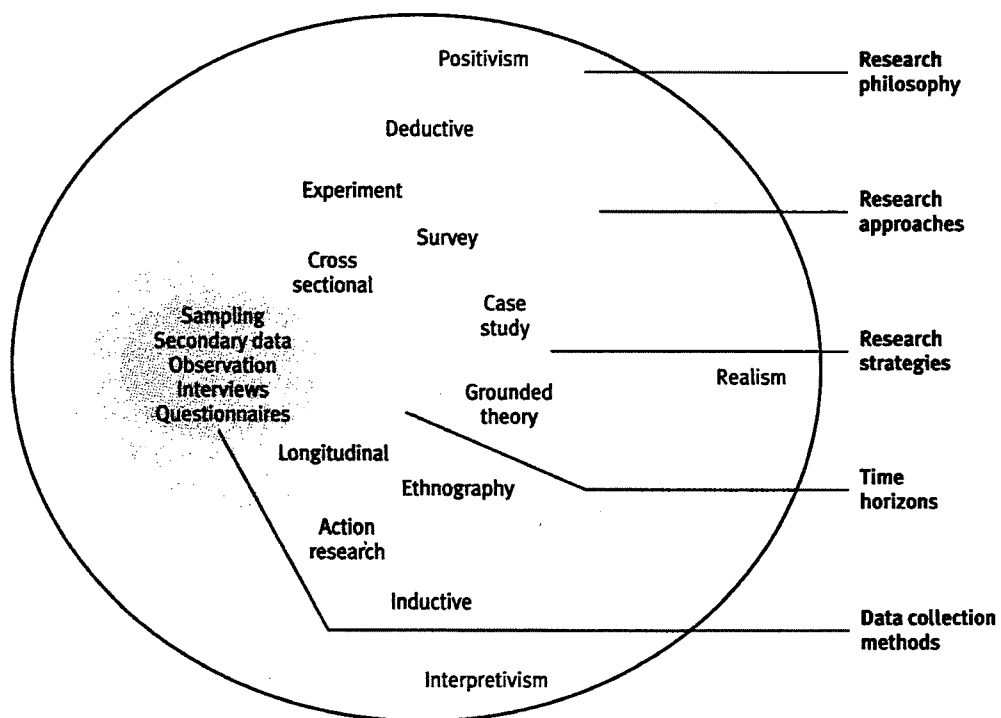


Figure (5.1) the research process Saunders et al., (2007, p.102)

In Libya there has been a quest for economic progress in recent years which has meant facing up to many managerial and social/political problems. The two main issues, which stand out are, the transfer of Western management techniques and practices, and the selection of appropriate business models to achieve the Libyan government’s ambitious economic developmental goals. Due to the effects of globalisation many developing countries, including Libya, have paid a great deal of attention to theses national economic and social problems, but less attention has been given to managerial and organisational

problems, which have an important impact on the performance of not only the individual business but national development plans as a whole, (Almhdie and Nyambegera, 2004). There has been a new spate of economic liberalisation in some African countries which is an indication of the far-reaching effects of globalisation and its accompanying international competitiveness, (Scullion and Lineham, 2005). In Libya the phenomenon has been enhanced by the encouragement of foreign investment, the deregulation of financial markets and the lowering of tariff and non tariff barriers to international trade. In general, Libya is used to buying in the international market, and factors such as quality and price carry far more weight than politics. The main emphasis of this study is to investigate a sample of Libyan companies and explore their market orientation in order to answer a few important research questions, by achieving the main research objectives, and addressing a number of hypotheses.

#### **5.1- Research Questions, Objectives and Hypotheses:**

Much of contemporary research has tended to, “focus on investigating the relationship between various measures of company performance and the adoption or implementation of particular aspects of a market or marketing orientation,” (Gray et al., 1998, p.884). Unfortunately “there have been a wide range of methodologies and measures employed with only very limited validation,” (Gray et al., 1998, p.884). At the heart of this problem is the confusion over definitions, the terms marketing orientation defined as a business philosophy and an organisation’s market orientation or implementation of that philosophy are often confused and/or used interchangeably. There is also an unresolved dispute about how best to measure company performance, with continuing debate over the applicability and reliability of various organisational and social measures.

The two best known and used measures of market orientation are those proposed by Narver and Slater (1990) and Kohli et al. (1993), the MKTOR measuring tool is linked with customer value while the MARKOR scale is defined in terms of intelligence gathering, dissemination and response and may be less well suited to measure performance, (Ellis, 2006, p.1098). Finally, however, the existing practice of measuring market orientation by questioning and interviewing only managers is also questionable, (Caruana et al., 2003, p.37), for in order to effectively measure an organisation's market orientation it would seem to make more sense to develop measures for this that ask customers. Due to the nature of the research questions this researcher wanted to have answered it was decided to use the MARKOR questionnaire.

#### **5.1.1- The Research Questions:**

As a result of the literature reviewed for Chapters two, three and four the following questions were developed for this study.

1. Does a significant relationship exist between large Libyan manufacturing firm's business performance and its degree of market orientation?
2. What is the current level of market orientation within large Libyan manufacturing firms?
3. Is there evidence that the level of market orientation of large Libyan manufacturing firms varies between sectors?

#### **5.1.2- The Research objectives:**

However, in order to answer the thesis questions a number of objectives had to be achieved, the research process started by this researcher intended;

1. To determine if a significant relationship exists between large Libyan manufacturing firm's level of MO and its perceived business performance, the literature reviewed in chapter two, suggests that there should be.

2. To assess the current level of MO within large Libyan manufacturing companies, the survey conducted on the opinions of Libyan managers provide this.
3. To evaluate if large Libyan manufacturing companies in a number of different sectors displayed variable levels of MO, a comparison of results across Libyan businesses clarified this.
4. To provide recommendations as to how large Libyan manufacturing companies can improve their business performance via enhanced MO, the conclusions drawn from this study when compared with the literature reviewed provided these.

#### **5.1.3- The Research hypotheses:**

In this Chapter the author presents the paradigm for this research as well as the strategy, methodology and methods employed in order to address the following hypotheses;

**H1 (a):** There is a significant relationship between market orientation and perceived business performance.

**H1 (b):** The significance of the relationship between business performance and market orientation varies between sectors.

**H2 (a):** The distribution of market orientation scores for large Libyan manufacturing firms will be negatively skewed.

**H2 (b):** The distribution of market orientation scores for large Libyan manufacturing firms will vary between sectors.

In order to achieve the aim and objectives of this research the extended MARKOR questionnaire is used to measure market orientation within a number of Libyan companies.

In Figure (5.2) the areas of investigation in these companies is presented.



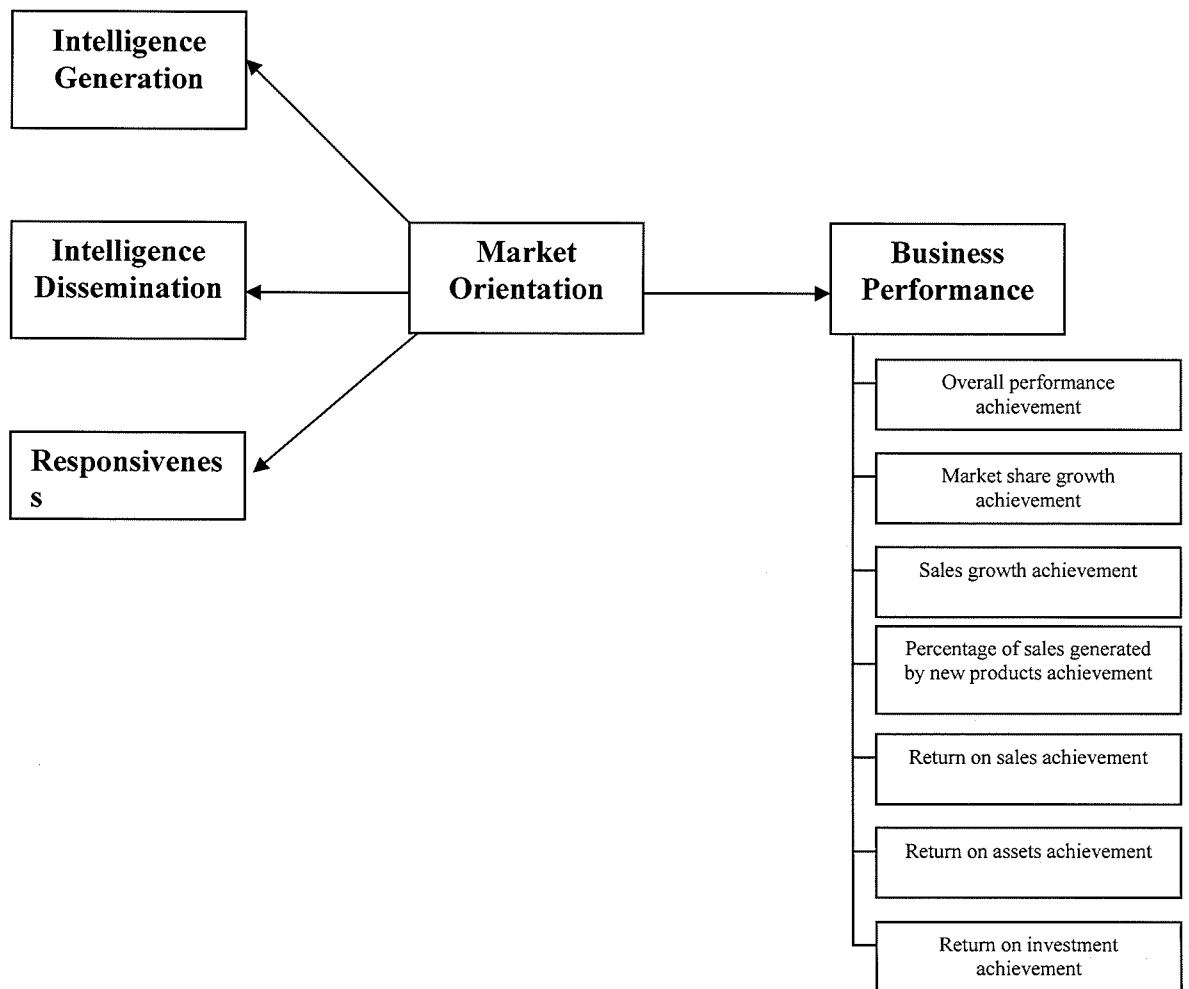


Figure (5.2) the Areas of Investigation.

## 5.2. The Process of this Research:

It is not unusual to start thinking about a piece of research by first of all considering whether to use a questionnaire or conduct interviews, (Saunders et al., 2007). However before considering this central point it is important to initially raise the question of which research philosophy to adopt and then consider the subject of the research approach that flows from that research philosophy, (Saunders et al., 2007). There is not one philosophy which is 'better' than another, and each in its own right is better at doing different things, the main point to consider is the research question(s) that need answering, this fact will also dictate the philosophy, approach strategy, methodology and methods to be employed.

There are two main approaches to be considered for research, first of all there is the deductive approach used in this research where a theory and hypothesis (or hypotheses) are developed and a research strategy is designed to test the hypothesis. The alternative is the inductive approach, where data is collected and a theory is developed as a result of the data analysis. The deductive approach chosen for this research owes more to the positivistic research philosophy while a more inductive approach would be more interpretivist. Positivism and the deductive approach represent the commonest view of the nature of the relationship between theory and social research, (Bryman, 2008). This research adopted a post-positivism research philosophy: Post-positivism critically reviews the fundamental stance of positivism, acknowledging the assumption that the world may be objective and external but emphasising that care is needed to study knowledge (Phillips & Burbules 2000; cited in Creswell, 2003). Post-positivists broadly accept the existence of an objective world but argue that reality can only ever be approximated (Guba, 1990 cited in Denzin and Lincoln 2005). Additionally, this critical perspective is in response to the problem of quantification and whether it is appropriate to quantify social phenomena.

Post-positivists challenge the position of positivists that the absolute truth is the basis of 'pure' knowledge. These scholars go on to question the assumption of viewing reality as one entity of objectivity. One fundamental argument is that it is inappropriate to assume that researchers are completely independent of reality. Post-positivists explain that researchers, as part of reality, influence research from at least two aspects: research is influenced by the theory of interest and by the values of the researcher (Tashakkori & Teddlie, 2003). This influence or inter-dependence potentially conflicts with the proposed independent role of a traditional positivist scholar. Therefore, post-positivist researchers accept one constructivist assumption: the understanding of reality is structured and constructed by human beings (Tashakkori & Teddlie, 2003). This position influences the

nature of research: it is affected not only by the researcher, but also by measurement, and the 'subjects' involved in that research. This reflects on the 'quantification' argument discussed earlier. The concern here is how to deal with any problems inherently stemming from quantification (Sayer, 1992).

Despite some important differences between the positivist and post-positivist paradigms, the two perspectives share much in common (Lincoln & Guba, 2000; Ponterotto, 2002). A goal for both is an explanation that leads to the prediction and control of phenomena. Both perspectives emphasize cause– effect linkages of phenomena that can be studied, identified, and generalized, and both paradigms offer an objective, detached researcher role.

These post-positivist tenets are currently shared by qualitatively and quantitatively oriented researchers because they better reflect common understandings regarding both the “nature of reality” and the conduct of social and behavioural research in the early part of the twenty century (Tashakkori & Teddlie, 2003). Therefore, this research involved a post-positivist research philosophy because it is a combination of between quantitative and qualitative methods.

In this thesis the researcher generated a number of hypotheses that were then subjected to empirical scrutiny, embedded within the hypothesis were the main concepts that would be translated into researchable entities. These are shown in Figure (5.2) above and are namely; Intelligence Generation; Intelligence Dissemination and Responsiveness as it is tremendously important to specify how data can be collected in relation to the concepts that make up the hypothesis. The research questions to be answered were clearly defined and the research strategy employed was a plan of how to go about answering the research questions. This strategy consisted of specific objectives that have been derived from these questions. Survey research is a widely used tool, and is based upon the “well-established statistical principles of sampling” (Williams, 2003, p. 16). Surveys come in different

varieties; there are simple descriptive surveys that can be undertaken after just a minimal amount of training. Although it is true that some surveys are straightforward and descriptive the more ambitious the research objectives and questions, the more complex the design has to be.

#### **5.2.1- Survey research:**

Although researchers tend to have strong, frequently polarised, views about the place and importance of surveys, Robson, (2002) the in-depth knowledge that is gathered from respondents is particularly important. However in some instances data may be adversely affected by certain characteristics of the respondent, such as their knowledge and experience of the topics being surveyed, or their personality and willingness to participate. Additionally researcher bias may also have adverse effects as personal feelings or beliefs colour perceptions.

However the survey undertaken for this research offers a relatively simple and straightforward approach to the study of Libyan business managers, attitudes, values and beliefs, toward the use of the marketing concept in general and MO in particular. Survey research it is said is highly structured, and because of this, “it is true in general that you are unlikely to discover anything from it which you have not in some sense anticipated” (Sapsford, 1999, p.13). This researcher actually had a number of presumptions in mind before this study took place. It was presumed that respondents in Libyan companies would have little or no understanding of MO in general and also that within certain sectors this situation would be even worse. At the centre of survey research is the need for standardisation, as the primary concern is to gather consistent answers to consistent questions. By using the extended MARKOR questionnaire which will be discussed in more

detail in section (5.3.1) each manager could be asked questions in precisely the same way in order to standardise the questionnaire as a measuring instrument.

#### **5.2.2- Longitudinal/Cross-sectional:**

The main forms of surveys available are the longitudinal or cross-sectional types, the longitudinal survey requires resources beyond the reach of most researchers, partly because the study must take place over a long enough period to be able to show change or continuity and, also “requires large samples because of attrition, where participants are lost to the study” (Williams, 2003, p.91). There are various longitudinal designs, but all depend on taking measures of a group at least twice, over time. This research uses a cross-sectional type of survey and the groups involved were based on existing differences rather than random allocation, (De Vaus, 2001). This meant the researcher could only measure differences between groups rather than changes that have taken place over time (De Vaus, 2001). Therefore the analysis relied on differences in the sample from the various cases, at that particular point of time, and on the differences in the data supplied by the different groups in their different positions in companies and across sectors, these are constructed on the basis of existing differences in the sample. This research involved the distribution of a questionnaire to a sample of managers from a variety of different Libyan organisations operating in various sectors. A group of these managers were subsequently interviewed at a different time when initial analysis of the quantitative data from the questionnaire prompted a set of follow-up interview questions.

#### **5.2.3- Sampling:**

In order for any survey to be useful in finding answers to research questions and testing hypotheses through the collection of data and its subsequent analysis, Sekaran (2000) an appropriate sample has to be identified, surveys can do more harm than good if the

population is not correctly targeted. The sampling for this research was all about finding the correct group to survey, which is enough like the population under investigation that valid generalisations could be made from the population on the basis of the sample. The two main types of sampling designs are probability and non-probability sampling, in the first all the members in the population have some known chance or probability of being selected as sample subjects. The process of probability sampling can be divided into four stages that include identifying a suitable sampling frame, a suitable sample size and the most appropriate sampling technique that ensures the sample is representative of the population, (Saunders et al., 2007).

#### **5.2.4- Probability sampling:**

As the most advantageous aspect of survey research is to collect generalisable information a probability sample should be used. The sample should be chosen using random selection so that each unit in the population has a known chance of being selected. It is generally assumed that if this selection of population is employed, the outcome will be a representative sample, (Bryman, 2001), which Saunders et al., (2003, p. 156) state, is “one that exactly represents the population from which it is taken” and Williams (2003) believes can only be achieved by constructing a probability sample.

#### **5.2.5- Non-probability sampling:**

In non-probability sampling the elements in the population do not have any probabilities attached to their being chosen as sample subjects, (Sekaran, 2000) which means that findings from the study of the sample cannot be confidently generalised to the population. This researcher was less concerned about generalisability and much more concerned about obtaining information from a specific target group, therefore the sampling frame was confined to specific types of people who could provide the desired information on market

orientation. The sampling design employed therefore was purposive or judgemental as it involved judgements by this researcher to achieve a particular purpose, (Robson, 2002). The subjects approached to take part in the survey were those most advantageously placed within the companies approached and also in the best position to provide the information required, (Sekaran, 2000). This sampling technique curtails the generalisability of the findings, due to the fact that, the sample consisted of those experts who were available, however their enlightened opinions, views, and knowledge constituted a rich data source. The fact that a judgmental or purposive sample was required meant making special efforts to gain access to the individuals who would have the requisite information. This type of sampling technique enabled the selection of cases that would best enable the research question(s) to be answered and the objective of the hypotheses to be tested, to be met (Saunders et al., 2003, p.175).

### **5.3- Data collection tools:**

Combining quantitative and qualitative methods can capitalise on the strengths of each approach and offset their different weaknesses. It could also provide more comprehensive answers to research questions, going beyond the limitations of a single approach.

As noted by Onwuegbuzie and Teddlie (2003), some individuals who engage in the qualitative versus quantitative paradigm debate appear to confuse the logic of justification with research methods. That is, there is a tendency among some researchers to treat epistemology and method as being synonymous (Bryman, 1984; Howe, 1992). This is far from being the case because the logic of justification (an important aspect of epistemology) does not dictate what specific data collection and data analytical methods researchers must use. There is rarely entailment from epistemology to methodology (Johnson, Meeker, Loomis, & Onwuegbuzie, 2004; Phillips, 2004). For example, differences in

epistemological beliefs (such as a difference in beliefs about the appropriate logic of justification) should not prevent a qualitative researcher from utilizing data collection methods more typically associated with quantitative research, and vice versa.

There have recently been a growing number of scholars advocating for evaluation approaches that combine both quantitative and qualitative methods (e.g. Greene et al.; 1989; Tashakkori and Teddlie, 1998; Creswell and Clark, 2007; Greene, 2008). Due to the power and attractiveness of mixed paradigms, some proponents have argued that this approach should constitute the dominant methodology for the future (Data, 1994; Creswell and Clark, 2007; Greene, 2008). In addition, Greene et al. (1989) in an extensive literature review identified five reasons that justified using the mixed method designs:

“triangulation, or seeking convergence of results; complementarily, or examining overlapping and different facets of a phenomenon; initiation, or discovering paradoxes, contradictions, fresh perspectives; development, or using the methods sequentially, such that results from the first method inform the use of the second method; and expansion, or mixed methods adding breadth and scope to a project”. Currently, most researchers use whatever method is appropriate for their studies, instead of relying on one method exclusively (e.g. Tashakkori and Teddlie, 1998; Creswell and Clark, 2007).

Quantitative research places the emphasis on measurement when collecting and analysing data. Quantitative research is defined, not just by its use of numerical measures but also that it generally follows a natural science model of the research process measurement to establish objective knowledge (that is, knowledge that exists independently of the views and values of the people involved).

Generally it makes use of deduction, that is, research is carried out in relation to hypotheses drawn from theory. The typical process of quantitative research is given in stages as following:



- 1- Steps in the (linear) deductive process.
- 2- Explanatory claims derived from theory.
- 3- Formulation of hypothesis in relation to theory.
- 4- Design research plans.
- 5- Develop instruments.

In addition, methods of data collection in quantitative research include: surveys (questionnaires), structured interviewing, and structured observation.

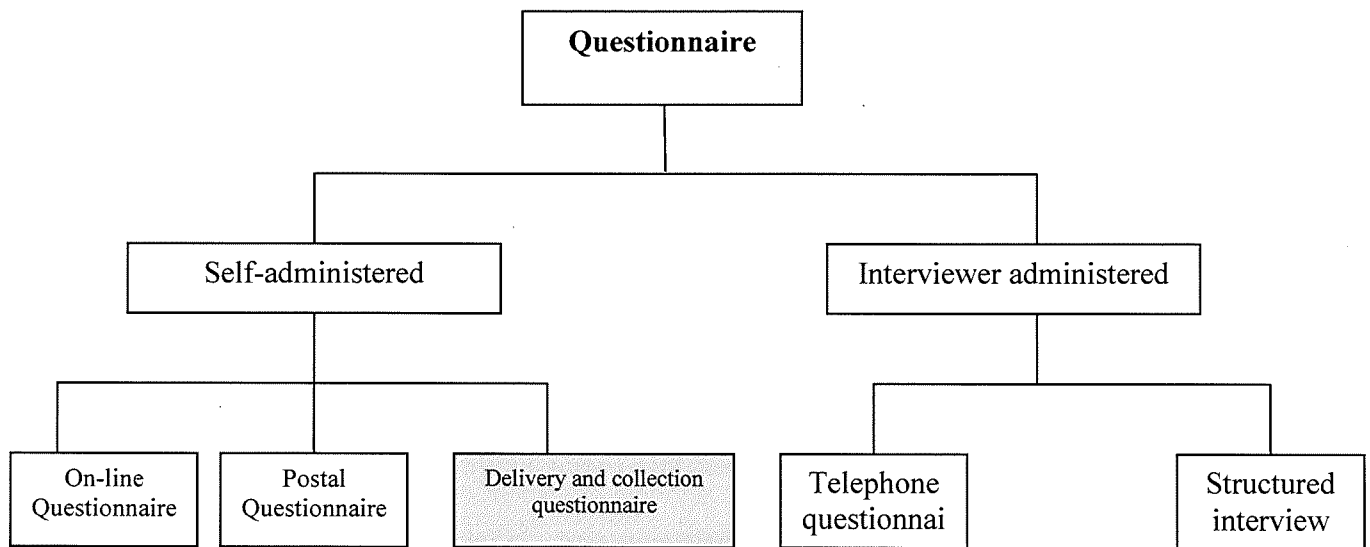
Qualitative research emphasises meanings (words) rather than frequencies and distributions (numbers) when collecting and analysing data. Some researchers argue that qualitative research is also concerned with issues of measurement, but with measures that are of a different order to numerical measures.

Thus qualitative 'measures' are often binary in that they are interested in the presence or absence of phenomena, or they work implicitly with simple scales (e.g. How much conversation or laughter?).

Primarily qualitative research seeks to understand and interpret the meaning of situations or events from the perspectives of the people involved and as understood by them. It is generally inductive rather than deductive in its approach, that is, it generates theory from interpretation of the evidence, albeit against a theoretical background.

In addition, methods of data collection in qualitative research include: observation (unstructured, structured, and participant), interviews (face-to-face, or through various technologies), case study.

As Figure (5.3) shows there are various types of questionnaire, this study involved a self-administered questionnaire, which was delivered to and collected from the respondents who agreed to take part in the research.



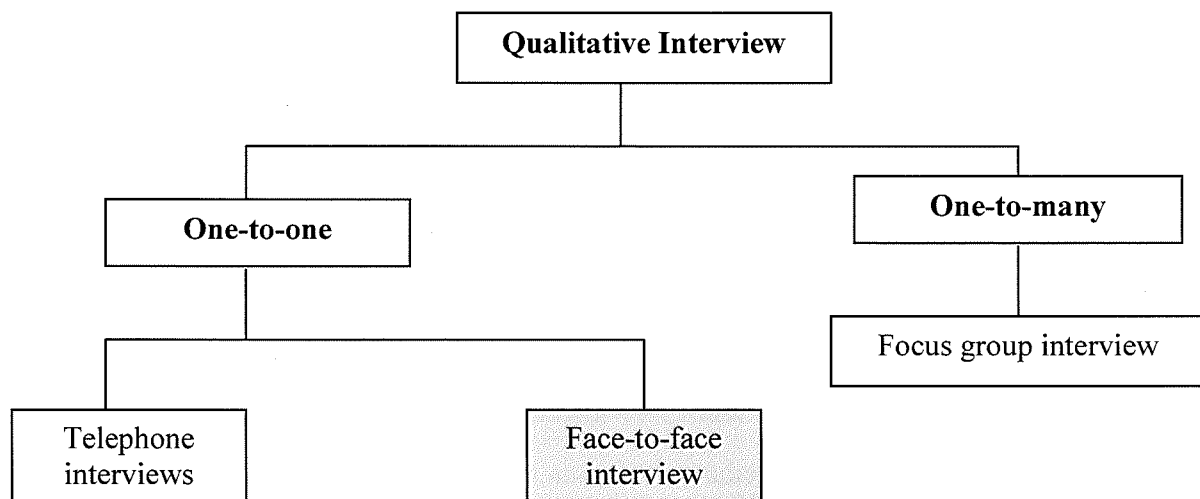
Source: Saunders et al., (2003, p.282).

Figure (5.3) Types of questionnaire

The survey strategy for this research made the greatest use of questionnaires, post survey documents were initially sent out to introduce the researcher and the research topic to the selected candidate companies (see appendix 4). As was previously mentioned the MARKOR questionnaire allowed each respondent to be asked questions in precisely the same way, this data collection tool is a standardised questionnaire used by many as a measuring instrument for market orientation (see Appendix 1) and is therefore valid and reliable. The questionnaire was personally administered in order that it could then be collected within a reasonable period of time and any initial doubts that the respondents might have on any question could be clarified on the spot.

The researcher also introduced the research topic and motivated the respondents to offer their frank answers, (Sekaran, 2000). After collecting the questionnaires and carrying out some preliminary analysis face-to-face interviews, were the preferred form of collection tool. Interviews in qualitative research are characterised by many special criteria: open-

ended questions are used only when questioning one person at a time; the question structure is not fixed; and the interviewer has more freedom, (Sarantakos, 2005). Also the interview may be classified into two forms: one-to-one; or one-to-many interviews; as illustrated in figure (5.4).



Source: Saunders et al., (2003, p.247).

Figure (5.4) Types of Interview (Qualitative)

### 5.3.1- The Questionnaire:

The questionnaires were structured into three main sections: characteristics of firms, background of respondent and extended MARKOR scale. The questionnaires were first of all designed in English and then translated into Arabic by the researcher whose first Language is Arabic. The researcher used direct, clear and simple language, without technical jargon, in such a way that questions could be answered directly and quickly by the respondents. In order to increase the rate of response and to shorten response time and owing, in general, to the respondents' limited experience of dealing with such questions, most of the questions were in closed-ended format. The researcher had been given permission to carry out the survey by the relevant authorities of each organisation.

The MARKOR questionnaire (see appendix 1 for more details) is designed to gain an insight into four main areas including 15 items related to Intelligence Generation, 12 items related to Intelligence Dissemination, 17 items related to Responsiveness and 7 items related to Business Performance. The importance of these areas was highlighted from the review of the literature on MO and the link with Business Performance. Any organisation which declares itself to be market orientated should take all of these areas into account. To be market oriented they must have regular meetings with customers and others in the supply chain to discover their future needs, and how the organisation can better serve them. Additionally they should carry out the necessary research of the market and their competitors, as well as review government regulations.

The main point of the collection of this data is to ensure it is adequately disseminated to the target recipients: the chief executive officers in each company, the general managers and marketing managers. There is a then necessary and timely action taken in response.

The ultimate goal of the MO process is to improve business performance and therefore it is necessary for organisations to measure the effectiveness of the concept by considering the following factors. The organisation's performance relative to major competitors, its existing and projected market share and sales growth, the sales generated by new products relative to major competitors and finally the return on sales, return on assets and the return on investment relative to major competitors.

#### **5.3.1.1 - The Sample of the Questionnaire:**

The sampling design employed for this research was purposive and judgemental and required this researcher to approach individuals within possible subject companies to take part, who were in the best position to give their opinions on MO, and convince those managers who were advantageously placed within these companies to provide the

information required. This sampling technique enabled the selection of cases that would best enable the research question(s) to be answered and the objective of the hypotheses to be tested, to be met. The companies targeted comprised of eighty-three of the largest manufacturing organisations in Libya, (Ministry of Industry in Libya, 2008) ([www.gov.ly/home.php](http://www.gov.ly/home.php)) (10 Oct 2008).

Of this number sixty-three were public organisations and the remaining twenty were in the private sector. Of the fifty-six companies approached of which the relevant authorities were convinced to allow managers to participate, there were a number however who declined or were omitted due the following circumstances:

- Difficulty of communication by any means, due to inaccuracy in their address and phone details.
- The cost of travel to their specific location and the time involved to travel to their location.
- The researcher had limited time in which to complete the survey
- The targeted company to sample did not use e-mail.
- There was a serious lack of reliability in the postal and communication services.
- Libya is a large country and these organisations are widespread and mainly situated outside the cities.

Additionally, to conduct a questionnaire survey in a developing country like Libya is a difficult task. For example, the response rate may be very low if the questionnaires are mailed to the respondents and that is why the questionnaires are collected by hand in the present research.

#### **5.3.1.2 - Sample Frame (Response rate):**

The sampling frame for this research comprised companies operating in Libya. The industrial companies were selected in the light of the size of their role in the investment of state resources and also on who contribute the most economic output. Additionally, there were many factors behind the choice of the industrial sector, from among all the other sectors, for this research. Firstly, the industrial sector is an important sector in the national economy; therefore it has developed strategies aimed at reducing dependence on oil as a source to finance other economic sectors. Secondly, Development plans in Libya are aimed at encouraging the substitution of imports and the pursuit of self-sufficiency of the different commodity products, in addition to the pursuit of export surpluses. Thirdly the relationship between market orientation and organisation performance tends to be stronger in the manufacturing sector than in other sectors, (Kirca, et al., 2005) making the manufacturing sector an attractive segment to study for this particular topic. Finally, this is the first study researching the industrial sector in Libya and covering all its firms about market orientation, it is expected that its results will greatly benefit the managers of those industrial companies, as well as the researchers who will engage in future studies regarding the industrial sector in Libya, and probe into issues derived from this study.

Fifty-six companies from six sectors agreed to participate in this research, a response rate of 67%. However, there was some reluctance on the part of some managers to take part in the research and return a completed questionnaire even though they were strongly assured of anonymity. In spite of this a reasonable sample of the managers in each type of company who were asked to take part in the survey, returned the questionnaires, this constitutes an acceptable response rate. As illustrated in the table (5.1).

As can be seen from table (5.1) the highest response rate of 69% was achieved in the Textile and Furniture Industries Sector, the population numbers were 13 with 9 companies

completing and returning their questionnaire. The next highest response rate was in both the Chemical Industries Sector and Food Industries Sector, this was 68%, the population numbers were 25 with 17 companies completing and returning their questionnaire in the Chemical Industries Sector and the population numbers were 19 with 13 companies completing and returning their questionnaire in the Food industries sector. A similar result was achieved at the Electric and Engineering Industries Sector and the Building Materials Industries, both response rates were 67%, although the population numbers were 12 with 8 companies completing and returning their questionnaire at the Electric and Engineering Industries Sector, while in the Building Materials Industries the population numbers were 9 with 6 companies completing and returning their questionnaire. The response rate of 60% at the Metal industries sector was the lowest as here, there were only 5 companies in this sector and 3 were actually returned.

**Table (5.1) Rate of respondents**

| Sectors                                | Population | Sample    | Percent    |
|----------------------------------------|------------|-----------|------------|
| 1- Chemical Industries                 | 25         | 17        | .68        |
| 2- Electric and Engineering Industries | 12         | 8         | .67        |
| 3- Metal Industries                    | 5          | 3         | .60        |
| 4- Building Materials Industries       | 9          | 6         | .67        |
| 5- Food Industries                     | 19         | 13        | .68        |
| 6- Textile and Furniture Industries    | 13         | 9         | .69        |
| <b>Total</b>                           | <b>83</b>  | <b>56</b> | <b>.67</b> |

As previously mentioned, eighty-three Libyan companies operating in six varieties of sectors were approached for this research and 56 companies from six sectors completed and

returned their questionnaire, this is a response rate of 67%. This confirms that the response rate for this research is fairly good in comparison to previous studies.

An eight page questionnaire was distributed in each company, in total 112 questionnaires were completed by the General Manager or his Deputy; the Director of Marketing Management or his Deputy or the Head or Deputy Head of the various companies' Marketing departments. The surveyed companies operate in a variety of sectors as shown in table (5.2).



**Table (5.2) Frequency distribution of companies sampled**

| No | Company                                                        | Sector                              |
|----|----------------------------------------------------------------|-------------------------------------|
| 1  | General Company for Chemical Industries.                       | Chemical industries                 |
| 2  | Libyan mining company.                                         | Chemical industries                 |
| 3  | Factory medical and industrial alcohol.                        | Chemical industries                 |
| 4  | Misurata Company for soap and cleaning materials.              | Chemical industries                 |
| 5  | Algrabole Complex for creditor.                                | Chemical industries                 |
| 6  | Benghazi Company for soap and cleaning materials.              | Chemical industries                 |
| 7  | Alwahda Factory for the industrial sponges.                    | Chemical industries                 |
| 8  | Benghazi Company of contribute for leather industries.         | Chemical industries                 |
| 9  | Altahrer Factory for detergents.                               | Chemical industries                 |
| 10 | Al-Krimia Complex for Plastic Industries.                      | Chemical industries                 |
| 11 | Janzor Factory for medical and industrial gases.               | Chemical industries                 |
| 12 | Misurata Factory for creditor and sponges.                     | Chemical industries                 |
| 13 | Alhorea Factory for industrial sponges.                        | Chemical industries                 |
| 14 | Aman company contribution for the tyres industry               | Chemical industries                 |
| 15 | Albeda creditor factory.                                       | Chemical industries                 |
| 16 | Alwatana Company for soap and cleaning materials.              | Chemical industries                 |
| 17 | Alrabta Factory medical and industrial alcohol.                | Chemical industries                 |
| 18 | Libyan company for tractor and agricultural inputs contribute. | Electric and engineering industries |
| 19 | Misurata for company materials electrical appliances.          | Electric and engineering industries |
| 20 | Company of Trucks and buses.                                   | Electric and engineering industries |
| 21 | Alwatana Company of trailers.                                  | Electric and engineering industries |
| 22 | General Company for Electronics.                               | Electric and engineering industries |
| 23 | Aljohra Company for electrical materials industry.             | Electric and engineering industries |
| 24 | Alanma Company for wires and cables.                           | Electric and engineering industries |
| 25 | Alanma Company for Engineering Industries.                     | Electric and engineering industries |
| 26 | Libyan Company for Iron and steel.                             | Metal industries                    |
| 27 | General Company for pipeline.                                  | Metal industries                    |
| 28 | General Company for Scrap.                                     | Metal industries                    |
| 29 | Libyan Cement Company                                          | Building materials industries       |
| 30 | Alswani compound for the manufacture of building materials.    | Building materials industries       |
| 31 | Altanmua company for the manufacture of building materials.    | Building materials industries       |
| 32 | Alatehad Arabic for the manufacture of building materials.     | Building materials industries       |
| 33 | Al-Ahlia Cement contribute company.                            | Building materials industries       |
| 34 | Azizia factory of Glass                                        | Building materials industries       |
| 35 | Aljabel Alakter Company for Dairy and poultry products.        | Food industries                     |
| 36 | Misurata Company food.                                         | Food industries                     |
| 37 | Benghazi Company for dairy and poultry products.               | Food industries                     |
| 38 | Alwatana Company for Food Industries (Benghazi).               | Food industries                     |
| 39 | Rabat Altareke Factory for canning fish.                       | Food industries                     |
| 40 | Tripoli Company for Dairy and juice.                           | Food industries                     |
| 41 | Alnabh company water.                                          | Food industries                     |
| 42 | General Company for Tobacco.                                   | Food industries                     |
| 43 | Almtahen Company for Mills and Fodder contribute.              | Food industries                     |
| 44 | Alwatana Company for Mills.                                    | Food industries                     |
| 45 | Abuatunai Factory beverages.                                   | Food industries                     |
| 46 | Alanma Company for oil.                                        | Food industries                     |
| 47 | Sabha Factory for Pasta.                                       | Food industries                     |
| 48 | Alwatana Company for textiles.                                 | Textile and furniture industries    |
| 49 | Almarj Company for the fabric and processing (blankets).       | Textile and furniture industries    |
| 50 | Janzor Complex for the fabric and processing.                  | Textile and furniture industries    |
| 51 | Benghazi Company for Spinning and Weaving.                     | Textile and furniture industries    |
| 52 | Tripoli Company for furniture.                                 | Textile and furniture industries    |
| 53 | Complex paper industries.                                      | Textile and furniture industries    |
| 54 | General Company of textiles and clothing.                      | Textile and furniture industries    |
| 55 | Aljabel Alakter Company for furniture.                         | Textile and furniture industries    |
| 56 | Benghazi Company for furniture.                                | Textile and furniture industries    |

### **5.3.2- The Interviews:**

In general, all interviews can be divided into three kinds: structured interview; semi-structured interview; and unstructured interview. Questions in a structured interview are usually very specific and sometimes offer the interviewee a fixed range of answers; additionally each participant is asked exactly the same questions. Interviewers are to read out questions exactly and in the same order as they are printed in the schedule (Bryman, 2004). Whereas, questions in semi-structured interviews are usually more general in scope and the interviewer typically asks further questions in response to what are seen as significant replies, (Bryman, 2004). Finally, in unstructured interviews, the interviewer usually has only a list of topics or issues, regularly called an interview guide, which is normally covered up, and the phrasing and sequencing of questions usually differs from one interview to another, (Bryman, 2004). In this study, semi-structured interviews were employed. This choice reflects the very specific nature of the issues being investigated in this part of the thesis. In addition, semi structured interviews are: Interviews with a given structure but with relative freedom to formulate the questions and to determine their order and presentation, (Sarantakos, 2005).

The interview can be conducted in a number of different ways; it can be face-to-face, by telephone, computer-assisted or through electronic media. Despite its limitations in terms of geography, the face-to-face interview is commonly used and has advantages over the other approaches. As Hussey and Hussey, (1997) point out; the face to face approach can improve response rates substantially and permit the collection of comprehensive datasets. Moreover, interviews can prove particularly useful when complex and/or technical questions are involved. Therefore, this research used the face to face approach.

As was previously mentioned this research involved the distribution of a questionnaire to a sample of managers from a variety of different Libyan organisations operating in various sectors. A group of these managers were subsequently interviewed at a different time when initial analysis of the quantitative data from the questionnaire prompted a set of follow-up interview questions. After returning from Libya and reviewing and carrying out some initial analysis of the responses from those who had completed the questionnaire, a number of more detailed questions were designed with which to investigate the market orientation of each company further, the follow up interview questions to triangulate questionnaire results which these managers were asked, are included (see Appendix 2 for more details).

A thematic analysis approach was used to analyse the key issues and themes in the interview. The interview questions were designed to flow in the order of the research questionnaire, and it was divided into four themes. These themes covered the three components of market orientation. The first theme related to intelligence generation, the second theme was regarding intelligence dissemination, and the third theme was about responsiveness, in addition the fourth theme was concerning business performance.

#### **5.3.2.1- The sample of the interviews:**

The main emphasis of this research is to investigate a sample of Libyan companies and explore their market orientation by the use of a questionnaire and interview questions. As was previously mentioned in this chapter, this research involved the distribution of a questionnaire to a sample of managers (General Manager or his Deputy and the Director of Marketing or his Deputy) from a variety of different Libyan companies operating in various sectors. After collecting the questionnaires and carrying out some preliminary analysis, face to face interviews were the preferred form of collection tool with which to further investigate the thoughts of certain managers. In order to achieve that, a number of more

detailed questions were designed with which to investigate the market orientation of Libyan companies; the follow up interview questions which these managers were asked were designed to triangulate the questionnaire.

At the beginning of the interview arrangement process, the researcher had designed a form for managers' wishing to participate in the interview, which was distributed to the same managers who were surveyed. In other words, the same research sample. This form contained several options such as date; time and place of interviews, (see Appendix 5). Unfortunately, only a few of them agreed to take part in this research. Table (5.3) shows the numbers of interviewees and their positions in the company.

**Table (5.3) Respondents Position in the company**

| <b>Current Position</b>                | <b>Frequency</b> | <b>Percent</b> |
|----------------------------------------|------------------|----------------|
| <b>General manager or deputy</b>       | 3                | 20             |
| <b>Director of marketing or deputy</b> | 12               | 80             |
| <b>Total</b>                           | 15               | 100            |

In table (5.3) it is apparent that the number of participants was, in total, 15 managers, this means that only a small group of managers was interested in taking part in the interviews. Only three of these were general managers or deputies, while a total of twelve were directors of marketing or his deputy. In other words, a total of fifteen separate interviews were conducted, each interview was face to face.

#### **5.3.2.2- Response rate of interviews:**

In addition, to determine the percentage of participants in the interviews of the number of companies surveyed, the following table has been prepared.

**The table (5.4) percentage of participants in the interviews**

| <b>Sector</b>                       | <b>NO. of companies surveyed by questionnaire</b> | <b>NO. of interviews</b> | <b>Percent of participants who agreed to interviews</b> |
|-------------------------------------|---------------------------------------------------|--------------------------|---------------------------------------------------------|
| Chemical Industries                 | 17                                                | 4                        | 23.5*                                                   |
| Electric and Engineering Industries | 8                                                 | 2                        | 25                                                      |
| Metal Industries                    | 3                                                 | 1                        | 33.3                                                    |
| Building Materials Industries       | 6                                                 | 2                        | 33.3                                                    |
| Food Industries                     | 13                                                | 4                        | 30.7                                                    |
| Textile and Furniture Industries    | 9                                                 | 2                        | 22                                                      |
| <b>Total</b>                        | <b>56</b>                                         | <b>15</b>                | <b>27</b>                                               |

\* Percent of participants in the interviews =  $\frac{4}{17} = 23.5\%$

From the table above it is clear that the largest groups to be sampled were the four managers (30.7%) in the Food Industries Sector, and (23.5%) in the Chemical Industries who also agreed to taking part in the interviews. In fact there were three sectors which had an equal number, two interviews in each sector, but the proportion of each sector was different due to the number of companies surveyed being different.

In the Metal Industries Sector there was only one director who agreed to take part in the interviews. In general, the total companies surveyed were 56 companies, fifteen of the managers of those companies then agreed to take part in the interviews. As previously mentioned, a total of fifteen interviews were conducted between January and February 2010, each interview an average of 30 minutes, table (5.5) provides some details concerning the interviews such as the name of sectors and companies, date of interviews

and time. In addition, the English language was used in developing the questions to be asked, but the Arabic language was used for interviews.

Note should be made here that despite assurances the researcher offered to respondents and despite the student's status letter from the university which the researcher presented to interviewees, the vast majority of respondents refused to sign the interview consent form and also rejected having their voices recorded. This behaviour reflects a state of fear that the information recorded be used adversely for other purposes in the future.

**Table (5.5) Some Information about the Interviews**

| <b>NO</b> | <b>Sector</b>                                         | <b>Company</b>                                               | <b>Date of Interview</b> | <b>Length of Interview</b> |
|-----------|-------------------------------------------------------|--------------------------------------------------------------|--------------------------|----------------------------|
| 1         | Chemical Industries<br>(4) Companies.                 | 1. General Company for Chemical Industries.                  | 02.02.2010               | 40 m                       |
|           |                                                       | 2. Benghazi Company for Soap and Cleaning Materials.         | 30.01. 2010              | 20 m                       |
|           |                                                       | 3. Altahrer Factory for Detergents.                          | 01.02.2010               | 35 m                       |
|           |                                                       | 4. Alhorea Factory for Industrial Sponges.                   | 17.02.2010               | 30 m                       |
| 2         | Electric and Engineering Industries<br>(2) Companies. | 1. Alanma Company for Engineering Industries.                | 23.02.2010               | 25 m                       |
|           |                                                       | 2. Aljohra Company for Electrical Materials Industry         | 21.02.2010               | 35 m                       |
| 3         | Metal Industries<br>(1) Company.                      | 1. Libyan Company for Iron and Steel                         | 27.02.2010               | 40 m                       |
| 4         | Building Materials Industries<br>(2) Company.         | 1. Libyan Cement Company.                                    | 20.01.2010               | 35                         |
|           |                                                       | 2. Alatehad Arabic for the manufacture of Building Materials | 31.01.2010               | 30 m                       |
| 5         | Food Industries<br>(3) Companies.                     | 1. Benghazi Company for Dairy and Poultry Products.          | 25.02.2010               | 25 m                       |
|           |                                                       | 2. Alwatana Mill Company and Fodder contribute.              | 16.01.2010               | 40 m                       |
|           |                                                       | 3. Aljabel Alakter Company for Dairy and Poultry Products.   | 23.02.2010               | 35                         |
|           |                                                       | 4. Almtahen Mill Company.                                    | 31.01.2010               | 30 m                       |
| 6         | Textile and Furniture Industries<br>(2) Companies     | 1. Almarj Fabric Company (Blankets).                         | 13.02.2010               | 40                         |
|           |                                                       | 2. Benghazi Company for Spinning and Weaving.                | 11.02.2010               | 25 m                       |

#### **5.4- Pilot Study:**

Prior to the main data collection, one pilot study was carried out. The essence of the pilot study was to test the reliability and validity of the data collection instrument. According to De Vaus (1990, p.54), a pilot study is a necessary task in any research process; it enables the researcher to measure the reliability and validity of indicators (variables), before conducting the actual study. In this study, the pilot study was carried out between October and November 2009 in Benghazi city; it comprised questionnaires and interviews using a sample similar to that of the main survey. Therefore, thirty questionnaires were distributed to managers and directors of industrial companies. Each participant in this pilot test completed the questionnaire and provided feedback to the researcher regarding the clarity of the questionnaire. The main purposes of the pilot test were to:

- Determine whether the questionnaire instructions were easily understood.
- Identify questions that could be misunderstood or were poorly worded.
- Determine whether rating scales were understood.
- Determine how long it would take participants to complete the survey.
- Determine the participants' reactions to the survey in general.
- Make an initial reliability assessment of the measurements scales.

As a result of the pilot test and the feedback received from the debriefing session after the completion of the pilot test, expert opinion and reliability check, the researcher discovered that the questionnaire needed to be shortened, because the respondents were unlikely to be interested in answering long questionnaires, and therefore they should be kept short. In addition, some respondents were unwilling to give all information owing, in part, to personal and cultural circumstances. In addition, some of the questions needed to be reworded, because some of the respondents did not understand words and because the participants' main language was Arabic, even though the English version was translated

into Arabic by professionals from the university and some Arabic students (PhD) at the University of Gloucestershire, each of whom was fluent in English and Arabic, to ensure that every respondent could understand the questionnaire. Therefore, the language used in the questionnaires and interviews should be as simple as possible, clear and direct. Colloquial words should be used to explain some the meaning of technical words and concepts.

With regard to the interviews, after returning from Libya and reviewing and carrying out some initial analysis of the responses from those who had completed the questionnaire, a number of more detailed questions were designed with which to investigate the market orientation of each company further, the follow up interview questions would triangulate questionnaire results which these managers were asked. Five individual interviews were undertaken with decision makers, the results showed that the following points should be taken into account before conducting the main interviews:

1. Selection of interviewees should be carefully planned; particularly those working in government departments.
2. The time required for interviews should be as short as possible, and
3. Recording the interview was undesirable, owing to personal and cultural circumstances.

#### **5.5- Characteristics of completed questionnaires:**

The primary purpose of this section is to analyse the main details of the participating companies and the basic demographic details of the key informants. Descriptive analysis is used to identify and summarize variables, either graphically or numerically and limit generalizations or conclusions, based on statistical analysis to the particular group of individuals or cases observed. The characteristics of the sample units are to be discussed in combination based on the frequency distribution. This is to provide the general trends and



patterns in the data collected. Thus, this section was divided into two key themes (Characteristics of companies, sectors and Characteristics of respondents).

#### **5.5.1- Characteristics of companies, sectors:**

The fifty-six companies surveyed were spread throughout Libya and are involved in processing or manufacturing in six main sectors as can be seen from the information presented in Table (5.6).

**Table (5.6) Frequency distribution of industries types (sectors)**

| <b>Types of Industry</b>            | <b>Frequency</b> | <b>Percent</b> |
|-------------------------------------|------------------|----------------|
| Chemical Industries                 | 17               | 30.3           |
| Electric and Engineering Industries | 8                | 14.3           |
| Metal Industries                    | 3                | 5.4            |
| Building Materials Industries       | 6                | 10.7           |
| Food Industries                     | 13               | 23.2           |
| Textile and Furniture Industries    | 9                | 16.1           |
| <b>Total</b>                        | <b>56</b>        | <b>100</b>     |

From the table above it is observable that the largest group to be sampled were the seventeen companies in the Chemical Industries Sector who were approached and agreed to take part in the survey. Of the companies in the Electric and Engineering Industries Sector, eight of those approached took part. Only three Metal Industries companies participated as did six from the Building and Materials Industry. The second largest group of participants were from the Food Industry and here thirteen of those companies approached agreed to take part in the survey. The final group of companies involved in this research are the nine from the Textiles and Furniture Industries who also agreed to participate. Information from these companies is displayed as follows:

#### **5.5.1.1- Age of company:**

One of the important indicators of the company's experience is reflected in the time of the activity in the market. The company's long-standing experience in marketing their products means they are able to impose themselves in the market and gain a share of it.

**Table (5.7) Company age**

| <b>Years</b> | <b>Frequency</b> | <b>Percent</b> |
|--------------|------------------|----------------|
| 1969 - 1980  | 6                | 10.7           |
| 1981 - 1990  | 19               | 33.9           |
| 1991 - 2000  | 23               | 41.1           |
| 2001 - 2006  | 8                | 14.3           |
| <b>Total</b> | <b>56</b>        | <b>100</b>     |

The information presented in Table (5.7) shows that six of the companies who agreed to be surveyed for this research were fairly well established as they had been trading since before the revolution, and an even larger group of nineteen of those companies sampled had begun operation in the 1980s and 1990's during the sanctions. The largest group of companies surveyed for this research had been established in the last decade of the 20th Century and only eight of the companies sampled could be considered fairly new, having started in business between 2001 and 2006.

#### **5.5.1.2- Company status:**

The companies surveyed for this research into market orientation were scattered geographically throughout the country but evenly distributed in their ownership as can be seen from the breakdown in Table (5.8). Twenty eight of those companies sampled were independently run and an equal number were subsidiaries.

**Table (5.8) Company status (independent or a subsidiary)**

| <b>Types of company</b> | <b>Frequency</b> | <b>Percent</b> |
|-------------------------|------------------|----------------|
| Independent             | 28               | 50             |
| Subsidiary              | 28               | 50             |
| <b>Total</b>            | <b>56</b>        | <b>100</b>     |

**5.5.1.2- Company's turnover:**

The responses from the Libyan companies' surveyed, as can be seen from the results presented in table (5.9), show that no company in 2008 had a turnover of less than 1,000,000 LD, which indicates that these companies were of a large size. While (41.1%) of companies had a turnover between 1,000,000 – 5,000,000 LD, additionally 37.5% of companies had a turnover between 5,000,001- 10,000,000 LD. The final group of companies in this research had a turnover of more than 10,000,000 LD.

**Table (5.9) Company's turnover in 2008**

| <b>Turnover</b>    | <b>Frequency</b> | <b>Percent</b> |
|--------------------|------------------|----------------|
| Less than 1000000  | -                | -              |
| 1000000 - 5000000  | 23               | 41.1           |
| 5000001- 10000000  | 21               | 37.5           |
| More than 10000000 | 12               | 21.4           |
| <b>Total</b>       | <b>56</b>        | <b>100</b>     |

#### 5.5.1.3- Number of Employees:

Employees' number is also considered to be among the most important variables given great importance in the literature when considering business size. The results of the number of employees for this research can be seen in the following table.

**Table (5.10) Number of employees in company**

| <b>Number of employees</b> | <b>Frequency</b> | <b>Percent</b> |
|----------------------------|------------------|----------------|
| Less than 249              | -                | -              |
| 250 - 500                  | 31               | 55.4           |
| 501 - 750                  | 12               | 21.4           |
| More than 750              | 13               | 23.2           |
| <b>Total</b>               | <b>56</b>        | <b>100</b>     |

As can be seen in Table (5.10) thirteen of these companies employed more than 750 employees in their business and twelve had more than 500 employees. In the largest group of companies surveyed for this research, thirty one had somewhere between 250 and 500 employees in the organisation. The number of employees is appropriate since there is no company with less than 250 employees, the classification of a company this size was considered 'small' based on the European Standard of business size which is based on the criteria of the number of employees.

([http://europa.eu.int/comm/enterprise\\_enterprise\\_policy/sme\\_definition/index\\_en.htm](http://europa.eu.int/comm/enterprise_enterprise_policy/sme_definition/index_en.htm))

#### 5.5.2- Characteristics of respondents:

The questionnaire to respondents to this survey also asked for personal information about the respondents themselves. It can display information from these respondents as follows:

#### **5.5.2.1- Age of respondent:**

The results from the answers to the question regarding the age of respondents are presented in Table (5.11) as follows:

**Table (5.11) Age of respondent**

| <b>Age of respondent</b> | <b>Frequency</b> | <b>Percent</b> |
|--------------------------|------------------|----------------|
| Less than 30 years       | 6                | 5.4            |
| 31 - 49                  | 55               | 49.1           |
| More than 50 years       | 51               | 45.5           |
| <b>Total</b>             | <b>112</b>       | <b>100</b>     |

As can be seen from these results there is only a small group of six of the senior managers or assistants questioned who were under the age of thirty. The majority of these respondents, fifty-five in fact, were aged between 31 and 49 years of age, the remaining fifty-one were more than 50 years of age.

#### **5.5.2.2- Qualifications of respondent:**

To identify to recognize and understand these managers to administrative and marketing functions had to stand on the qualifications and areas of specialization, also their relationship to their position functional. Therefore, employee qualifications are one of the main indicators used to anticipate a particular level of managerial practice in the company as it is expected that high qualifications will be reflected positively in the progress of the business and success through good managerial work and practice. For this purpose, the personal details of respondents were compiled and detailed in the following table.

**Table (5.12) Respondent highest level of qualification**

| <b>qualification of respondent</b> | <b>Frequency</b> | <b>Percent</b> |
|------------------------------------|------------------|----------------|
| School Level                       | 6                | 5.4            |
| Undergraduate                      | 98               | 87.5           |
| Master Degree                      | 8                | 7.1            |
| <b>Total</b>                       | <b>112</b>       | <b>100</b>     |

The vast majority of those managers who responded to the questionnaire as can be seen from Table (5.12) had achieved an undergraduate qualification. There were eight who had studied to master level and a small group of six had only the lowest form of schooling. With the majority of the respondents (87.5%) having the minimum educational qualification of an undergraduate degree. It was felt that this would enable them to understand and participate in the completion of the questionnaire. Since the qualifications include many different scientific areas, it is necessary to identify the particular scientific area of the participants, and the extent of relationship to the administrative and marketing functions.

#### **5.5.2.3- Area of Specialisation:**

Despite the importance of academic qualifications in the exercise of administrative and operational functions, it is also vital to obtain harmony between academic qualifications and functional specialisation appropriate for the exercise of those functions. For that reason, this type of data was collected and shown in the following table.

**Table (5.13) Area of Specialisation**

| <b>Type of Qualification</b> | <b>Frequency</b> | <b>Percent</b> |
|------------------------------|------------------|----------------|
| Marketing                    | 9                | 8.0            |
| Other Business               | 67               | 59.8           |
| Engineering                  | 20               | 17.9           |
| Medical                      | 10               | 8.9            |
| School Level                 | 6                | 5.4            |
| <b>Total</b>                 | <b>112</b>       | <b>100</b>     |

As can be seen from Table (5.13) the same six school level educated respondents are apparent again in the results from respondents to the question regarding their area of specialisation, because this level of education does not have a specialization in a specific area, but includes many of the areas, in other words, it is general. In addition, the next smaller group of nine respondents had some kind of formal education in marketing. All of them are directors or managers of the marketing department or their assistants. The remaining respondents had specialised in other areas; ten had a medical background, twenty had specialised in engineering. While the largest group of all, sixty-seven in fact, had specialised in areas of business other than marketing such as business administration, economics, accounting which also is appropriate for the purposes of this study and the types of companies and administrative levels targeted.

#### **5.5.2.4 - Respondents position in the company:**

The focus of this research is on SBU level because as Kohli and Jaworski, (1990, p.6) state, “different SBUs of a corporation are likely to be market oriented to different degrees”. Also Ruekert, (1992, p.228) indicated that, “The level of market orientation in a business unit is

the degree to which the business unit obtains and uses information from customers, develops a strategy which will meet customer needs, and implements that strategy by being responsive to customer needs and wants”. However, in the structure of Libyan companies the SBU level is not available. This is due to the cultural difference of management position titles in Libya. Therefore, this research targeted top management and marketing management, as described in the following table.

**Table (5.14) Respondents position in the company**

| <b>Current Position</b>                    | <b>Frequency</b> | <b>Percent</b> |
|--------------------------------------------|------------------|----------------|
| General Manager of the company             | 23               | 20.5           |
| Assistant General Manager of the company   | 33               | 29.5           |
| Director of Marketing Management           | 20               | 17.8           |
| Assistant Director of Marketing Management | 5                | 4.5            |
| Head of Marketing Department               | 31               | 27.7           |
| <b>Total</b>                               | <b>112</b>       | <b>100</b>     |

As can be seen from the results in Table (5.14) it is clear that twenty-three of these respondents are the General Managers of their company; also thirty-three are Assistants to the General Manager. In only twenty five of the companies surveyed was there a Director of Marketing management or an assistant to this position available within the company to be surveyed. In addition, thirty-one are Head of Marketing department. There were however various levels of experience among the respondents to the survey.

#### **5.5.2.5 – Respondents’ Current Job:**

A longer period of continued employment means more experience and more exposure to the employment environment. In addition, more reliable or comprehensive information



about the current position of the business is expected when utilising more experienced employees. For that purpose, this type of data was collected and shown in the following table.

**Table (5.15) Respondents Current Job**

| <b>Years of Experience</b> | <b>Frequency</b> | <b>Percent</b> |
|----------------------------|------------------|----------------|
| Less than 5 years          | 8                | 7.1            |
| 5 – 10                     | 59               | 52.7           |
| More than 10               | 45               | 40.2           |
| <b>Total</b>               | <b>112</b>       | <b>100</b>     |

The results in Table (5.15) show reasonable and appropriate levels of expertise of the study's informants, a small group of respondents, eight in fact had only been in their present post for 5 years or less. Forty-five of those questioned had been in post for more than 10 years, while the remaining fifty-nine respondents, the most by far, had been in their current job for 5-10 years in their organisations, enabling them to provide the researcher with sufficient and accurate information and to be able to judge the level of market orientation in their organisation.

#### **5.6- Data analysis:**

There were fifty-six of the companies approached for this study where the relevant authorities were convinced to participate, and 112 questionnaires were returned from General Managers or Directors of Marketing Management as well as their assistants. The fact that this sample contained sufficient numbers and the distribution of responses was tested, this because in order to test hypotheses it must to identify the appropriate statistical for both approaches parametric and non-parametric. Therefore, the researcher used a

normal Quantile-Quantile plot of the data. After testing of the assumption, it can be argued that non-parametric techniques could be utilised for data analysis in this research, because the main condition for applying parametric techniques did not exist. Thus, non-parametric testing to take place to answer the hypotheses postulated. In addition, before testing the first hypothesis by correlation and regression testing, the researcher used the Kruskal-Wallis to determine whether there were significant differences between groups of respondents, namely, the General Manager of the company, Assistant General Manager of the company, Director of Marketing management, Assistant Director of Marketing management and the Head of Marketing department. If there was no significant difference between the respondents' categories, the categories could be merged. In particular, in order to investigate the hypotheses, this research used correlation; regression and test 95% Confidence Interval for Mean, which are statistical techniques used extensively to examine causal relationships between variables and level of market orientation. Furthermore, the SPSS (Statistical Package for the Social Sciences) was carried out to describe and analyse the data for testing the research hypotheses. According to Burton (2000,p.361), "there are many other packages now on the market but within the social sciences this is one of the most popular and widely available statistical analysis packages". Additionally, the qualitative data analysis presented in the research is intended to give a support with reference to the quantitative data analysis adopted. The semi structured interviews can prove particularly useful when complex and/or technical questions are involved. Therefore, this research used the face to face approach and a thematic analysis approach was used to analyse the key issues and themes in the interview.

#### **5.7- Validity and reliability:**

Although there can be problems establishing construct validity and reliability this researcher felt that with data triangulation, these would be addressed because the multiple

sources of evidence essentially provide multiple measures of the same phenomenon (Yin, 2003, p.99). For it is the view of some methodologists that the validity of a measure ought to be gauged by comparing it to measures of the same concept developed through other methods (Bryman, 2001). In order to maximize reliability it is important to adopt consistent instrument design and administration. The reliability of measurers is of particular importance to this research and is therefore a key element of the early analysis of quantitative data derived from the questionnaire survey. Reliability refers to the degree to which measurements are free from random error and, therefore, provide consistent data (McDaniel and Gates, 2002).

According to Hair et al., (1998, p.3) defined reliability as the “extent to which a variable or set of variables is consistent in what it is intended to measure. If multiple measurements are taken, the reliability measures will all be very consistent in their values”. One way of determining reliability is to re-test the subjects with the same measures and examine the responses for any differences (Nunnally 1970; Nunnally 1978; Hair et al. 1998; Churchill 1999).

Thus, the assessment of the degree of consistency between multiple measurements of a variable is termed its reliability. The reliability of empirical measurements may generally be tested using one of three approaches: (1) the test-retest method, (2) the alternative form method, (3) the internal consistency method (Nunnally, 1978; Peter, 1979). The most commonly used approach in academic research in marketing is internal consistency method, which relates to the consistency among the variables of a multi-item scale. It tends to predominate mainly because the other approaches have major limitations, particularly in field research studies. The internal consistency of a set of measurement items refers to the extent to which items in the scale are homogeneous. Diagnostic measures to assess internal consistency tend to operate reasonably effectively in field studies as they only require one

instrument and one administration of the survey. One of the currently widely used methods to measure reliability is Cronbach Alpha (Sekaran, 2000; Field, 2000; Bryman and Cramer, 2001).

The Cronbach's alpha ( $\alpha$ ) technique is usually used to measure internal consistency reliability which involves computing mean reliability coefficient estimates (McDaniel and Gates, 2002). The Cronbach's alpha "the reliability coefficient", "popularized in a 1951 article by Cronbach based on work in the 1940s by Guttman and others, is the most common estimate of internal consistency of items in a scale" (Garson, 2008, p. 1). Which is the Alpha coefficient; it measures the reliability of a test in terms of its internal consistency. All coefficient alpha or cronbach alpha scores range between 0 and 1. The higher the coefficient, the more reliable the scale. If the value is low, either there are too few items or there is very little commonality between the items (Churchill, 1999). According to Nunnally, (1978) and Pallant, (2001) 0.70 is an acceptable coefficient score to determine reliability of data. Therefore, a Cronbach's alpha coefficient of 0.7 and above is considered acceptable for this study. In other words reliability refers to the accuracy of the scale and consistency of the results how much is free of errors. Thus, confirming our cohesion and stability of the results when measuring the various items in it. Bryman and Cramer, (2001) argued that this test is important in relation to multiple-item scales. They added that this test addresses the question of whether each scale is measuring a single idea and whether the items that make up the scale are internally consistent. Therefore, the Cronback alpha statistic was calculated using the scale reliability function in SPSS (Statistical Package for the Social Sciences) and are presented in table (5.16) below.

**Table (5.16) Cronbach's Alpha Coefficients**

| <b>SR</b> | <b>Scale</b>               | <b>No. of Cases</b> | <b>No. of items</b> | <b>Cronbach's Alpha</b> |
|-----------|----------------------------|---------------------|---------------------|-------------------------|
| 1         | Intelligence Generation    | 30                  | 15                  | 0.726                   |
| 2         | Intelligence Dissemination | 30                  | 12                  | 0.725                   |
| 3         | Responsiveness             | 30                  | 17                  | 0.743                   |
| 4         | Business Performance       | 30                  | 7                   | 0.737                   |

From this table it can be seen that the reliability analysis of the 15 items of intelligence generation about (73%) which exceeded the acceptable range. Also another two components of market orientation (intelligence dissemination; responsiveness) exceeded the acceptable range (72%; 74%) respectively. As for the business performance is also exceeded the acceptable range (73%).

**Table (5.17) overall Cronbach's Alpha Coefficients**

| <b>Scale</b> | <b>No. of Cases</b> | <b>No. of items</b> | <b>Cronbach's Alpha</b> |
|--------------|---------------------|---------------------|-------------------------|
| In general   | 30                  | 51                  | 0.790                   |

Depending on the results of reliability tests, the overall the reliabilities of constructs fall within the acceptable range ( $\alpha > 0.7$ ). In other words, Most of the values of the Cronbach's Alpha statistic were safely above the limit of acceptability. Finally, the results of the reliability analysis show that the all items make a coherent scale in the Libyan context.

Validity is ensuring that the study does in fact measure what it set out to measure in the research (Churchill, 1999). In terms of a measuring instrument it has been described as “the extent to which differences in scores on it reflect true differences among individuals on the characteristic we seek to measure, rather than constant or random errors” (Selltitz, et al., 1976, p. 169)

This “focuses in the adequacy with which the domain of the characteristic is captured by the measure” (Churchill., 1999, p. 454). In other words, it is a judgemental evaluation of how well the content of the scale represents the question (Burns and Bush, 2006). Churchill, (1999) suggests that this can never be guaranteed as it is a matter of judgement as to whether the scale actually matches the content of the question. Indeed Churchill, (1999) recommends that the items used in the scale are screened by experts in the field.

In this study the market orientation scale and the business performance scales used in this research derived from previous studies (e.g. Kohli, et al.,1993; Matsuno, et al., 2000) where the validity had already been tested.

### **5.8- Summary of the Research Methodology:**

The main emphasis of this research was to investigate a sample of Libyan companies and explore their marketing strategy in order to answer a few important research questions regarding their market orientation. This was done by achieving the main research objectives, and addressing a number of hypotheses. Previous research in this area has tended to, focus on investigating the relationship between various measures of company performance and the adoption or implementation of particular aspects of a market or marketing orientation. However as a result of the literature reviewed for this research the following questions were developed for this study. This researcher wanted to discover if there was a significant relationship which exists between a firm's business performance and its degree of market orientation (MO). Also within Libyan businesses what exactly is the level of market orientation and does it vary between different sectors. A review of the literature regarding market orientation in Chapter two and business performance in Chapter three as well as the Libyan business environment in Chapter four suggested that there should be a significant relationship apparent and that current levels of market orientation would be low in Libya and exhibit differences between sectors.

The best way to answer the research questions posed and test the hypotheses, put forward was to assess the current level of market orientation within large Libyan manufacturing companies and the survey conducted on the opinions of Libyan managers was intended to provide this. The ultimate goal of this researcher was to draw various conclusions and then provide recommendations as to how Libyan enterprises could improve their business performance via enhanced market orientation. The paradigm for this research as well as the strategy, methodology and methods employed in order to address the main hypotheses were presented in this chapter and the main data collection tool used to achieve the aim and

objectives, of this research and prove or disprove the main hypotheses is the MARKOR questionnaire. This questionnaire has been used by others to measure market orientation. In this study a number of Libyan companies were surveyed and then results from the analysis of the data collected was triangulated with information from a subsequent interview of some of the questionnaire respondents.

It was important in this chapter to initially raise the question of which research philosophy to adopt and then consider the subject of the research approach that flows from that research philosophy. The positivistic or quantitative research philosophy and the deductive research approach are seen as the most common view of the nature of the relationship between theory and social research. Under such a philosophy and approach the researcher deduces a hypothesis (or hypotheses) that must then be subjected to empirical scrutiny. On the other hand however, the interpretivist philosophy and the use of an inductive approach involves a lengthy period of time and can prove to be resource intensive, but can lead to the collection of much more in-depth analysis. For this research the collection of both quantitative and qualitative data support the case for an inductive approach, however this approach underlies and combines with a deductive approach as this researcher seeks to develop a theoretical position and then test its applicability through subsequent data collection and analysis. The research questions to be answered have been clearly defined and the research strategy is a plan of how to go about answering the research questions.

The strategy for this research consisted of specific objectives that had been derived from the research questions; it was the nature of these which suggested the use of a non-experimental fixed strategy such as a survey. The survey as a research tool has been widely used by others and is based upon the well-established statistical principles of sampling additionally surveys offer a relatively simple and straightforward approach to the study of



people's attitudes, values and beliefs. Having studied the literature as well as experienced marketing management in Libya, this researcher actually had a number of presumptions in mind before this study took place. The first presumption was that many of the people in Libyan companies would have little or no understanding MO in general and secondly it was presumed that within certain sectors this situation would be even worse.

The MARKOR questionnaire allowed a tried and tested data collection tool to be used and as the most important aspects of such research are credibility, reliability and validity, the standardisation offered by the questionnaire provided a means to gather consistent answers to consistent questions. The research involved the distribution of a questionnaire to a sample of managers from a variety of different Libyan organisations operating in various sectors. A group of these managers were subsequently interviewed at a different time when initial analysis of the quantitative data from the questionnaire prompted a set of follow-up interview questions. The sampling frame was confined to specific types of people or target group who could provide the desired information on market orientation. The sampling design employed required a judgement call by this researcher to achieve a particular purpose. The subjects approached to take part in the survey were those most advantageously placed within the companies approached and also in the best position to provide the information required. This researcher personally administered the questionnaire in order that it could then be collected within a reasonable period of time and any initial doubts that the respondents might have on any question could be clarified on the spot. As reliability is mainly concerned with repeatability and consistency this was achieved by using the MARKOR questionnaire. Therefore validity was also established for this research as a comparison was made between a particular survey instrument and by using an established method.

The companies sampled for the research were drawn from a list of the top eighty-three Libyan manufacturing organisations, the list was provided by the Ministry of Industry in Libya. Of this number sixty-three were public organisations and the remaining twenty were in the private sector, this researcher received a positive response at fifty-six of the companies approached as the relevant authorities were convinced to participate, there were a number however who declined or were omitted. The questionnaire was distributed to 112 respondents who were the General Manager or his Assistant; the Director of Marketing management or his Assistant or the Head or Assistant Head of the various companies marketing departments. The surveyed companies operate in a variety of sectors and were spread throughout Libya. As part of the research personal information was gathered regarding the respondents paints a picture of the numbers, age, and specialist knowledge and experience of those who organisations in Libya have operating their marketing departments and implementing marketing strategies. This information was taken into account when analysing the quantitative and qualitative data collected and its subsequent analysis.

The question raised about MO as well as the answers gathered and the hypotheses postulated will be examined in the next chapter by utilising data extracted from both the questionnaires and interviews distributed and conducted in the Libyan manufacturing companies. There was a wealth of both quantitative data collected from both the questionnaires and interviews all of which had to be interpreted. The Analysis and Interpretation section of the thesis brings all of the data collected together, in order to answer the research questions designed after the completion of the literature review.

There were significant findings to be explained and lessons that were learned from the data. This researcher had strong opinions about market orientation in Libyan companies and these have been revised. The next chapter is structured in such a way that each research

question is answered and each hypothesis tested with reference to the literature reviewed, stereotypical points of view about Libyan company's market orientation are challenged.

## **Chapter Six**

### **Quantitative Data Analysis**

#### **6.0. Introduction:**

The complex nature of market orientation, which comprises a set of components, requires that each of these should be considered as potential influences on performance along with an overall measure of the extent of market orientation within a business. Moreover, the effects of these variables need to be evaluated in terms of their impact on business performance as well as the overall level of market orientation. As was mentioned in the literature reviewed many writers such as Kohli and Jaworski, (1990); Narver and Slater, (1990); Hart and Diamantopoulos, (1993); Greenley, (1995a, 1995b), and Siguaw and Diamantopoulos, (1995) have tested, developed, and refined the early market orientation scales to create useful tools for measuring the degree of market orientation Western firm's exhibit. To date, however, there has been relatively little research into the extent of market orientation in developing economies in general and the transition economies like Libya in particular. The question remains whether the construct is equally applicable in such different environments. For this reason the researcher designed some hypotheses. These are examined in this chapter by utilising data extracted from a total of 56 large Libyan manufacturing companies divided into six sectors which were included in the research methodology. The purpose of this chapter is to analyse and interpret data gathered from this research, as outlined in the methodology chapter. In particular, in order to investigate the hypotheses, this research used Kruskal-Wallis ;correlation; regression and test 95% Confidence Interval for Mean, which are statistical techniques used extensively to examine causal relationships between variables and level of market orientation. Furthermore, the SPSS (Statistical Package for the Social Sciences) was carried out to describe and analyse

the data for testing the research hypotheses. According to Burton, (2000,p.361),”there are many other packages now on the market but within the social sciences this is one of the most popular and widely available statistical analysis packages”.

#### **6.1. Preparing Data for Analysis:**

The primary aim of this section is to analyse the data collected from the questionnaires of 56 large Libyan manufacturing companies. Two questionnaires were distributed to each company, in total 112 questionnaires were completed by the General Manager or his Deputy and the Director of Marketing or his Deputy. The next step was to code the responses. The questionnaire variables were abbreviated and each variable assigned a code name that referred to its name, e.g. the code of “t1” stands for using information for intelligent generation and “t2” stands for using information for intelligent dissemination and so on. In addition, items in the questionnaire were coded using a 5 point Likert scale ranging from (1) Strongly Disagree for market orientation, or Much Lower for business performance, to (5) Strongly Agree for items market orientation, or Much Higher for business performance. The codes can then be transferred to a computer data file for analysis with a software SPSS package. As shown the discussion item results in the next section.

#### **6.2. Mean Rating and Standard Deviations of the Variables: (Item Results)**

As previously mentioned, in Libya, two questionnaires were distributed to each company surveyed, in total 112 questionnaires were completed either by the General Manager or his Deputy, and by the Director of Marketing or his Deputy. The research variables included in the questionnaire were divided into four sets relating to: variable intelligence generation 15 items; variable intelligence dissemination, 12 items; variable responsiveness, 17 items; variable performance 7 items. The items in the questionnaire used a 5 point Likert scale ranging from (1) Strongly Disagree to (5) Strongly Agree regarding variables market orientation, or Much Lower to Much Higher regarding business performance. The results

are presented in the tables below which incorporate item frequencies (percentages of total response for each point of the five-point Likert-type scale), mean scores; standard deviations (Std.) and rank. In addition, if there is a trend toward agree or strongly agree the mean scores will exceed (3), however, if the answers are less than (3) that refers to a trend toward disagree or strongly disagree. Accordingly, rank (1) will be given for the highest mean scores and (2) to those which followed, and so on.

#### **6.2.1- Intelligence Generation:**

As can be seen from the results of the answers for the item variable intelligence generation, presented in table (6.1) showing the mean values and standard deviations for those 15 items, many respondents tended to agree or strongly agree. (M = 3.88, R=1)\* regarding collecting industry information by informal means (e.g., industry friends), also there were (M = 3.87, R=2) of respondents who felt strongly about the fact that, “we poll end users at least once a year to assess the quality of our products and services”. In fact there were (M = 3.79, R=3) who agree or strongly agree that, “we maintain contacts with officials of government and regulatory bodies in order to collect and evaluate pertinent information”. Of additional interest is the 72.3% \* of respondents who agreed or strongly agreed that "We meet with customers at least once a year to find out what products or services they will need in the future". On the other hand, the data shown indicates that there were many respondents who tended to disagree or strongly disagree (59.8% and 20.5% respectively), these respondents felt that, “individuals from our manufacturing department interact directly with customers to learn how to serve them better”. In addition, the respondents expressed a belief that their companies’ did not spend time with their suppliers to learn more about various aspects of their business (M =2.46, R 14).

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\* M (mean value) and R (rank)

\* This percent includes 52.7% of respondents agree and 19.6 % of respondents strongly agree.

**Table (6.1) Item Results of Intelligence Generation**

| SR           | Items of Intelligence Generation                                                                                                                                      | Strongly Disagree |      | Disagree |      | Neither |      | Agree |      | Strongly Agree |      | Mean | Std.  | Rank |
|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|------|----------|------|---------|------|-------|------|----------------|------|------|-------|------|
|              |                                                                                                                                                                       | N                 | %    | N        | %    | N       | %    | N     | %    | N              | %    |      |       |      |
| 1            | We meet with customers at least once a year to find out what products or services they will need in the future.                                                       | 3                 | 2.7  | 12       | 10.7 | 16      | 14.3 | 59    | 52.7 | 22             | 19.6 | 3.76 | 0.979 | 4    |
| 2            | Individuals from our manufacturing department interact directly with customers to learn how to serve them better.                                                     | 23                | 20.5 | 67       | 59.8 | 11      | 9.8  | 9     | 8.0  | 2              | 1.8  | 2.11 | 0.884 | 15   |
| 3            | We do a lot of in-house market research.                                                                                                                              | 9                 | 8    | 62       | 55.4 | 22      | 19.6 | 17    | 15.2 | 2              | 1.8  | 2.47 | 0.910 | 13   |
| 4            | We are slow to detect changes in our customers' product preferences.                                                                                                  | 12                | 10.7 | 30       | 26.8 | 15      | 13.4 | 53    | 47.3 | 2              | 1.8  | 3.03 | 1.119 | 10   |
| 5            | We poll end users at least once a year to assess the quality of our products and services.                                                                            | -                 | -    | 3        | 2.7  | 17      | 15.2 | 84    | 75.0 | 8              | 7.1  | 3.87 | 0.561 | 2    |
| 6            | We often talk with or survey those who can influence our end users' purchases (e.g., retailers, distributors).                                                        | 5                 | 4.5  | 24       | 21.4 | 34      | 30.4 | 38    | 33.9 | 11             | 9.8  | 3.23 | 1.040 | 8    |
| 7            | We collect industry information through informal means (e.g., lunch with industry friends, talks with trade partners).                                                | 1                 | .9   | 7        | 6.2  | 12      | 10.7 | 76    | 67.9 | 16             | 14.3 | 3.88 | 0.756 | 1    |
| 8            | Intelligence on our competitors is generated independently by several departments.                                                                                    | 1                 | .9   | 10       | 8.9  | 44      | 39.3 | 52    | 46.4 | 5              | 4.5  | 3.45 | 0.757 | 7    |
| 9            | We are slow to detect fundamental shifts in our industry (e.g., competition, technology, regulation).                                                                 | 4                 | 3.6  | 33       | 29.5 | 26      | 23.2 | 46    | 41.1 | 3              | 2.7  | 3.10 | 0.977 | 9    |
| 10           | We periodically review the likely effect of changes in our business environment (e.g., regulation) on customers.                                                      | -                 | -    | 8        | 7.1  | 26      | 23.2 | 74    | 66.1 | 4              | 3.6  | 3.66 | 0.665 | 5    |
| 11           | we frequently collect and evaluate Newly developed general macro-economic information (e.g., interest rate, exchange rate, GDP, industry growth rate, inflation rate) | 2                 | 1.8  | 14       | 12.5 | 27      | 24.1 | 64    | 57.1 | 5              | 4.5  | 3.50 | 0.838 | 6    |
| 12           | We maintain contacts with officials of government and regulatory bodies in order to collect and evaluate pertinent information.                                       | -                 | -    | 12       | 10.7 | 10      | 8.9  | 80    | 71.4 | 10             | 8.9  | 3.79 | 0.753 | 3    |
| 13           | We collect and evaluate information concerning general social trends (e.g., environmental consciousness, emerging lifestyles) that might affect our business.         | 10                | 8.9  | 57       | 50.9 | 20      | 17.9 | 22    | 19.6 | 3              | 2.7  | 2.56 | 0.994 | 12   |
| 14           | We spend time with our suppliers to learn more about various aspects of their business (e.g., manufacturing process, industry practices, and clientele).              | 8                 | 7.1  | 71       | 63.4 | 10      | 8.9  | 20    | 17.9 | 3              | 2.7  | 2.46 | 0.958 | 14   |
| 15           | Only a few people are collecting competitor information.                                                                                                              | 3                 | 2.7  | 35       | 31.2 | 38      | 33.9 | 31    | 27.7 | 5              | 4.5  | 3.00 | 0.940 | 11   |
| <b>Total</b> |                                                                                                                                                                       | 81                | 4.8  | 445      | 26.5 | 328     | 19.5 | 725   | 43.2 | 101            | 6    | 3.19 | 0.875 |      |

In general, overall results which are presented within the table (6.1) could be interpreted in the same way as above.

#### **6.2.2- Intelligence Dissemination:**

From the results presented in Table (6.2), which indicates that only one respondent answered (Neither) while 99.1%\* of respondents agreed or strongly agreed that, “We have interdepartmental meetings at least once a quarter to discuss market trends and developments”, this is a good indicator in the Libyan companies surveyed. Although the vast majority of respondents emphasised the fact that their companies’ have cross-functional meetings very often to discuss market trends and developments (e.g., customers, competition, suppliers) (M = 3.65, R=2), however, there was also a consensus between the respondents who disagreed or strongly disagreed (M = 1.74, R=12) that their companies “periodically circulates documents (e.g., reports, newsletters) that provide information on our customers”. Also “data on customer satisfaction are disseminated at all levels in this business unit on a regular basis” (M = 2.50, R=11). In addition, (45.5%) of the respondents strongly disagreed that market information spreads quickly through all levels in their companies. These Indicators demand an understanding of how these companies respond. This is illustrated in table (6.2).

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\* This percent include 62.5% of respondents agree and 36.6% of respondents strongly agree.



**Table (6.2) Item Results of Intelligence Dissemination**

| SR           | Items of Intelligence Dissemination                                                                                                      | Strongly Disagree |      | Disagree |      | Neither |      | Agree |      | Strongly Agree |      | Mean | Std.  | Rank |
|--------------|------------------------------------------------------------------------------------------------------------------------------------------|-------------------|------|----------|------|---------|------|-------|------|----------------|------|------|-------|------|
|              |                                                                                                                                          | N                 | %    | N        | %    | N       | %    | N     | %    | N              | %    |      |       |      |
| 16           | A lot of informal "hall talk" in this business unit concerns our competitors' tactics or strategies.                                     | -                 | -    | 9        | 8.0  | 43      | 38.4 | 48    | 42.9 | 12             | 10.7 | 3.56 | 0.792 | 3    |
| 17           | We have interdepartmental meetings at least once a quarter to discuss market trends and developments.                                    | -                 | -    | -        | -    | 1       | .9   | 70    | 62.5 | 41             | 36.6 | 4.36 | 0.500 | 1    |
| 18           | Marketing personnel in our business unit spend time discussing customers' future needs with other functional departments.                | -                 | -    | 26       | 23.2 | 42      | 37.5 | 39    | 34.8 | 5              | 4.5  | 3.21 | 0.850 | 6    |
| 19           | Our business unit periodically circulates documents (e.g., reports, newsletters) that provide information on our customers.              | 52                | 46.4 | 46       | 41.1 | 7       | 6.2  | 5     | 4.5  | 2              | 1.8  | 1.74 | 0.898 | 12   |
| 20           | When something important happens to a major customer or market, the whole business unit knows about it in a short period.                | 1                 | .9   | 12       | 10.7 | 44      | 39.3 | 52    | 46.4 | 3              | 2.7  | 3.39 | 0.752 | 4    |
| 21           | Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis.                                   | 4                 | 3.6  | 68       | 60.7 | 23      | 20.5 | 14    | 12.5 | 3              | 2.7  | 2.50 | 0.859 | 11   |
| 22           | There is minimal communication between marketing and manufacturing departments concerning market developments.                           | 5                 | 4.5  | 22       | 19.6 | 34      | 30.4 | 47    | 42.0 | 4              | 3.6  | 3.21 | .950  | 7    |
| 23           | When one department finds out something important about competitors, it is slow to alert other departments.                              | -                 | -    | 29       | 25.9 | 43      | 38.4 | 32    | 28.6 | 8              | 7.1  | 3.17 | 0.899 | 8    |
| 24           | We have cross-functional meetings very often to discuss market trends and developments (e.g., customers, competition, suppliers).        | -                 | -    | 8        | 7.1  | 27      | 24.1 | 73    | 65.2 | 4              | 7.1  | 3.65 | 0.667 | 2    |
| 25           | We regularly have interdepartmental meetings to update our knowledge of regulatory requirements.                                         | 1                 | .9   | 24       | 21.4 | 40      | 35.7 | 43    | 38.4 | 4              | 3.6  | 3.22 | 0.856 | 5    |
| 26           | Technical people in this business unit spend a lot of time sharing information about technology for new products with other departments. | 5                 | 4.5  | 37       | 33.0 | 45      | 40.2 | 24    | 21.4 | 1              | .9   | 2.81 | 0.855 | 9    |
| 27           | Market information spreads quickly through all levels in this business unit.                                                             | -                 | -    | 51       | 45.5 | 46      | 41.1 | 14    | 12.5 | 1              | .9   | 2.69 | 0.723 | 10   |
| <b>Total</b> |                                                                                                                                          | 68                | 5.1  | 332      | 24.7 | 395     | 29.4 | 461   | 34.3 | 88             | 6.5  | 3.13 | .80   |      |

### 6.2.3- Responsiveness:

The responses from the Libyan companies' surveyed, as can be seen from the results presented in table (6.3), show that, there was a trend toward agree or strongly agree (38.4% and 29.5% respectively) of respondents to the statements put to them about belief that

“customer complaints fall on deaf ears in their companies”. Additionally they also agree or strongly agree about the fact that, “It takes us forever to decide how to respond to our competitors’ price changes” ( $M = 3.64$ ,  $R = 2$ ), and the relatively high mean score ( $M = 3.36$ ,  $R = 3$ ) of respondents in Libyan companies surveyed suggests that, “When we find out that customers are unhappy with the quality of our service, we take corrective action immediately”. However, although there are some positive answers there are also many negative aspects in these companies. This can be seen when (78.5%) of respondents disagree or strongly disagree ( $M = 3.64$ ,  $R = 17$ ) with the idea that, “the principles of market segmentation drive new product development efforts in this company”, and also disagree or strongly disagree, (75%) of respondents, about “our business plans are driven more by technological advances than by market research”. More details about the respondents’ answers for the responsiveness variable are presented in table (6.3).

#### **6.2.4- Business performance:**

Finally, Table (6.4) presents the results of the respondents’ answers to business performance variables by seven business performance measures. All the tests are the subjective assessment of overall performance; market share growth; sales growth; percentage of sales generated by new products; return on sales; return on assets; and return on investment, relative to major competitors last year. The results shown indicate that there was a higher or much higher sales growth in their companies relative to major competitors last year, (55.4%) of these respondents emphasised this.

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\* This percent include 58.9% of respondents disagree and 19.6% of respondents strongly disagree.

\* This percent include 62.5% of respondents disagree and 12.5% of respondents strongly disagree.

\* This percent include 51.8% of respondents higher and 3.6% of respondents much higher.

**Table (6.3) Item Results of Responsiveness**

| SR           | Items of Responsiveness                                                                                                                                                          | Strongly Disagree |      | Disagree |      | Neither |      | Agree |      | Strongly Agree |      | Mean | Std.  | Rank |
|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|------|----------|------|---------|------|-------|------|----------------|------|------|-------|------|
|              |                                                                                                                                                                                  | N                 | %    | N        | %    | N       | %    | N     | %    | N              | %    |      |       |      |
| 28           | It takes us forever to decide how to respond to our competitors' price changes.                                                                                                  | 1                 | .9   | 8        | 7.1  | 27      | 24.1 | 70    | 62.5 | 6              | 5.4  | 3.64 | 0.733 | 2    |
| 29           | The principles of market segmentation drive new product development efforts in this business unit.                                                                               | 22                | 19.6 | 66       | 58.9 | 15      | 13.4 | 8     | 7.1  | 1              | .9   | 2.11 | 0.831 | 17   |
| 30           | For one reason or another we tend to ignore changes in our customers' product or service needs.                                                                                  | 1                 | .9   | 10       | 8.9  | 63      | 56.2 | 35    | 31.2 | 3              | 2.7  | 3.26 | 0.694 | 4    |
| 31           | We periodically review our product development efforts to ensure that they are in line with what customers want.                                                                 | 1                 | .9   | 23       | 20.5 | 45      | 40.2 | 38    | 33.9 | 5              | 4.5  | 3.21 | 0.850 | 5    |
| 32           | Our business plans are driven more by technological advances than by market research.                                                                                            | 14                | 12.5 | 70       | 62.5 | 20      | 17.9 | 7     | 6.2  | 1              | .9   | 2.21 | 0.773 | 16   |
| 33           | Several departments get together periodically to plan a response to changes taking place in our business environment.                                                            | 2                 | 1.8  | 38       | 33.9 | 42      | 37.5 | 29    | 25.9 | 1              | .9   | 2.90 | 0.838 | 9    |
| 34           | The product lines we sell depend more on internal politics than real market needs.                                                                                               | 14                | 12.5 | 60       | 53.6 | 24      | 21.4 | 14    | 12.5 | -              | -    | 2.34 | 0.855 | 14   |
| 35           | We are slow to start business with new suppliers even though we think they are better than existing ones.                                                                        | 9                 | 8.0  | 32       | 28.6 | 17      | 15.2 | 42    | 37.5 | 12             | 10.7 | 3.14 | 1.184 | 7    |
| 36           | If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.                                                 | 4                 | 3.6  | 36       | 32.1 | 55      | 49.1 | 16    | 14.3 | 1              | .9   | 2.77 | 0.771 | 12   |
| 37           | The activities of the different departments in this business unit are well coordinated.                                                                                          | 18                | 16.1 | 57       | 50.9 | 24      | 21.4 | 9     | 8.0  | 4              | 3.6  | 2.32 | 0.961 | 15   |
| 38           | Customer complaints fall on deaf ears in this business unit.                                                                                                                     | 2                 | 1.8  | 16       | 14.3 | 18      | 16.1 | 43    | 38.4 | 33             | 29.5 | 3.79 | 1.075 | 1    |
| 39           | Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion.                                                               | 12                | 10.7 | 64       | 57.1 | 17      | 15.2 | 17    | 15.2 | 2              | 1.8  | 2.40 | 0.934 | 13   |
| 40           | We are quick to respond to significant changes in our competitors' pricing structures.                                                                                           | 2                 | 1.8  | 29       | 25.9 | 62      | 55.4 | 19    | 17.0 | -              | -    | 2.88 | 0.699 | 10   |
| 41           | When we find out that customers are unhappy with the quality of our service, we take corrective action immediately.                                                              | -                 | -    | 18       | 16.1 | 38      | 33.9 | 54    | 48.2 | 2              | 1.8  | 3.36 | 0.769 | 3    |
| 42           | When we find that customers would like us to modify a product or service, the departments involved make concerted efforts to do so.                                              | 3                 | 2.7  | 30       | 26.8 | 26      | 23.2 | 48    | 42.9 | 5              | 4.5  | 3.20 | .976  | 6    |
| 43           | If a special interest group (e.g., consumer group, environmental group) were to publicly accuse us of harmful business practices, we would respond to the criticism immediately. | 5                 | 4.5  | 30       | 26.8 | 30      | 26.8 | 45    | 40.2 | 2              | 1.8  | 3.08 | .960  | 8    |
| 44           | We tend to take longer than our competitors to respond to a change in regulatory policy.                                                                                         | 2                 | 1.8  | 45       | 40.2 | 33      | 29.5 | 30    | 26.8 | 2              | 1.8  | 2.87 | 0.895 | 11   |
| <b>Total</b> |                                                                                                                                                                                  | 112               | 5.9  | 632      | 33.2 | 556     | 29.2 | 524   | 27.5 | 80             | 4.2  | 2.91 | 0.870 |      |

**Table (6.4) Item Results of Business Performance**

| SR           | Items of Business Performance                                                          | Much Lower |      | Lower |      | Same |      | Higher |      | Much Higher |     | Mean | Std.  | Rank |
|--------------|----------------------------------------------------------------------------------------|------------|------|-------|------|------|------|--------|------|-------------|-----|------|-------|------|
|              |                                                                                        | N          | %    | N     | %    | N    | %    | N      | %    | N           | %   |      |       |      |
| 45           | Our business unit's overall performance relative to major competitors last year.       | 1          | .9   | 14    | 12.5 | 48   | 42.9 | 46     | 41.1 | 3           | 2.7 | 3.32 | 0.762 | 2    |
| 46           | Our business unit's market share growth in our primary market last year.               | 2          | 1.8  | 41    | 36.6 | 36   | 32.1 | 29     | 25.9 | 4           | 3.6 | 2.93 | 0.917 | 4    |
| 47           | Our business unit's sales growth relative to major competitors last year.              | 2          | 1.8  | 24    | 21.4 | 24   | 21.4 | 58     | 51.8 | 4           | 3.6 | 3.34 | 0.916 | 1    |
| 48           | Percentage of sales generated by new products last year relative to major competitors. | 26         | 23.2 | 48    | 42.9 | 23   | 20.5 | 14     | 12.5 | 1           | .9  | 2.25 | .982  | 7    |
| 49           | Our business unit's return on sales relative to major competitors last year.           | 3          | 2.7  | 30    | 26.8 | 50   | 44.6 | 28     | 25.0 | 1           | .9  | 2.95 | 0.815 | 3    |
| 50           | Our business unit's return on assets relative to major competitors last year.          | 13         | 11.6 | 31    | 27.7 | 44   | 39.3 | 24     | 21.4 | -           | -   | 2.71 | .936  | 5    |
| 51           | Our business unit's return on assets relative to major competitors last year.          | 12         | 10.7 | 35    | 31.2 | 41   | 36.6 | 24     | 21.4 | -           | -   | 2.69 | 0.930 | 6    |
| <b>Total</b> |                                                                                        | 59         | 7.5  | 223   | 28.4 | 266  | 34   | 223    | 28.4 | 13          | 1.7 | 2.88 | 0.894 |      |

Whereas, (43.8%)\* of respondents believe that, the overall performance was higher or much higher in their companies relative to major competitors last year, the mean score was (M = 3.32, R= 2), but the proportion (42.9%) of these respondents suggested overall performance was the same as major competitors. In addition, as can be seen from the table above, most (34%)\* of the total answers in all business performance measures were focused on the same competitors. However, there were many respondents who believed that their percentage of sales generated by new products last year relative to major competitors was lower or much lower (42.9% and 23.2% respectively). Finally, a decision had to be made which kind of tests (Parametric / Non-Parametric) would be appropriate to test the hypotheses in this research (Sekaran, 2000).

\* This percent include 41.1% of respondents higher and 2.7% of respondents much higher.

$$* \quad \frac{N}{\sum N} = \frac{266}{784} = .34$$

### 6.3. Parametric vs. non-parametric tests:

In this section data analysis is presented to allow a much more detail comparison of results from respondents working in large Libyan manufacturing companies. However first of all it is important to investigate one of the unresolved issues in data analysis is the question of when parametric rather than non-parametric tests should be used. There are different types of test data and consequently different types of analysis. As the table below shows, parametric data has an underlying normal distribution which allows for more conclusions to be drawn as the shape can be mathematically described. Anything else is non- parametric.

|                                  | Parametric                          | Non-parametric                        |
|----------------------------------|-------------------------------------|---------------------------------------|
| Assumed distribution             | Normal                              | Any                                   |
| Assumed variance                 | Homogeneous                         | Any                                   |
| Typical data                     | Ratio or Interval                   | Ordinal or Nominal                    |
| Data set relationships           | Independent                         | Any                                   |
| Usual central measure            | Mean                                | Median                                |
| Benefits                         | Can draw more conclusions           | Simplicity; Less affected by outliers |
| <b>Tests</b>                     |                                     |                                       |
| Choosing                         | Choosing parametric test            | Choosing a non-parametric test        |
| Correlation test                 | Pearson                             | Spearman                              |
| Independent measures, 2 groups   | Independent-measures t-test         | Mann-Whitney test                     |
| Independent measures, >2 groups  | One-way, independent-measures ANOVA | Kruskal-Wallis test                   |
| Repeated measures, 2 conditions  | Matched-pair t-test                 | Wilcoxon test                         |
| Repeated measures, >2 conditions | One-way, repeated measures ANOVA    | Friedman's test                       |

Figure (6.1): Parametric vs. non-parametric tests. <http://www.Changingminds.org/analysis> social research.

Moreover, in order to test hypotheses the appropriate statistical test must be identified, the information in the table below clearly explains which is the appropriate statistical test for both approaches, parametric and non-parametric. Additionally, it determines the requirements for each of them. For example, if the data has a normal distribution the parametric test should be used, while if the data has any other distribution a non-parametric test should be used. In other words, the choice of an appropriate analysis for the approach is based on those assumptions made in this table about how the research should begin by deciding the approach to the entire process. However, all parametric tests have basic assumptions that must be met for the test to be accurate. One of the most important of these conditions is that the distribution of the population scores is normal. Thus, non-parametric tests in this research were chosen because one of the assumptions of parametric tests was not met, as shown in the discussion in the next section.

#### **6.4- Normal Q-Q Plot of Samples:**

As was mentioned in the section before, parametric tests require a normal distribution of data. According to Hair et al., (1995), normality can be assessed either statistically or graphically. Therefore, the researcher used a normal Quantile-Quantile plot of the data because it is the most common usage as a diagnostic tool in analysis such as (correlation) regression. Additionally, often the first step in (correlation) regression analysis is to plot the independent variables and dependent variables data. The easiest way to check whether the variables are normally distributed is by looking at histograms. This gives a preliminary idea about whether a distribution is close enough to normality as shown in the graphs below.

The expected normal distribution is a straight line and the line of small boxes is the observed values from the data. The charts above show that the distribution deviates somewhat from normality at the low end and the low high. The majority of the statistical distribution is basically normal. As can be seen in the graphs above it is apparent that the

basic requirement for normal distribution of data is close enough to normality. Thus, the overall conclusion is that this distribution is not normal.

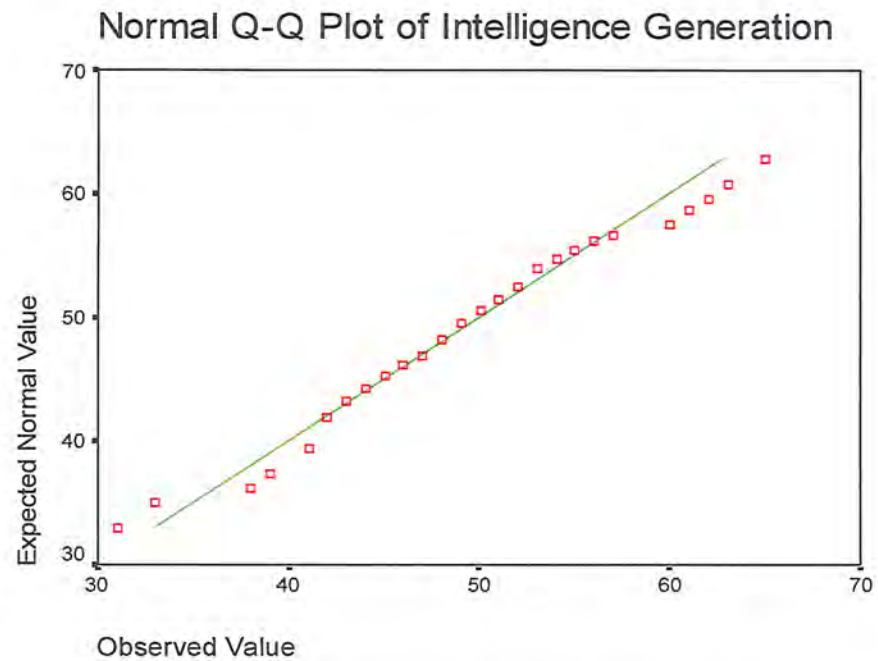


Figure (6.2) Normal Q-Q Plot of intelligence generation

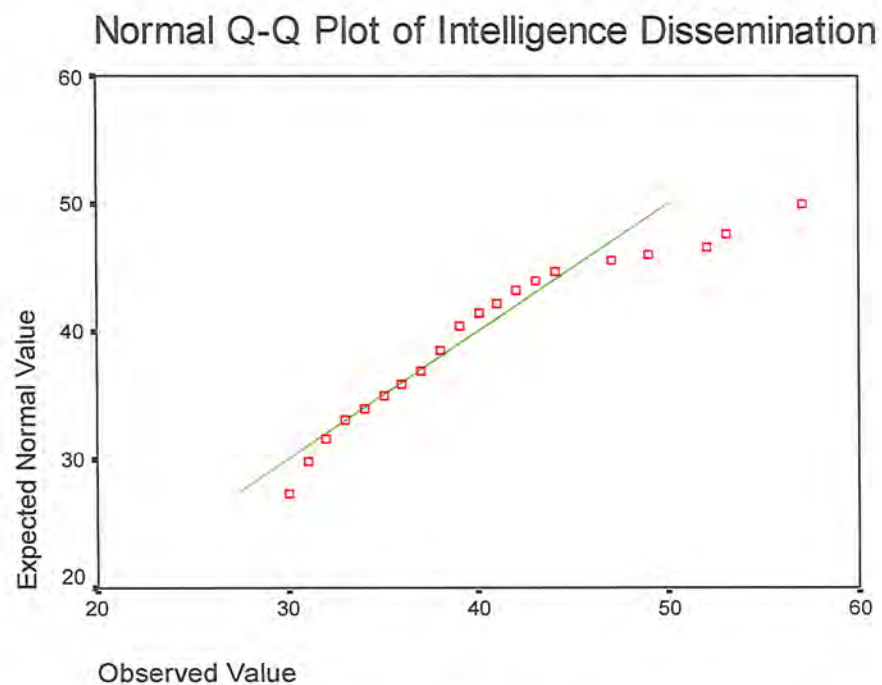


Figure (6.3) Normal Q-Q Plot of intelligence dissemination



Normal Q-Q Plot of Responsiveness

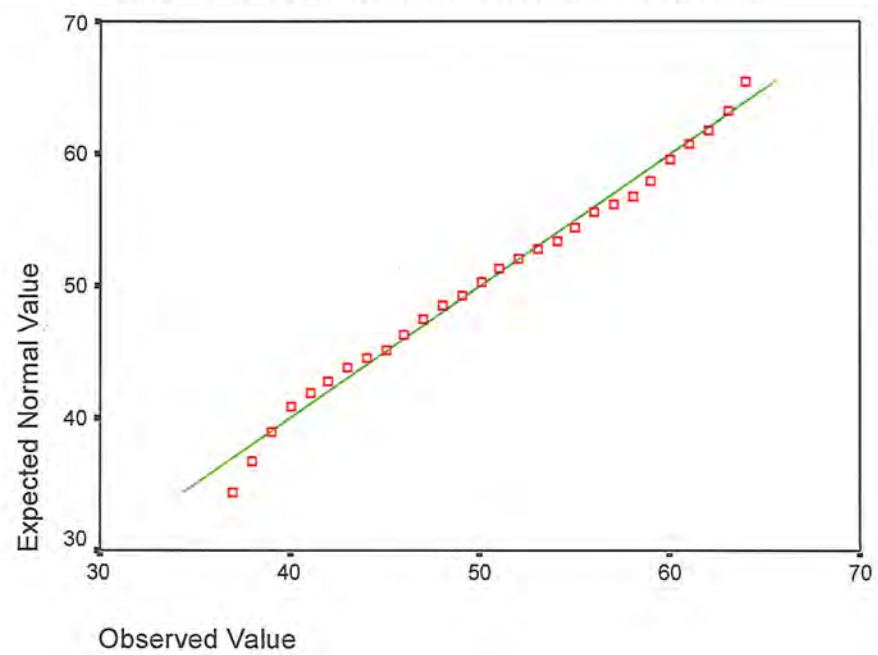


Figure (6.4) Normal Q-Q Plot of responsiveness

Normal Q-Q Plot of Business Performance

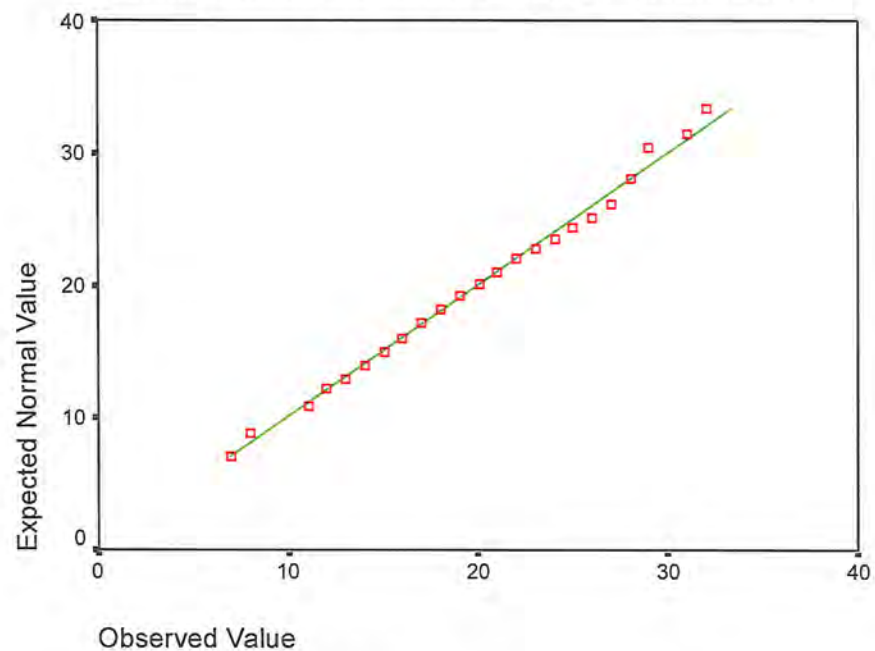


Figure (6.5) Normal Q-Q Plot of business performance



After testing of the above assumption, it can be argued that non-parametric techniques could be utilised for data analysis in this research, because the main condition for applying parametric techniques did not exist. Therefore, the techniques Kruskal-Wallis test was used to determine differences between groups of respondents. Also Spearman's rho correlation were utilised for testing the hypotheses of this research. Additionally, in order to support the results, the researcher also used parametric techniques and the results were almost similar (see appendix 6). In addition, before testing the first hypothesis by correlation and regression testing, the researcher used the Kruskal-Wallis to determine whether there were significant differences between groups of respondents, namely, the General Manager of the company, Assistant General Manager of the company, Director of Marketing management, Assistant Director of Marketing management and Head of Marketing department. If there was no significant difference between the respondents' categories, the categories could be merged.

#### **6.5- Kruskal-Wallis Test:**

The Kruskal-Wallis (H) test requires that the sample variable contain more than two independent groups, namely, it is used to compare three or more groups of sample data. This non-parametric test makes no assumptions about the distribution of the data (e.g., normality). As was mentioned in the last section the respondents' in this research contains five categories. In other words, it is a statistical test that is used to discover if there is significant difference between three or more samples. Kruskal-Wallis was carried out for this research to investigate any areas of significant difference between the respondents who took part in the survey. Comparative tests were made between the groups of respondents. According to Bryman (2008), the level of statistical significance is the level of risk in social research; furthermore, there are three levels of statistical significance that show as follows:

- 1- Significance level at  $p < 0.05$ . This means that the researcher accepted the possibility that as many as 5 in 100 samples might show a relationship where none exists in the population. (5 out of 100 when  $p < 0.05$ ).
- 2- Significance level at  $p < 0.1$ . This means that the researcher accepted the possibility that as many as 10 in 100 samples might show a relationship where none exists in the population. (10 out of 100 when  $p < 0.1$ ).
- 3- Significance level at  $p < 0.01$ . This means that the researcher accepted the possibility that as many as 1 in 100 samples might show a relationship where none exists in the population. (Only 1 out of 100 when  $p < 0.01$ ). The researcher chooses this level if he/she want a more stringent test, maybe because he/she is worried about the use that might be made of his/her results. (That is, due to sampling error).

According to Stangor, (1998), alpha is normally set to  $\alpha = 0.05$ . This approach to setting alpha is still the most common method of hypothesis testing within the behavioural sciences. On the other hand, the p-value for a given outcome is found through examination of the sampling distribution of the statistic. If p-value is less than alpha ( $p < 0.05$ ), it means that the result is statistically significant, while if p-value is greater than alpha ( $p > 0.05$ ), it means that the result is statistically not significant.

Kruskal-Wallis H carried out for this research used the confidence level set at 95%, therefore  $\alpha = 0.05$ . If the result is non-significant ( $p > 0.05$ ), it means that there is no significant difference between the groups of respondents. If, however, the test is significant ( $p < 0.05$ ), then there is a significant difference between the groups of respondents. Additionally, the test uses the ranks of the data for the groups; a chi-square with  $(k - 1)$  degrees of freedom, where k refers to the number of groups. And DF is the degree of freedom. In this research,  $DF = 5 - 1 = 4$ . If the critical value of chi-square for the desired

significance level (typically .05) is less than the computed H value, then the researcher rejects the null hypothesis that the samples do not differ on the criterion variable. To calculate this, the SPSS output the corresponding significance value directly. That is, a finding of H significance means there is a rank difference between groups.

Based on this, the study tested to discover if there is a significant difference between the General Manager of the company, Assistant General Manager of the company, Director of Marketing management, Assistant Director of Marketing management and Head of Marketing department. Therefore, the researcher was formulated this hypothesis as follows:

**Null hypothesis:**

H0: There are no significant differences between the groups of respondents.

**Alternative hypothesis:**

H1: There are significant differences between the groups of respondents.

Overall, the findings are shown in the tables below as follows:

**6.5.1 - Kruskal-Wallis Test (Intelligence generation):**

The test investigates significant differences between the groups of respondents for the first variable of the market orientation (intelligence generation), as shown in the table below.

**Table (6.5) Kruskal-Wallis (Intelligence generation)**

| Ranks                   |                                            |     |           |
|-------------------------|--------------------------------------------|-----|-----------|
|                         | Position in the company                    | N   | Mean Rank |
| Intelligence Generation | General Manager of the company             | 26  | 56.77     |
|                         | Assistant General Manager of the company   | 33  | 60.15     |
|                         | Director of marketing management           | 20  | 59.97     |
|                         | Assistant Director of marketing management | 2   | 59.50     |
|                         | Head of Marketing department               | 31  | 49.95     |
|                         | Total                                      | 112 |           |

**Test Statistics<sup>a,b</sup>**

|             | Intelligence Generation |
|-------------|-------------------------|
| Chi-Square  | 1.936                   |
| df          | 4                       |
| Asymp. Sig. | .747                    |

a. Kruskal Wallis Test

b. Grouping Variable: Position in the company

As can be seen in the results shown in table above for the intelligence generation variable, there was no a statistically significant difference between the groups of respondents. The test statistics table presents the Chi-square value (Kruskal-Wallis H), thus, based on the test scores ( $H(4) = 1.936$ ,  $p = 0.747$ ). In addition, a mean rank of 56.77 for group General Manager of the company and 49.95 for Head of Marketing department, this means that the answers of those managers tended to disagree and/or strongly disagree. While a mean rank of 60.15 for Assistant General Manager of the company, 59.97 for Director of Marketing management, 59.50 Assistant Director of Marketing management, this means that the answers of those managers tended to agree and/or strongly agree.

In general, these results support that,  $H_0$  is accepted (There are no significant differences between the groups of respondents) and  $H_1$  rejected (There are significant differences between the groups of respondents).

#### **6.5.2 - Kruskal-Wallis Test (Intelligence dissemination):**

The table below shows the results of Kruskal-Wallis test to investigate a significant difference between the groups of respondents of the second variable of the market orientation (intelligence dissemination), as follows:

**Table (6.6) Kruskal-Wallis (Intelligence dissemination)**

| Ranks                      |                                            |     |           |
|----------------------------|--------------------------------------------|-----|-----------|
|                            | Position in the company                    | N   | Mean Rank |
| Intelligence Dissemination | General Manager of the company             | 26  | 54.29     |
|                            | Assistant General Manager of the company   | 33  | 58.58     |
|                            | Director of marketing management           | 20  | 64.05     |
|                            | Assistant Director of marketing management | 2   | 60.25     |
|                            | Head of Marketing department               | 31  | 51.03     |
|                            | Total                                      | 112 |           |

**Test Statistics<sup>a,b</sup>**

|             |                            |
|-------------|----------------------------|
|             | Intelligence Dissemination |
| Chi-Square  | 2.264                      |
| df          | 4                          |
| Asymp. Sig. | .687                       |

a. Kruskal Wallis Test

b. Grouping Variable: Position in the company

Again, the Kruskal Wallis test revealed statistically no significant differences between five groups of respondents for the intelligence dissemination variable based on the test scores ( $H(4) = 2.264, p = 0.687$ ). In addition, a mean rank of 54.29 for group General Manager of the company and 51.03 for Head of Marketing department, this means that the answers of those managers tended to disagree and/or strongly disagree. While a mean rank of 58.58 for Assistant General Manager of the company, 64.05 for Director of Marketing management, 60.25 Assistant Director of Marketing management, this means that the answers of those managers tended to agree and/or strongly agree.

In general, these results support that,  $H_0$  is accepted (There are no significant differences between the groups of respondents) and  $H_1$  rejected (There are significant differences between the groups of respondents).

### 6.5.3 - Kruskal-Wallis Test (Responsiveness):

The Kruskal Wallis test was carried out for this research to investigate any a significant difference between the groups of respondents of the third variable of the market orientation (responsiveness), as the result shows in the table below:

**Table (6.7) Kruskal-Wallis (Responsiveness)**

| Ranks          |                                            |     |           |
|----------------|--------------------------------------------|-----|-----------|
|                | Position in the company                    | N   | Mean Rank |
| Responsiveness | General Manager of the company             | 26  | 47.56     |
|                | Assistant General Manager of the company   | 33  | 61.74     |
|                | Director of marketing management           | 20  | 63.90     |
|                | Assistant Director of marketing management | 2   | 49.50     |
|                | Head of Marketing department               | 31  | 54.10     |
|                | Total                                      | 112 |           |

**Test Statistics<sup>a,b</sup>**

|             | Responsiveness |
|-------------|----------------|
| Chi-Square  | 4.142          |
| df          | 4              |
| Asymp. Sig. | .387           |

a. Kruskal Wallis Test

b. Grouping Variable: Position in the company

The result shown in Table (6.7) suggests that, there was no a statistically significant difference between the groups of respondents based on the test scores ( $H(4) = 4.142, p = 0.387$ ). In addition, a mean rank of 47.56 for group General Manager of the company; 49.50 Assistant Director of Marketing management and 54.10 for Head of Marketing department, this means that the answers of those managers tended to disagree and/or strongly disagree. While a mean rank of 61.74 for Assistant General Manager of the company, 63.90 for Director of Marketing management, this means that the answers of those managers tended to agree and/or strongly agree.

In general, these results support that,  $H_0$  is accepted (There are no significant differences between the groups of respondents) and  $H_1$  rejected (There are significant differences between the groups of respondents).

#### 6.5.4 - Kruskal-Wallis Test (Business performance):

The empirical results from the Kruskal Wallis test investigate significant differences between the groups of respondents for the business performance are summarised in Table (6.8).

**Table (6.8) Kruskal-Wallis (Business performance)**

| Ranks                |                                            |     |           |
|----------------------|--------------------------------------------|-----|-----------|
|                      | Position in the company                    | N   | Mean Rank |
| Business Performance | General Manager of the company             | 26  | 47.21     |
|                      | Assistant General Manager of the company   | 33  | 63.88     |
|                      | Director of marketing management           | 20  | 61.60     |
|                      | Assistant Director of marketing management | 2   | 59.50     |
|                      | Head of Marketing department               | 31  | 52.95     |
|                      | Total                                      | 112 |           |

**Test Statistics<sup>a,b</sup>**

|             | Business Performance |
|-------------|----------------------|
| Chi-Square  | 4.728                |
| df          | 4                    |
| Asymp. Sig. | .316                 |

a. Kruskal Wallis Test

b. Grouping Variable: Position in the company

From this table it can be seen that, there was no a statistically significant difference between the groups of respondents based on the test scores ( $H(4) = 4.728$ ,  $p = 0.316$ ). In addition, a mean rank of 47.21 for group General Manager of the company and 52.95 for Head of Marketing department, , this means that the answers of those managers tended to disagree and/or strongly disagree. While a mean rank of 63.88 for Assistant General

Manager of the company, 61.60 for Director of Marketing management, 59.50 Assistant Director of Marketing management, this means that the answers of those managers tended to agree and/or strongly agree.

In general, these results support that,  $H_0$  is accepted (There are no significant differences between the groups of respondents) and  $H_1$  rejected (There are significant differences between the groups of respondents).

Conclusion all of the results, the significant value of all components of market orientation and business performance exceeds 0.05 ( $p > 0.05$ ), so the null hypothesis will be accepted and alternative hypothesis rejected.

Overall, all of the results from the comparison between those groups (General Manager of the company; Assistant General Manager of the company; Director of Marketing management; Assistant Director of Marketing management and Head of Marketing department) using evidence from the Kruskal Wallis carried out, indicate no significant differences between the groups in market orientation and business performance. There are also no differences in their views regarding, “variables of the market orientation and business performance” in their companies.

Consequently, there was general agreement between these groups regarding the variables of the market orientation and business performance, so it is possible to merge the all groups, and the researcher does not compare between them; they can be used as a single group.

An important objective of the research was to determine if there exists a significant relationship between a firm's level of market orientation and its perceived business performance. Therefore, the researcher was formulated this hypothesis as follows:

**H1:** There is significant relationship between market orientation and perceived business performance.



In the next section a correlation coefficient and the multiple regression are used to determine this relationship by using the MARKOR questionnaire which will be testing this hypothesis. The reason for that is correlation analysis cannot describe the relationship between one dependent and more than one independent variable. However, the results from both correlation and multiple regression tests could be integrated. The correlation test describes the relationship between each two variables only and the multiple regression tests describe the relationship between dependent variable and all the independent variables. Therefore, the use of both correlation and multiple regression models in this study seems to fit its objective.

#### **6.6- The relationship between market orientation (MO) and business performance**

##### **(BP):**

Correlation analysis provides a correlation coefficient ( $r$ ) that demonstrates the strength of the relationship between two variables. Correlation techniques are widely used as measurements of the direction and strength of association between pairs of variables. The correlation technique, which was used to test this association, is Spearman's rho Correlation. The reason behind this choice is that, Spearman's correlation is a non-parametric test and the data violated the parametric assumptions. Spearman's tests works by first ranking the data and then applying Pearson's equation. Three outputs of results are given by these techniques: (1) the direction (positive or negative) of the correlation, (2) its strength and (3) the statistical significance of each correlation, which makes it possible to examine whether the correlation can be accepted or not in the light of the decided confidence interval (which is 95% in this research).

In general, Values of the correlation coefficient range from  $r = -1$  to  $r = +1$ . A correlation coefficient of  $(+/-1)$  means that there is a perfect correlation between two variables.  $(+1)$  means that there is a strong positive correlation (i.e. when the value of one variable increases, the value of the other variable also increases, and at the same rate) whilst  $-1$  means that there is

a strong negative correlation (i.e. when the value of one variable increases, the value of the other variable decreases, and at the same rate). However, (0) means that there is no correlation between two variables. The correlation coefficient can fall anywhere between 0 and  $\pm 1$  with ( $\pm 0.1$ ) being a weak correlation, ( $\pm 0.5$ ) being a moderate correlation and ( $\pm 0.7$ ) being a strong correlation.

In addition to providing a correlation coefficient, the output from a correlation analysis is able to provide the significance of the correlation. In this study the bivariate Spearman's rho for all companies and sectors correlation test was applied. The test was subject to a two-tailed test of statistical significance at two different levels: highly significant ( $p < 0.01$ ) and significant ( $p < 0.05$ ). For example, to test the null hypothesis there is no relationship between the variables. If the P value is less than 0.05 then it could be possible to reject this null hypothesis in favour of the alternative hypothesis – there is a relationship between the variables. To calculate this, the SPSS (Statistical Package for the Social Sciences) bivariate correlate command was used. Additionally, this research used correlation analysis for two purposes as follows:

**Firstly**, to check the presence of multicollinearity; the most important assumptions of the classical linear regression model, and one which applies to all regression models, is that there is no multicollinearity among the regression included in the model. However, Berry and Feldman (1985) point out that correlation between variables higher than .80 should be considered as evidence of high multicollinearity. In addition, Hair et al. (1995) suggested that no limit has been set that defines high correlations, values exceeding .90 should always be examined, and many times correlation exceeding .80 can be indicative of problems.

**Secondly**, in order to test hypotheses 1, the researcher used a statistical procedure to test the relationship between components of the market orientation (intelligence generation; intelligence dissemination and responsiveness) and perceived business performance. The

seven performance measures represented in all the tests are the subjective assessment of: overall performance; market share growth; sales growth; percentage of sales generated by new products; return on sales; return on assets; and return on investment, relative to major competitors last year. The results of the correlation analysis for this study can be seen in the following tables.

#### 6.6.1- The correlation of MO and BP of companies:

The first major section (6.6.1) is utilised to identify the degree of correlation between market orientation and business performance. Spearman's rho correlation coefficient was used, as illustrated in the table below.

**Table (6.9) Correlation between Market Orientation and Business performance**

| Variables                      | (1)   | (2)    | (3)    | (4)    |
|--------------------------------|-------|--------|--------|--------|
| Intelligence generation (1)    |       |        |        |        |
| Spearman's rho                 | ..... | .710** | .699** | .461** |
| Sig. (2-tailed)                | ..... | .000   | .000   | .000   |
| Intelligence Dissemination (2) |       |        |        |        |
| Spearman's rho                 |       | .....  | .723** | .539** |
| Sig. (2-tailed)                |       | .....  | .000   | .000   |
| Responsiveness (3)             |       |        |        |        |
| Spearman's rho                 |       |        | .....  | .593** |
| Sig. (2-tailed)                |       |        | .....  | .000   |
| Business Performance (4)       |       |        |        |        |
| Spearman's rho                 |       |        |        | .....  |
| Sig. (2-tailed)                |       |        |        | .....  |

\*\* Correlation is significant at the 0.01 level (2-tailed), and N= 112

Table (6.9) displays the correlation among the three independent variables (intelligence generation; intelligence dissemination and responsiveness) and their correlations with the dependent variable (business performance).

As noted before, in order to establish the presence of multicollinearity between the independent variables this research applied the maximum of .80 for the correlation coefficient, according to Berry and Feldman, (1985) and Hair et al., (1995). All of which

indicated that the correlations between all the independent variables were lower than .80, and none of them reached this limit. As can be seen in the table, the highest correlation was between intelligence dissemination and responsiveness, the correlation coefficient between these two variables was (0.723). Therefore, multicollinearity was not a problem at all in this research.

In addition, in terms of hypothesis, from this table it can be seen that a high degree of correlation exists among the three components of the market orientation and business performance. Moreover, there was a positive and statistically significant relationship between intelligence generation and business performance as ( $r = 0.461$  and  $p < 0.01$ ). There was also a positive relationship between intelligence dissemination; responsiveness and business performance. Each of these market orientation variables was also significantly correlated with the business performance as ( $r = 0.539$  and  $p < 0.01$ ) and ( $r = 0.593$  and  $p < 0.01$ ) respectively. It is clear that the responsiveness was higher than for the other two variables. Therefore, hypothesis H1 is supported, indicating that all components of the market orientation are associated with business performance.

This result is supported by the findings of Jaworski and Kohli (1990) and Narver and Slater (1990). The implication of this result is that a company that improves, its market orientation could potentially increase the likelihood of improved business performance.

Despite this overall positive relationship of market orientation with business performance, it has been necessary to identify the relationship between market orientation and business performance of the industry sectors which were included in the research. Therefore, the following tables review these relations as follows:

#### **6.6.2- The correlation of MO and BP of sectors:**

The second major section (6.6.2) investigates the market orientation multidimensional scale using correlation analysis and examines the relationships of the individual components for

market orientation with business performance of each industrial sector in the Libyan context which was included in this research. A Spearman's rho correlation coefficient was used as illustrated in the tables below.

#### 6.6.2.1- The correlation of MO and BP for the Chemical industry sector.

Table (6.10) illustrates that three market orientation components, intelligence generation; intelligence dissemination and responsiveness are significantly related to the business performance of the chemical industry sector in large Libyan manufacturing companies.

**Table (6.10) Correlation between MO and BP (Chemical Industries Sector)**

| Variables                             | (1)   | (2)    | (3)    | (4)    |
|---------------------------------------|-------|--------|--------|--------|
| <b>Intelligence generation (1)</b>    |       |        |        |        |
| Spearman's rho                        | ..... | .688** | .788** | .508** |
| Sig. (2-tailed)                       | ..... | .000   | .000   | .002   |
| <b>Intelligence Dissemination (2)</b> |       |        |        |        |
| Spearman's rho                        |       | .....  | .741** | .361*  |
| Sig. (2-tailed)                       |       | .....  | .000   | .036   |
| <b>Responsiveness (3)</b>             |       |        |        |        |
| Spearman's rho                        |       |        | .....  | .435*  |
| Sig. (2-tailed)                       |       |        | .....  | .010   |
| <b>Business Performance (4)</b>       |       |        |        |        |
| Spearman's rho                        |       |        |        | .....  |
| Sig. (2-tailed)                       |       |        |        | .....  |

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

N= 34

As can be seen in the results shown in the Table above for the chemical industries sector, a positive correlation exists between the three components of market orientation and business performance. Specifically, there was a significant correlation between intelligence generation and business performance as ( $r = 0.508$ ) and ( $p < 0.01$ ), while with the intelligence dissemination and responsiveness there was significant correlation with business performance as ( $r = 0.361$ ;  $r = 0.435$ ) respectively and ( $p < 0.05$ ). This

demonstrated that the three components of market orientation have a positive relationship with business performance using data collected from the chemical industry.

#### 6.6.2.2- The correlation between MO and BP for the Electrical and Engineering

##### Industry Sector:

The table below shows the correlation between three components of market orientation and business performance for Electrical and Engineering Industry Sector in large Libyan manufacturing companies.

**Table (6.11) Correlation between MO and BP (Electrical and Engineering Industry Sector)**

| Variables                             | (1)   | (2)   | (3)   | (4)    |
|---------------------------------------|-------|-------|-------|--------|
| <b>Intelligence generation (1)</b>    |       |       |       |        |
| Spearman's rho                        | ..... | .415  | .391  | .451   |
| Sig. (2-tailed)                       | ..... | .110  | .134  | .080   |
| <b>Intelligence Dissemination (2)</b> |       |       |       |        |
| Spearman's rho                        |       | ..... | .477  | .582*  |
| Sig. (2-tailed)                       |       | ..... | .062  | .018   |
| <b>Responsiveness (3)</b>             |       |       |       |        |
| Spearman's rho                        |       |       | ..... | .720** |
| Sig. (2-tailed)                       |       |       | ..... | .002   |
| <b>Business Performance (4)</b>       |       |       |       |        |
| Spearman's rho                        |       |       |       | .....  |
| Sig. (2-tailed)                       |       |       |       | .....  |

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

N= 16

Table (6.11) indicates that intelligence dissemination ( $r = 0.582$ ,  $p < 0.05$ ) and responsiveness ( $r = 0.720$ ,  $p < 0.01$ ) were statistically significant and positively related to business performance, While the other market orientation component, intelligence generation was not significant as ( $r = 0.451$ ,  $p > 0.05$ ). In general there was a relationship between components of market orientation and business performance in this sector.

### 6.6.2.3- The correlation between MO and BP for the Metal Industry Sector:

The correlation analysis was carried out for this research to investigate any correlation between three components of market orientation and business performance for Metal Industry Sector, with the result shown in the table below:

**Table (6.12) correlation between MO and BP (Metal Industry Sector)**

| Variables                             | (1)   | (2)   | (3)   | (4)   |
|---------------------------------------|-------|-------|-------|-------|
| <b>Intelligence generation (1)</b>    |       |       |       |       |
| Spearman's rho                        | ..... | .754  | .771  | .200  |
| Sig. (2-tailed)                       | ..... | .084  | .072  | .704  |
| <b>Intelligence Dissemination (2)</b> |       |       |       |       |
| Spearman's rho                        |       | ..... | .638  | .290  |
| Sig. (2-tailed)                       |       | ..... | .173  | .577  |
| <b>Responsiveness (3)</b>             |       |       |       |       |
| Spearman's rho                        |       |       | ..... | .429  |
| Sig. (2-tailed)                       |       |       | ..... | .397  |
| <b>Business Performance (4)</b>       |       |       |       |       |
| Spearman's rho                        |       |       |       | ..... |
| Sig. (2-tailed)                       |       |       |       | ..... |

N= 6

The result shown in Table (6.12) suggests that a positive but non significant relationship was found between three components of market orientation and business performance for the Metal Industry Sector. However, the slightly higher relationship was between responsiveness and business performance ( $r = .429$ ). Furthermore, there was a weak relationship for the other two components of market orientation (intelligence generation  $r = 0.200$  and intelligence dissemination  $r = 0.290$ ). In general all of which indicated that there was a positive but weak relationship between three components of market orientation and business performance in this sector.

#### 6.6.2.4- The correlation between MO and BP for the Building Materials Industry Sector:

Again, the correlation coefficient was used to investigate any correlation between three components of market orientation and business performance for the Building Materials Industry Sector, the table below provides more details.

**Table (6.13) Correlation between MO and BP (Building Materials Industry Sector)**

| Variables                             | (1)   | (2)    | (3)    | (4)   |
|---------------------------------------|-------|--------|--------|-------|
| <b>Intelligence generation (1)</b>    |       |        |        |       |
| Spearman's rho                        | ..... | .730** | .715** | .466  |
| Sig. (2-tailed)                       | ..... | .000   | .009   | .126  |
| <b>Intelligence Dissemination (2)</b> |       |        |        |       |
| Spearman's rho                        |       | .....  | .796** | .671* |
| Sig. (2-tailed)                       |       | .....  | .002   | .017  |
| <b>Responsiveness (3)</b>             |       |        |        |       |
| Spearman's rho                        |       |        | .....  | .569  |
| Sig. (2-tailed)                       |       |        | .....  | .054  |
| <b>Business Performance (4)</b>       |       |        |        |       |
| Spearman's rho                        |       |        |        | ..... |
| Sig. (2-tailed)                       |       |        |        | ..... |

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

N= 12

From the analysis based on the results in the table above, it appears that only one component (intelligence dissemination) from three components of market orientation was statistically significant and positively related to the business performance as ( $p < 0.05$ ) and ( $r = 0.671$ ). While the other market orientation components, intelligence generation and responsiveness, were not significant in this sector as ( $r = 0.466$ ;  $p > 0.05$  and  $r = 0.569$ ;  $p > 0.05$ ) respectively.



#### 6.6.2.5- The correlation MO and BP for the Food Industry Sector:

To identify the degree of correlation three of components of market orientation and business performance for the Food Industry Sector, a Spearman's rho correlation coefficient was used as explained in the table below.

Table (6.14) correlation between MO and BP (Food Industry Sector)

| Variables                             | (1)   | (2)    | (3)    | (4)    |
|---------------------------------------|-------|--------|--------|--------|
| <b>Intelligence generation (1)</b>    |       |        |        |        |
| Spearman's rho                        | ..... | .757** | .582** | .317   |
| Sig. (2-tailed)                       | ..... | .000   | .002   | .114   |
| <b>Intelligence Dissemination (2)</b> |       |        |        |        |
| Spearman's rho                        |       | .....  | .780** | .636** |
| Sig. (2-tailed)                       |       | .....  | .000   | .000   |
| <b>Responsiveness (3)</b>             |       |        |        |        |
| Spearman's rho                        |       |        | .....  | .749** |
| Sig. (2-tailed)                       |       |        | .....  | .000   |
| <b>Business Performance (4)</b>       |       |        |        |        |
| Spearman's rho                        |       |        |        | .....  |
| Sig. (2-tailed)                       |       |        |        | .....  |

\*\* Correlation is significant at the 0.01 level (2-tailed).

N= 26

As can be seen from the results in Table (6.14) it is clear that all components of market orientation were positively related to business performance. However, intelligence generation was not a significant correlation as ( $r = 0.317$ ;  $p > 0.05$ ). While there was a significant relationship in other market orientation components, as ( $r = 0.636$ ;  $p < 0.01$ ) for intelligence dissemination and ( $r = 0.749$ ;  $p < 0.01$ ) for responsiveness.

#### 6.6.2.6- The correlation MO and BP for the Textile and Furniture Industry Sector:

The correlation analyses were carried out for this research to investigate any correlation between three components of market orientation and business performance in the Textile and Furniture Industry Sector, as the result shows in the table below:

**Table (6.15) correlation between MO and BP (Textile and Furniture Industry Sector)**

| <b>Variables</b>                      | <b>(1)</b> | <b>(2)</b> | <b>(3)</b> | <b>(4)</b> |
|---------------------------------------|------------|------------|------------|------------|
| <b>Intelligence generation (1)</b>    |            |            |            |            |
| Spearman's rho                        | .....      | .562*      | .627**     | .638**     |
| Sig. (2-tailed)                       | .....      | .015       | .005       | .004       |
| <b>Intelligence Dissemination (2)</b> |            |            |            |            |
| Spearman's rho                        |            | .....      | .671**     | .733**     |
| Sig. (2-tailed)                       |            | .....      | .002       | .001       |
| <b>Responsiveness (3)</b>             |            |            |            |            |
| Spearman's rho                        |            |            | .....      | .873**     |
| Sig. (2-tailed)                       |            |            | .....      | .000       |
| <b>Business Performance (4)</b>       |            |            |            |            |
| Spearman's rho                        |            |            |            | .....      |
| Sig. (2-tailed)                       |            |            |            | .....      |

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

N= 18

From this table it can be seen that for all components of market orientation indicated, there was a high degree of correlation among components of market orientation to the business performance. Also there was a statistically significant relationship for all components of market orientation with business performance as ( $p < 0.01$ ).

#### **6.7- The correlation between overall market orientation and business performance:**

In this section of analysis chapter results from tests are re-presented to identify whether there is a significant relationship between the overall market orientation and perceived business performance for companies and sectors.

**Table (6.16) Correlation between overall market orientation and business performance**

| <b>Relationships</b><br>(market orientation and business performance) | Spearman's<br>rho Correlation | P- value<br>(Sig) | N   |
|-----------------------------------------------------------------------|-------------------------------|-------------------|-----|
| 1- <b>overall variables MO.</b>                                       | 0.591**                       | 0.000             | 112 |
| 2- Chemical Industry.                                                 | 0.512**                       | 0.002             | 34  |
| 3- Electric and Engineering Industry.                                 | 0.724**                       | 0.002             | 16  |
| 4- Metal Industry.                                                    | 0.429                         | 0.397             | 6   |
| 5- Building Materials Industry.                                       | 0.594*                        | 0.042             | 12  |
| 6- Food Industry.                                                     | 0.624**                       | 0.001             | 26  |
| 7- Textile and Furniture Industry.                                    | 0.857**                       | 0.000             | 18  |

\*and \*\*, Significant at the 5 and 1 percent level, respectively.

These results indicate that the overall market orientation was found to be significant and positively correlated with perceived business performance for companies as ( $r = .591$  and  $p < .01$ ). This strengthens the previous results regarding the relationship between market orientation and business performance in table (6.9). In addition, with regard to sectors, the statistically significant and positive correlations between overall market orientation and business performance for the Chemical Industry Sector was ( $r = .512$ ,  $p < .01$ ), Electric and Engineering Industry Sector ( $r = .724$ ,  $p < .01$ ), Food Industries Sector ( $r = .624$ ,  $p < .01$ ), and Textile and Furniture Industries Sector ( $r = .857$ ,  $p < .01$ ), whereas, there was also a positive relationship between market orientation and business performance, but less statistically significant than the previous sectors in Building Materials Industry Sector as ( $r = .594$ ;  $p < .05$ ). However, a positive but non significant relationship was found between market orientation and business performance for Metal Industry Sector as ( $r = .429$ ;  $p > .05$ ).

## **6.8 - The regression: (the impact of market orientation on business performance)**

One of the analytical tools used to address the research questions and hypotheses in this research was regression analysis. There have been many previous studies that have investigated the relationship between market orientation and business performance such as Narver and Slater, (1990); Jaworski and Kohli, (1993); Greenley, (1995); Pitt et al., (1996); Kumar et al., (1998); Bhuian, (1998); Aggarwal, (2003); Ellis, (2006). In addition, it is important to note that the purpose of the selection of techniques for data analysis in this study is that most of the studies that have been done in this area used regression analysis, and it was thought that the researcher would be able to compare the findings of this study with those of previous market orientation findings from similar studies in developed countries. Therefore, regression analysis was employed as the most appropriate multivariate technique in this instance. It is a dependence technique that aims to evaluate the total proportion of variance in a dependent or criterion variable which can be explained by a set of independent or predictor variables (Tabachnick and Fidell, 1996; Hair et al., 1998). Regression looks for the best fitting linear model that predicts the observed data, based upon minimising the sum of squared errors between predicted and observed variables.

The statistical procedure models the relationship between a given dependent variable(Y) and a set of independent variables (X1, X2, and X3). It is commonly expressed as an equation:

$$Y = A + B1 X1 + B2 X2 + B3 X3 + ..... + Bk Xk + E \quad \text{Where:}$$

Y: value of the dependent variable (Business Performance).

X: value of the respective independent variable, the explanatory variable (of which there are *k*) as follows:

X1: Intelligence generation.

X2: Intelligence Dissemination.

X3: Responsiveness.

A: intercept (constant), the value of Y when all the X values are zero.

B: regression coefficient.

E: the random error term.

The primary output of regression is a set of *B* values for the independent variables that minimise the sum of squared deviations between predicted and obtained Y values and optimise the correlation between the predicted and obtained values for the data set (Tabachnick and Fidell, 1996). A further measure is the adjusted  $R^2$  which is a modified value of the coefficient of determination that takes into account the number of independent variables included in the regression equation and the sample size. Although the addition of independent variables will always cause the coefficient of determination to rise, the adjusted coefficient of determination may fall if the added independent variables have little explanatory power and / or if the degrees of freedom become too small. This statistic is quite useful for comparison between equations with different numbers of independent variables, differing sample sizes, or both (Hair et al., 1998). The predictive power of the regression model is identified through *R* (the multiple correlation between the obtained and predicted Y values) and  $R^2$ , the squared multiple correlation or coefficient of determination. The  $R^2$  represents the proportion of the sum of squares for regression in the total sum of squares for Y (in effect the percentage of variance in the dependent variable explained by the model). If the regression model is properly applied and estimated, the researcher can assume that the higher the value of  $R^2$ , the greater the explanatory power of the regression equation and, therefore the better the prediction of the dependent variable.

Overall, the Standardized Beta Coefficients give a measure of the contribution of each variable to the model. A high value indicates that a unit change in this independent variable has a high effect on the dependent variable. The *t* and Sig (*p*) values give a rough indication

of the impact of each independent variable – a big absolute t value and small p value suggests that an independent variable is having a large impact on the dependent variable.

In order to test the relationship between market orientation and business performance for this research; the researcher carried out regression analysis of the reality of data derived from the Libyan industrial companies under consideration. The results of the regression analysis for this research can be seen in the following tables.

#### 6.8.1- The Regression of MO and BP of companies:

In the first major section, the market orientation multidimensional scale uses multiple regression analysis and examines the relationships of the individual components for market orientation with business performance. Regression analysis was undertaken using the SPSS regression analysis command as shown in the table below.

**Table (6.17) the Regression of Market Orientation and Business Performance**

| dependent variable      | Intercept<br>(constant)                                    | independent variable<br>(explanatory variable)            |                                                           |                                                             | Adj<br>R <sup>2</sup> | F-statistic | P- value<br>(Sig) | N   |
|-------------------------|------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------|-----------------------|-------------|-------------------|-----|
|                         |                                                            | IG                                                        | ID                                                        | RE                                                          |                       |             |                   |     |
| Business<br>Performance | <i>B</i> (-5.780)<br><i>t</i> (-1.725)<br><i>Sig</i> 0.087 | <i>B</i> (0.091)<br><i>t</i> ( 0.842)<br><i>Sig</i> 0.402 | <i>B</i> (0.100)<br><i>t</i> ( 0.772)<br><i>Sig</i> 0.442 | <i>B</i> (0.360**)<br><i>t</i> ( 4.268)<br><i>Sig</i> 0.000 | 0.378                 | 23.518**    | 0.000             | 112 |
|                         | R <sup>2</sup> = 0.395<br>R= 0.629                         |                                                           |                                                           |                                                             |                       |             |                   |     |

NOTE: IG= Intelligence generation; ID= Intelligence Dissemination; RE= Responsiveness.

Adj (R<sup>2</sup>) =adjusted R Square.

\*\* Significant at the 0.01 level (2-tailed).

From this table it can be seen that the independent variables provide explanation as indicated by adjusted R<sup>2</sup> value of 38%, this means that the model explain 38% of the variation in the business performance (dependent variable). A significant model emerged (F = 23.518, p < .01), and only responsiveness (RE) were positive and statistically significant as (B = 0.360, p < .01), while the coefficient of intelligence dissemination (ID) was

positive, yet the result was not statistically significant as ( $B = 0.100$ ,  $p > .05$ ), there was also a positive relationship between intelligence generation and business performance but this was not as statistically significant as ( $B = 0.091$ ,  $p > .05$ ). The regression analysis with business performance as the dependent variable was as follows:

$$Y = -5.78 + 0.091 X1 + 0.100 X2 + 0.360 X3$$

These findings indicate a link between components of the market orientation and business performance; this suggests that all components of the market orientation were positively related to business performance. In other words, the parameter variable intelligence generation (beta) indicates that an increase of one unit in this variable leads to an increase in business performance by 0.09 units; an increase of one unit in the variable intelligence dissemination leads to an increase in business performance by 0.10 units. Also an increase of one unit of the variable responsiveness leads to an increase in business performance by 0.36 units.

In order to be able to achieve the hypotheses 1 (b) the researcher used the same previous approach for each sector to measure the regression coefficient, depending on the tables presented below.

#### **6.8.2- The Regression of MO and BP of sectors:**

The second major section, the market orientation multidimensional scale uses regression analysis and examines the influence of each variable in market orientation with business performance of each industrial sector in the Libyan context which was included in this research as explained in the tables below.

##### **6.8.2.1- The Regression of the Chemical Industry Sector:**

The multiple regression analysis was carried out for this research to investigate any regression between three components of market orientation and business performance for the Chemical Industry Sector, with the result show in the table below:

**Table (6.18) the Regression of MO and BP (Chemical Industry Sector)**

| dependent variable   | Intercept (constant)                          | independent variable (explanatory variable) |                                              |                                               | Adj R <sup>2</sup> | F-statistic | P- value (Sig) | N  |
|----------------------|-----------------------------------------------|---------------------------------------------|----------------------------------------------|-----------------------------------------------|--------------------|-------------|----------------|----|
|                      |                                               | IG                                          | ID                                           | RE                                            |                    |             |                |    |
| Business Performance | <i>B</i> (-1.119)<br>t ( -0.189)<br>Sig 0.851 | <i>B</i> (0.464*)<br>t( 2.222)<br>Sig 0.034 | <i>B</i> (-0.047)<br>t( -0.212)<br>Sig 0.834 | <i>B</i> (-0.006)<br>t ( -0.031)<br>Sig 0.975 | 0.260              | 4.861**     | 0.007          | 34 |
|                      | R <sup>2</sup> = 0.327<br>R= 0.572            |                                             |                                              |                                               |                    |             |                |    |

NOTE: IG= Intelligence generation; ID= Intelligence Dissemination; RE= Responsiveness.  
Adj (R<sup>2</sup>) =adjusted R Square, and \*\* Significant at the 0.01 level (2-tailed).

From the table above it is clear that the independent variables provide explanation as indicated by the adjusted R-squared value of 26%, this explains the variation in business performance as dependent variables. The model significance emerged as (F = 4.861, p < .01). The main effects of the intelligence dissemination and responsiveness variables were negative and not statistically significant on business performance as (B = -0.047, p > .05 and B = -0.006, p > .05) respectively.

. However, the variable intelligence generation was positive and statistically significant on business performance as (B = 0.464, p < .05). The regression analysis with business performance as the dependent variable was as follows:

$$Y = -1.119 + 0.0464 X_1 - 0.047 X_2 - 0.006 X_3$$

The findings revealed that only intelligence generation had a positive and significant effect on business performance. The parameter variable intelligence generation indicates that an increase of one unit in this variable leads to an increase in business performance by 0.464 units; while beta coefficients indicates that a unit change in the intelligence dissemination



variable leads to decreased business performance(-0.047) units. Also an increase of one unit in the responsiveness variable leads to decreased business performance (-0.006) units.

#### 6.8.2.2 - The Regression of the Electrical and Engineering Industry Sector:

The table below shows the multiple regression analysis between three components of market orientation and business performance for the Electrical and Engineering Industry Sector in larger Libyan manufacturing companies.

**Table (6.19) the Regression of MO and BP (Electric and Engineering Industry Sector)**

| dependent variable   | Intercept (constant)                          | independent variable (explanatory variable) |                                            |                                             | Adj R <sup>2</sup> | F-statistic | P- value (Sig) | N  |
|----------------------|-----------------------------------------------|---------------------------------------------|--------------------------------------------|---------------------------------------------|--------------------|-------------|----------------|----|
|                      |                                               | IG                                          | ID                                         | RE                                          |                    |             |                |    |
| Business Performance | <i>B</i> (-11.523)<br>t (-1.124)<br>Sig 0.283 | <i>B</i> (0.091)<br>t( 0.428)<br>Sig 0.676  | <i>B</i> (0.368)<br>t( 1.171)<br>Sig 0.264 | <i>B</i> (0.280)<br>t ( 1.659)<br>Sig 0.123 | 0.363              | 3.845*      | 0.039          | 16 |
|                      | R <sup>2</sup> = 0.490<br>R = 0.700           |                                             |                                            |                                             |                    |             |                |    |

NOTE: IG= Intelligence generation; ID= Intelligence Dissemination; RE= Responsiveness.  
Adj (R<sup>2</sup>) =adjusted R Square, and \* Correlation is significant at the 0.05 level (2-tailed).

As can be seen in the results shown in the Table above, for the electrical and engineering industry sector, the adjusted R<sup>2</sup> (adjusted coefficient of determination) of the regression was 36%, this means that the independent variables explain the variation in the business performance as dependent variables. The model significance emerged as (F = 3.845, p < .05), and all components of the market orientation were positively related to business performance. However, the results show that it was not statistically significant with business performance. Additionally the regression analysis with business performance as the dependent variable was as follows:

$$Y = -11.523 + 0.091 X_1 + 0.368 X_2 - 0.280 X_3$$

These results indicate a link between all components of the market orientation and business performance; this suggests that all components of the market orientation were positively related

to business performance, more specifically which would mean that for one unit increase in intelligence generation, business performance would increase by 0.091 units; one unit increase in intelligence dissemination, business performance would increase by 0.368 units and one unit increase in responsiveness, business performance would decrease by 0.280 units.

### 6.8.2.3 - The Regression of the Metal Industry Sector:

The information presented in Table (6.20) shows the multiple regression analysis between three components of market orientation and business performance for the Metal Industry Sector as follows:

**Table (6.20) the Regression of MO and BP (Metal Industry Sector)**

| dependent variable   | Intercept (constant)                 | independent variable (explanatory variable) |                                    |                                       | Adj R <sup>2</sup> | F-statistic | P- value (Sig) | N |
|----------------------|--------------------------------------|---------------------------------------------|------------------------------------|---------------------------------------|--------------------|-------------|----------------|---|
|                      |                                      | IG                                          | ID                                 | RE                                    |                    |             |                |   |
| Business Performance | B(-2.304)<br>t (-0.073)<br>Sig 0.949 | B(0.054)<br>t( 0.046)<br>Sig 0.676          | B(0.862)<br>t( 0.500)<br>Sig 0.967 | B(-0.242)<br>t ( -0.255)<br>Sig 0.822 | 0.091              | 0.204       | 0.887          | 6 |
|                      | R <sup>2</sup> = 0.234<br>R = 0.484  |                                             |                                    |                                       |                    |             |                |   |

NOTE: IG= Intelligence generation; ID= Intelligence Dissemination; RE= Responsiveness.  
Adj (R<sup>2</sup>) =adjusted R Square.

The regression coefficient was positive ( $R^2 = 0.234$ ), and then there was a weak positive relationship between the two variables of market orientation (intelligence generation and intelligence dissemination) and business performance. However, the variable responsiveness was negative. The adjusted coefficient of determination was found to be 0.091; this means that the adjusted  $R^2$  of the regression is very poor. Moreover, no significance emerged for the model as ( $F = 0.204$ ,  $p > .05$ ). Furthermore, the regression analysis with business performance as the dependent variable was as follows:

$$Y = -2.304 + 0.054 X_1 + 0.862 X_2 - 0.242 X_3$$

The findings revealed that the intelligence generation and intelligence dissemination had a positive and not significant effect on business performance. The parameter of these variables indicates that one unit increase in intelligence generation, business performance would increase by 0.054 units; one unit increase in intelligence dissemination, business performance would increase by 0.862 units. While there was a negative and not significant effect on the responsiveness variable business performance, this means that a one unit increase in the responsiveness variable leads to a decrease in business performance (-0.242) units.

#### 6.8.2.4 - The Regression of the Building Materials Industry Sector:

The empirical results from the multiple regression analysis between three components of market orientation and business performance for the Building Materials Industry Sector are summarised in Table (6.21).

**Table (6.21) the Regression of MO and BP (Building Materials Industry Sector)**

| dependent variable   | Intercept (constant)                        | independent variable (explanatory variable)   |                                             |                                             | Adj R <sup>2</sup> | F-statistic | P- value (Sig) | N  |
|----------------------|---------------------------------------------|-----------------------------------------------|---------------------------------------------|---------------------------------------------|--------------------|-------------|----------------|----|
|                      |                                             | IG                                            | ID                                          | RE                                          |                    |             |                |    |
| Business Performance | <i>B</i> (7.888)<br>t ( 0.559)<br>Sig 0.592 | <i>B</i> (-0.899)<br>t ( -1.590)<br>Sig 0.150 | <i>B</i> (1.160)<br>t ( 1.984)<br>Sig 0.083 | <i>B</i> (0.235)<br>t ( 0.756)<br>Sig 0.471 | 0.476              | 4.333*      | 0.043          | 12 |
|                      | R <sup>2</sup> = 0.619<br>R= 0.787          |                                               |                                             |                                             |                    |             |                |    |

NOTE: IG= Intelligence generation; ID= Intelligence Dissemination; RE= Responsiveness.  
Adj (R<sup>2</sup>) =adjusted R Square, and \* Significant at the 0.10 level (2-tailed).

The results of this model were similar to those of the Electrical and Engineering Industry sector. The adjusted R<sup>2</sup> of the regression was 48%; basically this means that the market orientation variables explain the variation in the business performance as dependent variables. The model significance emerged as (F = 4.333, p < .05), the main effects of the

intelligence dissemination and responsiveness variables were positive and not statistically significant on business performance as ( $B = 1.160, p > .05$ ) and ( $B = 0.235, p > .05$ ) respectively. However, the variable intelligence generation was negative and not statistically significant on business performance as ( $B = -0.899, p > .05$ ).

Additionally the regression analysis with business performance as the dependent variable was as follows:  $Y = 7.888 - 0.899 X_1 + 1.160 X_2 + 0.235 X_3$

The results presented in the equation show that intelligence generation had a negative and not significant effect on business performance. The beta coefficient indicates that an increase of one unit in this variable leads to decreased business performance by 0.899 units. A one unit increase in intelligence dissemination leads to increased business performance by 1.160 units. A one unit increase in responsiveness leads to increased business performance by 0.235 units.

#### 6.8.2.5 - The Regression of the Food Industry Sector:

Table (6.22) shows the multiple regression analysis between three components of market orientation and business performance for the Food Industry Sector in large Libyan manufacturing companies.

**Table (6.22) the Regression of MO and BP (Food Industry Sector)**

| dependent variable   | Intercept (constant)                       | independent variable (explanatory variable) |                                          |                                        | Adj R <sup>2</sup> | F-statistic | P- value (Sig) | N  |
|----------------------|--------------------------------------------|---------------------------------------------|------------------------------------------|----------------------------------------|--------------------|-------------|----------------|----|
|                      |                                            | IG                                          | ID                                       | RE                                     |                    |             |                |    |
| Business Performance | $B (-11.454)$<br>$t (-1.647)$<br>Sig 0.114 | $B(-0.337)$<br>$t (-1.539)$<br>Sig 0.138    | $B(0.824^*)$<br>$t (2.113)$<br>Sig 0.046 | $B(0.358)$<br>$t (2.068)$<br>Sig 0.051 | 0.630              | 15.200**    | 0.000          | 26 |
|                      | $R^2 = 0.675$<br>$R = 0.821$               |                                             |                                          |                                        |                    |             |                |    |

NOTE: IG= Intelligence generation; ID= Intelligence Dissemination; RE= Responsiveness.

Adj (R<sup>2</sup>)=adjusted R Square. And \*\* Significant at the 0.10 level (2-tailed). \* Significant at the 0.10 level (2-tailed).

The results based on the analysis demonstrate that the adjusted  $R^2$  of the regression was 63%; this means that the independent variables explain the variation in the dependent variables. The regression coefficient was positive ( $R^2 = 0.675$ ). The model significance emerged as ( $F = 15.200, p < .01$ ). Only intelligence dissemination was positive and statistically significant as ( $B = 0.824, p < .05$ ), while the coefficient of responsiveness was positive, but this was not statistically significant as ( $B = 0.358, p > .05$ ). However, the variable intelligence generation was negative and not statistically significant on business performance as ( $B = -0.337, p > .05$ ).

Moreover the regression analysis with business performance as the dependent variable was as follows:

$$Y = - 11.454 - 0.337 X_1 + 0.824 X_2 + 0.358 X_3$$

The results based on the equation demonstrate that the intelligence generation variable had a negative and not significant effect on business performance. The beta coefficient indicates that an increase of one unit in this variable leads to decreased business performance by 0.337 units. There was a positive and not significant effect of the responsiveness variable on business performance. This means that a one unit increase in the responsiveness variable leads to an increase in business performance by 0.358 units. Only intelligence dissemination variable had a positive and significant effect on business performance. Thus one unit increase in intelligence dissemination leads to an increase in business performance by 0.824 units.

#### **6.8.2.6 - The Regression of the Textile and Furniture Industry Sector:**

Finally, Table (6.23) provides the multiple regression analysis between three components of market orientation and business performance for the Textile and Furniture Industry Sector in large Libyan manufacturing companies.

**Table (6.23) the Regression of MO and BP (Textile and Furniture Industry Sector)**

| dependent variable   | Intercept (constant)                            | independent variable (explanatory variable) |                                              |                                              | Adj R <sup>2</sup> | F-statistic | P- value (Sig) | N  |
|----------------------|-------------------------------------------------|---------------------------------------------|----------------------------------------------|----------------------------------------------|--------------------|-------------|----------------|----|
|                      |                                                 | IG                                          | ID                                           | RE                                           |                    |             |                |    |
| Business Performance | <i>B</i> ( -17.159)<br>t ( -2.269)<br>Sig 0.040 | <i>B</i> (0.050)<br>t ( 0.270)<br>Sig 0.791 | <i>B</i> (0.288)<br>t ( 0.947)<br>Sig 0..360 | <i>B</i> (0.515*)<br>t ( 3.409)<br>Sig 0.004 | 0.724              | 15.856**    | 0.000          | 18 |
|                      | R <sup>2</sup> = 0.773<br>R= 0.879              |                                             |                                              |                                              |                    |             |                |    |

NOTE: IG= Intelligence generation; ID= Intelligence Dissemination; RE= Responsiveness.

Adj (R<sup>2</sup>) =adjusted R Square.

\*\* Significant at the 0.10 level (2-tailed).

\* Significant at the 0.10 level (2-tailed).

From the table above it is clear that the independent variables provide an explanation as indicated by the adjusted R<sup>2</sup> value of (72%). This explains the variation in business performance (dependent variable). The regression coefficient was strong and positive (R<sup>2</sup> = 0.773). Furthermore, the model significance emerged as (F = 15.856, p < .01), and all components of the market orientation were positively related to business performance. However, the results show that there were not statistically significant with business performance for two variables of market orientation (intelligence generation B = 0.050, p > .05) and (intelligence dissemination generation B = 0.288, p > .05), only responsiveness variable was positive and statistically significant as (B = 0.515, p < .05). The equation of the multiple regression analysis with business performance was as follows:

$$Y = -17.159 + 0.050 X1 + 0.288 X2 + 0.515 X3$$

The results presented in the equation r show that all components of the market orientation were positively related to business performance. The beta coefficient indicates that an increase of one unit in the intelligence generation leads to increased business performance

by 0.050 units. A one unit increase in the intelligence dissemination leads to increased business performance by 0.288 units. A one unit increase in the responsiveness variable leads to increased business performance by 0.515 units.

Finally, the researcher can concluded that the results from both correlation and regression analysis show that there was a positive relationship between all components of the market orientation (intelligence generation, intelligence dissemination and responsiveness) and business performance. However, there may be some difference between correlation analysis and regression analysis as a result of the presence of a high degree of correlation between independent variables, which could affect one of the independent variables and make it negative in the regression analysis rather than positive in the correlation analysis. Table (6.24) provides the summarised results of correlation and regression analysis between three components of market orientation and business performance, as follow:

Table (6.24) summarised results of correlation and regression analysis between three components of market orientation and business performance

| Correlation                   | Relationship components of MO with business performance |     |     | Regression                    | The impact of components of MO on business performance |     |     |
|-------------------------------|---------------------------------------------------------|-----|-----|-------------------------------|--------------------------------------------------------|-----|-----|
|                               | IG                                                      | ID  | RE  |                               | IG                                                     | ID  | R   |
| 1- Libyan companies           | (+)                                                     | (+) | (+) | 1- Libyan companies           | (+)                                                    | (+) | (+) |
| 2- Libyan sectors             |                                                         |     |     | 2- Libyan sectors             |                                                        |     |     |
| 2.1- Chemical Industry        | (+)                                                     | (+) | (+) | 2.1- Chemical Industry        | (+)                                                    | (-) | (-) |
| 2.2- Electric and Engineering | (+)                                                     | (+) | (+) | 2.2- Electric and Engineering | (+)                                                    | (+) | (+) |
| 2.3- Metal Industry           | (+)                                                     | (+) | (+) | 2.3- Metal Industry           | (+)                                                    | (+) | (-) |
| 2.4- Building Materials       | (+)                                                     | (+) | (+) | 2.4- Building Materials       | (-)                                                    | (+) | (+) |
| 2.5- Food Industry            | (+)                                                     | (+) | (+) | 2.5- Food Industry            | (-)                                                    | (+) | (+) |
| 2.6- Textile and Furniture    | (+)                                                     | (+) | (+) | 2.6- Textile and Furniture    | (+)                                                    | (+) | (+) |

NOTE: IG= Intelligence generation; ID= Intelligence Dissemination; RE= Responsiveness.  
(+) positive and (-) negative.



## **6.9 - Level of market orientation large in Libyan manufacturing companies:**

As was previously mentioned the main emphasis of this research is to investigate a sample of Libyan companies and sectors and explore their market orientation in order to answer certain important research questions, achieving the main research objectives, and addressing a number of hypotheses, by using the MARKOR questionnaire. Thus, this section includes a test of the second hypothesis, which was divided into two major parts, the first part related to all companies which were included in this research, whereas the second part is related to the sectors of such companies. Therefore, this hypothesis was formulated as follows:

**H2 (a):** The distribution of market orientation scores for large Libyan manufacturing firms will be negatively skewed.

**H2 (b):** The distribution of market orientation scores for large Libyan manufacturing firms will vary between sectors.

### **6.9.1 - Test hypothesis 2 (a):**

In order to be able to do statistical analysis for hypothesis 2 (a), some preliminary steps needed to be completed, these steps helped to determine the current level of market orientation within large Libyan manufacturing companies. The first step is to divide variables of market orientation into three levels; those levels are shown as follows:

- 1- High level.
- 2- Medium level.
- 3- Low level.

Next, In order for a survey to be useful in finding answers to test the second hypotheses (a) through the collection of data, the researcher carried out test 95% Confidence Interval for Mean. SPSS was used to identify groups of companies with different levels of market

orientation, by determining the level of market orientation by the mean, median, standard deviation as shown in the table below:

**Table (6.25) Test 95% Confidence Interval for Mean**

| Descriptives       |                                  |             | Statistic | Std. Error |
|--------------------|----------------------------------|-------------|-----------|------------|
| market orientation | Mean                             |             | 135.0357  | 2.13398    |
|                    | 95% Confidence Interval for Mean | Lower Bound | 130.7591  |            |
|                    |                                  | Upper Bound | 139.3123  |            |
|                    | 5% Trimmed Mean                  |             | 134.2579  |            |
|                    | Median                           |             | 133.5000  |            |
|                    | Variance                         |             | 255.017   |            |
|                    | Std. Deviation                   |             | 15.96925  |            |
|                    | Minimum                          |             | 110.00    |            |
|                    | Maximum                          |             | 185.00    |            |
|                    | Range                            |             | 75.00     |            |
|                    | Interquartile Range              |             | 20.7500   |            |
|                    | Skewness                         |             | .611      | .319       |
|                    | Kurtosis                         |             | .652      | .628       |

The table above illustrates that the mean score was 135.03 (N = 56, standard deviation = 15.96), with a median score of 133.5. For more information about this table, the researcher can also be represented by using the following equation:

$$\bar{X} - t_{\alpha/2}(v) \frac{s}{\sqrt{n}} < M < \bar{X} + t_{\alpha/2}(v) \frac{s}{\sqrt{n}}$$

This equation shows that the left side of the equation calculates the low level while the right side calculates the high level. The results were as follows:

$$\text{Lower bound (low level)} = 130.759 \quad \bar{X} - t_{\alpha/2}(v) \frac{s}{\sqrt{n}}$$

$$\text{Upper bound (high level)} = 139.312 \quad \bar{X} + t_{\alpha/2}(v) \frac{s}{\sqrt{n}}$$

$$130.759 > \text{medium level} < 139.312$$

Therefore, from the results of the two equations above, it is apparent that the medium level is less than the highest level (139.312) and more than the lowest level (130.759).

Finally, after running this statistical analysis above for all variables of market orientation, the researcher was able to classify large Libyan manufacturing companies which were included in this research into three levels of market orientation by a software SPSS package that is described in the following table:

**Table (6.26) Level of Market Orientation**

| <b>Level of MO</b>                 | <b>Frequency</b> | <b>Percent</b> |
|------------------------------------|------------------|----------------|
| Low level of market orientation    | 23               | 41.1           |
| Median level of market orientation | 13               | 23.2           |
| High level of market orientation   | 20               | 35.7           |
| <b>Total</b>                       | <b>56</b>        | <b>100%</b>    |

As can be seen in the results shown in Table (6.25), of the fifty-six companies surveyed, the largest group, twenty-three (41%) of the companies surveyed, were located in the low level of market orientation, this result indicates a lack of awareness in concept market orientation for those companies or do not know the benefits of implementing this concept and its returns on their business performance. As was previously mentioned in table (6.5) this table clearly supports that the variables of market orientation were found to be significant and positively correlated with business performance for companies, therefore, the business performance for these companies was low, because there was a decline in the awareness and application of market orientation. While it is also noted from Table (6.25) that there are thirteen (23%) companies located in the median level of market orientation, this means that the companies that were present in this level are considered to have a medium level of

awareness and application of the concept of market orientation. On the other hand, the remaining companies had specialised in high level of market orientation, which represented twenty (36%) of companies surveyed, these companies have a high level of awareness and application of market orientation. In other words, these companies were taking a customer focus or a product quality focus in their operations.

#### **6.9.2 - Test hypothesis 2 (b):**

As previously mentioned for companies, the same test is used to prove or disprove the second part of hypothesis two, where the intention is to discover, if there is a low level of market orientation in the six main sectors surveyed. The results from the answers to the questions (extended MARKOR scale) regarding the level of market orientation for sectors are presented in table (6.26).

As can be seen in the results shown in the table below, there were three levels of market orientation (low level; median level and high level). To analyse the results shown in this table more easily requires separate tables which enable comparison between these sectors.

**Table (6.27) Level of Market Orientation for sectors**

| <b>Level of MO</b>                 | <b>Sectors</b>                      | <b>Frequency</b> | <b>Percent</b> |
|------------------------------------|-------------------------------------|------------------|----------------|
| Low level of market orientation    | Chemical Industries                 | 9                | 39.1           |
|                                    | Electric and Engineering Industries | 3                | 13             |
|                                    | Metal Industries                    | 2                | 8.7            |
|                                    | Building Materials Industries       | 1                | 4.3            |
|                                    | Food Industries                     | 4                | 17.4           |
|                                    | Textile and Furniture Industries    | 4                | 17.4           |
| <b>Total</b>                       |                                     | <b>23</b>        | <b>100%</b>    |
| Median level of market orientation | Chemical Industries                 | 3                | 23.1           |
|                                    | Electric and Engineering Industries | 2                | 15.4           |
|                                    | Metal Industries                    | -                | -              |
|                                    | Building Materials Industries       | 2                | 15.4           |
|                                    | Food Industries                     | 4                | 30.8           |
|                                    | Textile and Furniture Industries    | 2                | 15.4           |
| <b>Total</b>                       |                                     | <b>13</b>        | <b>100%</b>    |
| High level of market orientation   | Chemical Industries                 | 5                | 25             |
|                                    | Electric and Engineering Industries | 3                | 15             |
|                                    | Metal Industries                    | 1                | 5              |
|                                    | Building Materials Industries       | 3                | 15             |
|                                    | Food Industries                     | 5                | 25             |
|                                    | Textile and Furniture Industries    | 3                | 15             |
| <b>Total</b>                       |                                     | <b>20</b>        | <b>100%</b>    |

#### **1- Chemical Industries Sector:**

The largest group of companies surveyed was from the Chemical Industries Sector, including seventeen companies as can be seen from the results presented in Table (6.26); a majority of those companies were located in the low level of market orientation. Therefore, this result indicates a lack of awareness of the concept of market orientation for those companies or, that they did not appreciate the benefits of implementing this concept in terms of returns on their business performance. Only three companies were located in the median level of market orientation, this means that these companies were considered to have a medium level of awareness and application of the concept of market orientation,

while five companies are in the high level of market orientation; this means that these companies have a high level of awareness and application of market orientation. In other words, these companies were probably taking a customer focus or a product quality focus in their operations. Table (6.27) gives the proportion of each of the three levels of market orientation.

**Table (6.28) Level of Market Orientation  
(Chemical Industry Sector)**

| <b>Level of MO</b>                 | <b>Frequency</b> | <b>Percent</b> |
|------------------------------------|------------------|----------------|
| Low level of market orientation    | 9                | 53             |
| Median level of market orientation | 3                | 18             |
| High level of market orientation   | 5                | 29             |
| <b>Total</b>                       | <b>17</b>        | <b>100%</b>    |

## **2- Electrical and Engineering Industries Sector:**

From the results presented in Table (6.26) it is apparent that there were eight companies surveyed in this sector. Three of these companies were located in the low level. This was also the case with the high level of market orientation, while there were just two companies in the median level of market orientation. Table (6.28) gives the percentage of each of the three levels of market orientation. Those companies located at the low level of market awareness were probably failing to take a customer focus or a product quality focus in their operations.

**Table (6.29) Level of Market Orientation  
(Electric and Engineering Industries Sector)**

| Level of MO                        | Frequency | Percent     |
|------------------------------------|-----------|-------------|
| Low level of market orientation    | 3         | 37.5        |
| Median level of market orientation | 2         | 25          |
| High level of market orientation   | 3         | 37.5        |
| <b>Total</b>                       | <b>8</b>  | <b>100%</b> |

### **3- Metal Industries Sector:**

The result shown in table (6.26) indicates that there were only three companies surveyed within this sector, and two of those were in the low level of market orientation. This result demonstrates a lack of awareness of concept market orientation for those companies, or that they did not recognise the benefits of implementing this concept and its effect on the returns of their business performance. Only one company was located in the high level of market orientation. The percentage of each level of the three levels of market orientation is shown in the table below.

**Table (6.30) Level of Market Orientation  
(Metal Industries Sector)**

| Level of MO                        | Frequency | Percent     |
|------------------------------------|-----------|-------------|
| Low level of market orientation    | 2         | 67          |
| Median level of market orientation | -         | -           |
| High level of market orientation   | 1         | 33          |
| <b>Total</b>                       | <b>3</b>  | <b>100%</b> |

#### **4- Building Materials Industries Sector:**

The result presented in Table (6.26) indicates that there were six companies surveyed within this sector, only one of those companies was located in the low level of market orientation. There were two companies within the median level, while three companies were in the high level of market orientation. Table (6.30) gives the percentage of each of the three levels of market orientation. Overall, the results for this sector suggest it has a higher market orientation than the sectors introduced above.

**Table (6.31) Level of Market Orientation  
(Building Materials Industries Sector)**

| <b>Level of MO</b>                 | <b>Frequency</b> | <b>Percent</b> |
|------------------------------------|------------------|----------------|
| Low level of market orientation    | 1                | 17             |
| Median level of market orientation | 2                | 33             |
| High level of market orientation   | 3                | 50             |
| <b>Total</b>                       | <b>6</b>         | <b>100%</b>    |

#### **5- Food Industries Sector:**

As can be seen in the results shown in Table (6.26), there were thirteen companies surveyed in this sector, it was especially notable that the same number of companies were within both the low level and median levels, both having four in each level of market orientation. On the other hand, there were five companies located in the high level of market orientation. The percentage of each of the three levels of market orientation is shown in the table below. The results suggest an even distribution of market orientation in this sector.



**Table (6.32) Level of Market Orientation  
(Food Industries Sector)**

| Level of MO                        | Frequency | Percent     |
|------------------------------------|-----------|-------------|
| Low level of market orientation    | 4         | 31          |
| Median level of market orientation | 4         | 31          |
| High level of market orientation   | 5         | 38          |
| <b>Total</b>                       | <b>13</b> | <b>100%</b> |

#### **6- Textile and Furniture Industries Sector:**

Finally, nine companies were surveyed in this sector, as can be seen from the results presented in Table (6.26). Four of these companies had low levels of market orientation and two had a median level. As well as that there were three companies located in the high level of market orientation. Table (6.32) gives the percentage of each of the three levels of market orientation.

**Table (6.33) Level of Market Orientation (Textile and Furniture Industries Sector)**

| Level of MO                        | Frequency | Percent     |
|------------------------------------|-----------|-------------|
| Low level of market orientation    | 4         | 45          |
| Median level of market orientation | 2         | 22          |
| High level of market orientation   | 3         | 33          |
| <b>Total</b>                       | <b>9</b>  | <b>100%</b> |

This result gathered from the personal information of respondents is undoubtedly interesting in terms of the number of companies within the three levels of market orientation. However, the researcher will focus on the lower level of market orientation

specified in the second hypothesis. Therefore, in order to be able to determine which sector has the highest percentage of companies in the low level of market orientation, the table below gives a breakdown:

**Table (6.34) Low level of Market Orientation**

| <b>Sectors</b>                            | <b>Frequency</b> | <b>Percent</b> |
|-------------------------------------------|------------------|----------------|
| 1- Metal Industries                       | 2                | 67             |
| 2- Chemical Industries                    | 9                | 53             |
| 3- Textile and Furniture Industries       | 4                | 45             |
| 4- Electric and Engineering Industries    | 3                | 37.5           |
| 5- Food Industries                        | 4                | 31             |
| 6- Building Materials Industries          | 1                | 17             |
| <b>Total companies in low level of MO</b> | <b>23</b>        | <b>41</b>      |

The statistics from this table, related to the low level of market orientation for all sectors, indicates that the highest percentage (67%) was obtained by the metal industry sector; as a result, this sector was the worst in terms of the awareness and application of market orientation. Both of the companies recording a low level of market orientation in this sector were large state-owned monopolies, and in the qualitative research respondents stated that market orientation was not necessary to their operations.

The Chemical Industry Sector is in second place with a rate of (53%), which indicates that more than half of the companies surveyed in this sector were lacking in awareness and application of the concept of market orientation. This was the case with the remaining companies, according to the sequence shown in the table, which reveals the extent of low market orientation in each sector. Also it the painful reality experienced by these companies.

In addition, the building materials industry had the lowest proportion of companies in the low level, and this is a competitive industry with many firms attempting to win lucrative building contracts. Market orientation is necessary for this industry.

Unfortunately, the results in table (6.33) show that twenty-three companies, which account for a total of 41 percent of the companies surveyed, were located in the low level of market orientation. In other words, these results indicate a severe lack of awareness and application of the concept of market orientation, which led to a decline in business performance.

#### **6.10. Summary:**

The main importance of this research was reported on the results of the quantitative data analysis of a sample of Libyan companies and sectors surveyed. This was done by addressing a number of hypotheses which were developed in this research. In other words, this research wanted to discover if there was a significant relationship which exists between a firm's business performance and its degree of market orientation (MO). Moreover within Libyan manufacturing companies what exactly is the level of market orientation and does it vary between different sectors. The way employed in order to address and prove or disprove the main hypotheses is the extended MARKOR questionnaire. Correlation; regression; KW analyses and test 95% Confidence Interval for Mean, which was statistical techniques, used extensively to examine causal relationships between variables and level of market orientation. Furthermore, the SPSS (Statistical Package for the Social Sciences) was carried out to describe and analyse the data for testing the research hypotheses. A two-stage approach was presented of the quantitative data analysis. While parametric approach was employed to analyse the data and test the hypotheses. The decision was based on the fact that the parametric tests could be used on the data normal distribution, because this main condition for applying parametric techniques exists. This condition test used a normal Quantile-Quantile plot of the data because it is the most common usage as a diagnostic tool in analysis. Then the techniques of Pearson correlation analysis and regression analysis and test 95% Confidence Interval for Mean were utilised for testing the hypotheses of this research as shown in a number of tables with key results.

Finally, after this quantitative data analysis chapter, the next chapter will focus on analysing the qualitative data to support the questionnaire, which was collected through semi-structured interviews.

## Chapter seven

### Qualitative Data Analysis

#### 7.0. Introduction:

This qualitative data analysis complements and affirms the quantitative component in the previous chapter. The qualitative data analysis presented in the current chapter is intended to give a support with reference to the quantitative data analysis adopted. In social research, many researchers prefer personal interviews as the most powerful and useful method of social scientific survey research, because it enables the researcher to gather both sociological and psychological facts (Abdullahi, 1993). In other words, the most widely used qualitative method in organisational research is the interview method.

#### 7.1. Analysis of the Interviews:

In this research, the interview questions were designed to flow in the order of the research questionnaire, and it was divided into four sections (themes). These sections or themes covered the three components of market orientation (intelligence generation, intelligence dissemination, and responsiveness) in addition to business performance (see Appendix 2 and 3). The interviews contained a set of questions, those questions related to the four themes, as illustrated in the following table:

**Table (7.1) the questions related to each theme**

| Theme                          | Question              |
|--------------------------------|-----------------------|
| Intelligence Generation (1)    | Q1,Q2, Q3,Q4,Q6(c),Q7 |
| Intelligence Dissemination (2) | Q5                    |
| Responsiveness (3)             | Q6(a,b),Q8            |
| Business Performance (4)       | Q9,Q10                |

This study utilises Kohli and Jaworski's, definition (1990: p.6) of market orientation as follows: "Market orientation is the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it".

The researcher engaged in more in-depth discussion with interviewees about the market orientation phenomenon. All interviewees were asked about how they perceive the three main components of the market orientation concept and business performance in the Libyan context. The next step was to code the responses; each respondent was assigned a code name that referred to his Position Company and sector, e.g. the code Respondent (A) stands for answers given by the Director of Marketing in a Chemical company (see the listing of interview respondents in Appendix 6 for more details). During the interviews and discussion, all questions relating to the three dimensions were covered in detail. Several related questions were discussed and analysed as demonstrated in the sections below.

#### **7.1.1- Intelligence generation:**

Market orientation entails one or more departments engaging in activities geared toward developing an understanding of customers' current and future needs and the factors affecting them while taking into account how these needs and preferences may be affected by exogenous factors, in other words, the generation of market information about needs of customers and external environmental factors. This information is everything that can be generated about the customers and competitors to help in the firm's quest to be market oriented. This information is accessed through the concerted efforts of all the various functions within the company. In order to become market-oriented, a company should understand the strengths and weaknesses of its current and future competitors as well as their long-term capabilities and strategies (Narver and Slater, 1990). The reason for collecting information is to make sure that the company serves its customers better than its

competitors in considering the needs and wants of the customers. This will actually result in both customer satisfaction and continuing prosperity of the market-oriented company. Additionally, market intelligence must be generated before it can be disseminated. In turn, the generated intelligence must be effectively shared throughout the organisation before a unified response can be developed and implemented. In order to complete this interview therefore a number of steps had to be taken and the first of these was completed in section one. This section investigated the respondents' perceptions regarding intelligence generation (first theme).

**The first part** of the interview investigated views about whether there is a system in place to collect market intelligence in the companies. The results of the interviews showed that all of the interviewees concurred that there is a system to collect market intelligence in their companies. This result is a good indicator of the fact that all the companies are interested in understanding customer needs. However, the answers were focused into two trends. The first trend is that the largest group of respondents from eleven of the fifteen companies agreed that they always used this system at least once a year because the process of collecting market information was important for the company, there are many reasons why this process is important for managers, as was mentioned by one of them:

*"This process is very important to us because we would like to follow developments that occur in the market, for example, prices, competitors, distributors, and demand for products as well as services provided by competitors and even the customers themselves" (Respondent B).*

Based on the answers of these interviewees, one of whom was mentioned above; it seems these companies are subject to competition and so feel the importance of collecting market information. In particular, this process focuses on decisions concerning prices, quality of products produced by competitors, services provided by competitors, demand for products,

distributors and the appropriate products for the consumers. This indicates that those companies may have awareness of the importance of the process of collecting market information and its positive benefit on the company's performance. Companies should focus on making better products and improving them over time by collecting new information to satisfy customers' needs and wishes. Additionally, according to Han et al., (1998), the benefits derived from the information can be enhanced when shared among the functions in an organisation.

The second trend, as mentioned by respondents from four of the fifteen companies is that the system to collect market intelligence is unspecified, as was noted by two of the respondents. The first said:

*“We are almost a monopolist in some products; therefore, there is no point in carrying the burden of marketing costs because our products sell so easily” (Respondent G).*

Additionally, the second respondent said:

*“Our company has no specific system for collecting information on the market for two reasons. First, the demand for our products is clear, and the second reason is that all the information which determines the specifications required of our products is derived from the People's Committee of the sector and the General Authority for Standardization.” (Respondent H).*

Monopolist production in some companies in the Libyan market causes these companies to be uninterested in the process of collecting market intelligence. Therefore, they do not conduct a market research to determine the quality and quantity of products required and customers' current and future needs. This can be regarded as a lack of interest in and awareness of the importance achieved by such market research or any system to collect market intelligence. Also it would lead to increased costs for the company with no apparent benefits. In addition, there are some companies which have no specific system for



collecting market intelligence as mentioned from the second respondent. This makes clear that some companies rely on other parties to exercise the process of collecting market intelligence on their behalf, for example, the People's Committee of the sector and the General Authority for Standardization, in order to determine the quality of products produced and their quantities as well as customers' current and future needs. Overall, the conclusion from the answers from the participants from the four companies referred to above is that although they say that their company does have a system to collect market intelligence it is very limited in scale as a result of their monopoly of some products or their dependence on other parties from outside the company to carry out the process on their behalf.

In general, the results indicated that the process of collecting market intelligence is important for the majority of the managers. Moreover, when describing generating market intelligence, the researcher prompted the interviewees for more details. The interview participants not only discussed a system to collect market intelligence, but also the importance of information to create market intelligence. They made this clear in answer to the question about how important they felt this process was to other employees. All answers pointed toward the fact that this process is important to other employees, as was noted by one of interviewees:

*"This process is important for other employees because it shows them what is happening in the market, for example, direction prices, quality level, quantities displayed (available), and wishes of consumers. If this information is available to employees, they can perform more efficiently"*  
(Respondent J).

Basically, this means those managers feel this process is important for other employees in order to show them what is happening in the market and to understand the market, and to

determine and specify customers' current and future needs. They also feel that the process will help employees perform their jobs adequately for the needs of the market.

Although the results of the interviews suggest that the managers feel this process of collecting market intelligence is important for employees, it is important to recognize the means used to communicate this to those employees. In order to achieve this purpose, the following question was developed: What steps do you take to communicate the importance of this process to employees? Seven of the respondents believe that there were steps taken to communicate the importance of this process to employees, as was noted by one of the respondents:

*"There are periodic meetings between the managers and employees, which are connected to the importance of that information and the managers explain what is happening in the market" (Respondent A).*

There are many developed techniques that enable managers to communicate the importance of this process to employees such as daily or monthly bulletins through email or reports, and periodicals distributed to employees. Some of the companies hold regular meetings with managers and employees as a means of communicating the importance of this process, and they include developments and the most important indicators of the market as a method of identifying customers' current and future needs. However, other companies had a variety of techniques. Some of the participants noted that there are no specific steps for this purpose despite their awareness of its importance, but in practice Heads of Departments do so through guidance and instructions to employees. In addition, some participants requested employees report to them about the performance of their work, then discussed this and tried to persuade them of the importance of an appropriate market.

Based on answers of interviewees in the first part, it is apparent that there are two types of companies. The first type of company is exposed to competition. For this reason, those

companies feel that the process of collecting market intelligence is important and try to convince employees of the importance of this process, although they use traditional methods to achieve this. However, the second type of company has been performing their activities in monopolistic or semi-monopolistic conditions, and work in guaranteed or semi-guaranteed markets. In this case, this leads those companies to have a lack of interest in the process of collecting market intelligence, although they have in some cases used this process.

Before delving into the details of the process of collecting market intelligence it may be useful first to clarify how often the process of market collection takes place; is it something that happens purely by chance, or is it carried out periodically, or is it a process that is done systematically? This question will be considered an indicator reflecting the importance of collecting market intelligence. The results indicated that seven of the respondents pointed out that they carried out this process periodically, as was noted by one of those respondents:

*"We apply this process periodically, because we meet competition from local and foreign companies, also electronic goods are always in development, therefore we must follow this development or we will fail."*  
(Respondent F).

However, there were four of the respondents who indicated that they do that only when the company needs it. In particular, it is when something happens in the market such as the entry of new competitors, the introduction of a new product or a significant decrease in sales. While four respondents also noted that they did not go through this process because there was no need at the moment and it only increased the cost.

When discussing the collection of market intelligence, it is important to identify the impact of environmental factors on these companies. Companies should have the ability to scan their environment, and to analyse and forecast critical events and trends affecting them.

Therefore, companies that wish to be competitive will need to identify clearly customers' changing needs and preferences and respond accordingly. In other words, companies must respond to environmental changes such as governmental policy and competitive intensity shifts by taking operational and strategic decisions.

Therefore, **the second part** of the interview was about how the external environment such as cultural, social, political and competitor factors, affects the amount of market intelligence that can be gathered. There are many factors which can have an influence on the business environment in Libya. Additionally, the term “markets” includes all relevant market participants (customers, competitors and suppliers), regulatory aspects, social and cultural trends, and macro-economic environmental factors, not just customers (Matsuno et al., 2000). The results of the interviews illustrate that all the respondents from fifteen companies believed that external environment factors affect the amount of market intelligence. Moreover, most of the answers are similar concerning the question of the effect the external environment has on the collection of market intelligence. The significance of these external environment factors is evidenced by the following extracts which surfaced during the interviews:

The first said:

*“Yes, of course, the external environment affects the amount of market intelligence or information gathering from the market, for example, culture plays a significant role in the amount of information gathering, especially in our company, due to the fact that the nature of our products must comply with the culture of Libyan society, because consumer preferences are affected by the society in which consumers live. The second example is state policy. We must follow it closely as it is not stable. During the end of the 1970's and beginning of the 1980's, the state decided to move towards the public sector and the state has established public manufacturing companies and allowed them to import products from abroad at lowest cost which led*

*to a decline in the amount of market intelligence. However, this situation has changed. Today's firms operate with an increasing level of competition and rate of change in the external environment, which necessitates that increased attention be paid to market intelligence." (Respondent O).*

Additionally, the second respondent said:

*"Yes, these factors have an impact because most large industrial companies are public and state-owned. Therefore, the enactment of certain laws and regulations by the State will have an impact on determining the company's policies. For example, concerning the salary system, law number 15/1981 establishes the salary for each individual working in institutions state-owned. Also, there are laws relating to customs, documentary credits of banks, raw materials and consumer protection. For example, a law of the People's Committee for Industry concerns preservatives in products. Our dairy factory has encountered a problem because the milk that we offer if not sold on the same day will spoil, while there is in the market the same products from other countries, including Egypt and Saudi Arabia, which contain preservatives, which makes the consumer prefer those goods due to the fact that they stay fresher longer." (Respondent L).*

The majority of the respondents emphasise the fact that the most important factors of the external environment which have an impact on the amount of market intelligence that can be gathered are cultural and social, political and legal factors, and the competition factor.

- Respondents from five companies indicated that cultural and social factors have an important role in determining the needs of consumers and the economic development of any country. In particular, Libya's culture and social environment may be different from many countries due to the similarity of the salaries of individuals and their wishes derived from people's social values, beliefs and attitudes and religion (Islam). According to Wallace and Wilkinson, (2004, p. 38) "Libya's work culture is very different from Europe's in the sense that it is more similar to that which exists in the Arab and Mediterranean world".

Companies are required to study and communicate the changes that occur in the cultural and social factors, and create appropriate products for consumers. Specifically, manufacturing companies of clothing, pottery, and food (especially meat) are affected by cultural and social factors.

- According to the majority of respondents, political factors are changing continuously. This is a natural issue because in countries in transitional economies, specifically in developing countries such as Libya, there has been a fundamental change in environmental factors engendered by the transition from a centrally planned to a market economy. For this reason, many ongoing changes occur in state policies, laws and regulations, such as salary systems, and laws relating to customs, documentary credits of banks, raw materials and consumer protection. Consequently, it can be seen that the answers upon which most of the respondents focused were political and legal factors as being one of the main environmental factors, and this requires attention and continuous follow-up. In addition, Kohli and Jaworski, (1990) suggested that market orientation includes monitoring factors such as government regulation and competition that influence the needs and preferences of customers. Thus it requires a considerable amount of information.

- With regard to the competitor factor, it can be clearly seen that there is also a contradiction to be highlighted. Firstly, respondents from eleven companies believed that the competitor factor affects the amount of market intelligence. Secondly, respondents from four companies mentioned that they focus rather on the quantity of production, since they have the monopoly of some products in the Libyan market. As was noted by one of those respondents:

*“Our company is monopolist in some products which leads us to be indifferent to those factors. For this reason, we just pay attention to producing as much as possible, but we believe that these factors will affect*

*our products in the future, because some companies that were like us (monopolistic) are now undergoing severe crises as a result of the fact that the State has allowed and encouraged the importing of the same goods from abroad and has allowed a large number of its competitors to enter the market.” (Respondent H).*

This reflects the existence of a very low level of competition in the market for some products. There are only five companies in the Metal Industries Sector in the whole of Libya (three of which were selected for this research). In addition, there are only nine companies in the building and materials industries sector in the whole of Libya (of which six were selected for this research). There is no strong competition between some companies due to the fact that few companies are included in these sectors; hence, companies do not pay much attention to external environment factors. However, they feel those factors are important because this situation (monopoly) might not continue for a long time. Additionally, there is now increasing pressure on companies to compete.

**The third part** of the interview was concerned with whether companies conducted surveys to determine customers' current and future needs. Moreover, market oriented companies have been noted to be more knowledgeable about customers and competitors, as was mentioned in the chapter five (Research Methodology), any organisation which declares itself to be market-oriented should take this area into account. To be market-oriented, they must have regular meetings with customers and others in the supply chain to discover their current and future needs, and how the organisation can better serve them. Additionally, they should conduct the necessary research of the market and their competitors. Market oriented companies acquire intelligence on both customers and competitors in order to offer improvements over competitors, or to allow them to imitate successful moves before competitors get too far ahead (Lytle, 1994). During the interviews and discussion with the

interviewees about whether their company conducted surveys to determine customers' current and future needs insights were given into intelligence generation of the customers in Libyan manufacturing companies. The method of generating intelligence is necessarily different than in a developed country because of the culture, social, political and economical differences. The results revealed that eight of the fifteen companies conduct surveys to determine customers' current and future needs. They did however have varying opinions about it, as there was one of the respondents who indicated that they do that only when the company wants to produce a new product, they did this survey to ensure the success of the product. While there were two of the respondents who indicated that their companies started this process of the survey only recently and this due to an increase of competition. Additionally, these surveys have been carried out by delegates of the company in the market. Also they have their own research department that conducts this kind of survey for the company. In addition, five of the respondents agreed the fact that their companies have conducted surveys to determine customers' current and future needs. As was noted by one of those respondents:

*"of course, we investigate to determine customers' current and future needs by designing surveys then distributed to a sample of the customers and intermediaries, also we have department for complaints and problems related to products and through which we can identify the obstacles facing products in the market may take corrective action on the basis of those complaints, if we believe it helps to improve our products." (Respondent K).*

Based on the answers in these interviewees, the survey as a research tool has been used by the companies as a means of identifying the customers' current and future needs, one of them noted that the company was assisted by some experts to design the survey in order to benefit and reflect the useful results for the company such as determining the quality of products and quantities required by consumers. In addition, there were also three companies



which depended on the opinions of customers, they encouraged customers' comments and complaints then they took corrective actions on the basis of complaints, as these helped them to improve their work output. Furthermore, one of the respondents mentioned that their companies communicate directly with consumers, thereby using their sales force to learn about their attitudes regarding product in particular, prices and quality of products and services associated with goods and comparing them with competitors. Additionally, all the respondents from eight companies mentioned that their companies survey both the intermediaries and end users. As was mentioned before, one of the respondents indicated that the company carries out a survey before it produces a new product. A respondent from another company indicated that the company normally does survey its end users as the company has many channels, therefore, it discuss directly with end users. Respondents from seven companies indicated that they survey their intermediaries more often than their end users. The results revealed that, while six of these seven companies (with the exception of the Company that uses the survey when producing a new product) survey their end users at least once a year and their intermediaries at least twice or three times a year. As was noted by one of the respondents:

*“Survey is very important for us, we distributed the survey to gather information on the market by both the end users and intermediaries, because the wholesalers and retailers who deal with the end user, especially, which deal with us permanently , and returned to be at least twice or three times a year.” (Respondent A).*

As noted above the interviewees reported that, the survey is important to determine customers' current and future needs as well as competitors of some companies. In addition, companies used both the end users and intermediaries.

Accordingly, the following question was developed: How do you use the information collected from these surveys within your company? There are several methods used by these companies to benefit from this information that is collected through the survey, either for consumers or intermediaries. Two of the respondents indicated that this is done through periodic meetings between the managers and heads of departments in their companies. These meetings aim to discuss the information and benefit from them. In addition, there were three of the respondents who mentioned that their companies refer to the survey forms issued by the Computer Section; this involves a process of sorting and analysis of that information and then issuing the results in the form of a report distributed to all departments. As was noted by one of the respondents:

*“All surveys are referred to the Computer department where they are sorted and analysed, then the results are distributed to all departments in the company and managers take decisions in accordance with them.”*  
(Respondent J).

This report contains some of the indicators such as prices of competitors, specifications required of the goods, the rate of demand for goods; hence, this method used by such companies is good because the companies would benefit from modern technology in order to reduce the time and effort as well as the information being more accurate. Additionally, it also ensures that collected information is summarized, prioritized, and modified in a manner that reduces information overload. Furthermore, there were also two of the respondents who noted that their companies have committees specifically concerned with the surveys; these committees consist of a group of managers and staff with expertise in statistics and marketing, which undertake the sorting and analysis of surveys then send them to the various managers in the company.

On the other hand, respondents from seven of the fifteen companies had different views to the previous eight companies. Three of the respondents indicated that the company does not have a formal survey procedure; rather, information is gathered informally. As was noted by one of those respondents:

*“Surveys are not important for us, because we can obtain information from friends in the industry as well as from the government department for industry. In addition, existing personal experience of managers and employees of long-term dealings in the market enables us to identify the needs and wishes of consumers.” (Respondent C).*

It is apparent that the survey is not a very important tool for those companies due to their being able to obtain information about the market, consumers and competitors through other informal means, such as friends in the industry, officials of government and regulatory bodies and managers in the same sector. Additionally, the experience of managers plays a significant role in identifying and determining customers' current and future needs. This is due to their having dealt with the same market over a long period of time as well as having an understanding of the nature of the social changes that people have with their environment, society, lifestyles, relationship with family and people around them. For these reasons, they felt this process of survey is not very important for them, rather that they could achieve their goals and develop future plans through this type of informal information. However, this ad hoc system of information gathering does not amount to applying the concept of market orientation. Such information is informal and therefore necessarily might include some mistakes, it is based on the opinions and beliefs of managers, it is not a formal source such as comes from consumers and intermediaries.

Finally there are four respondents who indicated that their companies do not have the process of survey, because the demand for their products is clear, they are convinced of the

futility of a survey and so they are not faced with the problems of marketing. These points are highlighted in the comments of one respondent as follows:

*“Let me talk to you frankly, we can not change our products as a result of the inflexibility of production lines; thus the benefits of these surveys are not equivalent to the costs for our company.” (Respondent I).*

Most of these companies are monopolies. Therefore, there is no perceived need to carry out a survey due to the demand for its products being strong and clear. Consequently, they consider that the process is an increase in cost. In other words, it would lead to increased costs for the company with no benefits. In addition, other companies do not have technical resources in production lines, for this reason they are characterized by rigidity and can not so easily adapt to the needs and wishes of customers.

**The fourth part** of the interview in this theme is about where are the real strengths of the intelligence gathering operation in the companies. As was mentioned in previous sections of these interviews, there was agreement between the respondents as to the importance of intelligence gathering. Nevertheless, there was also diversity in the methods used to collect market intelligence. However, the majority of the respondents emphasize the fact that the real strength of intelligence gathering does contribute positively to the decision-making process, that is, if the intelligence generation was accurate, and also obtained in a timely manner. The real strength of intelligence generation lies in its application. As was noted by one of those respondents:

*“In my view, the real strengths to the intelligence gathering is in capacity to utilize it, especially in the decisions on price, specification of goods, the quality and quantities required of them, for example, if we want to produce or provide new products to the market, the real strengths for this process is that it is determines the success or not of this product in the Market.” (Respondent B).*

As was mentioned, the majority of respondents see that the process would contribute to support decisions such as decisions on prices, products and competitors. In addition, one of the respondents added that this process provides the company the information that will support increasing their market share and decision support systems. Also another respondent said that, without this information the company will face threats and many other problems from the changes that may occur in their environment due to it not anticipating those changes in advance. This will lead them to real difficulties. On the other hand, some companies, as mentioned above are characterized by their monopoly status and company number four deems it necessary at the moment to focus on the production process in the sense of merely increasing the amounts produced. Their belief being that the survey process may be important, but only at some undefined moment in the future.

After identifying the methods used in these companies regarding the first theme of market orientation (Intelligence generation) and before moving to the second theme of the process of dissemination of information between departments within the company it is important to look at the benefits as identified through the opinions and beliefs of respondents and how the intelligence gathering operations could be improved, specifically, in the Libyan context.

The results revealed were as follows:

- Respondents from six companies indicated that improving the process of gathering market intelligence requires the work team to be qualified and trained and to gather the appropriate information about the market intelligence in a timely manner in order to support the decision-making process. As was noted by one of those respondents:

*“I think that improving the process of collecting information on the market requires the presence of trained people with experience sufficient to provide useful information at the right time, where they design important questions*

*reflecting what is happening in the market specifically to help the decision maker.” (Respondent F).*

- Respondents from six companies indicated that improving the process of gathering market intelligence requires that a specialized department such as the Department of market research should provide the company continuous information about the market to determine the quality, specifications and quantities of goods required by customers, in addition to the movements of competitors in the market. As was noted by one of those respondents:

*“I think, the appropriate means to improve the collection of market intelligence are increased attention of market research department and increase the budget of this department to be able to undertake studies on the market, customers, competitors, then provided to various departments within the company.” (Respondent N).*

- Respondents from four companies indicated that this process could be improved through the formation of specialized committees composed of persons qualified and experienced in this area, therefore, with the capability of designing a questionnaire (survey) suitable which obtains useful information and sending it to decision makers in the company. Additionally, one of these respondents also added that a means of modern, effective communications must be provided, also a good system of incentives.

This researcher had opinions and views about intelligence generation in Libyan companies and the next section or theme is based around interview questions dealing with intelligence dissemination, and answered by interviewees as following:

#### **7.1.2- Intelligence dissemination:**

As was mentioned in the literature review “market orientation refers to the organization wide generation of market intelligence pertaining to current and future needs of customers, dissemination of intelligence within the organization, and responsiveness to it,” (Kohli et

al., 1993, p. 468). In other words, market orientation is seen as the collection, dissemination and response of a company to intelligence about the market. However, most importantly Kohli and Jaworski, (1990) suggest that market orientation entails: (1) one or more departments engaging in activities geared toward developing an understanding of customers' current and future needs and the factors affecting them while taking into account how these needs and preferences may be affected by exogenous factors, in other words, the generation of market information about needs of customers and external environmental factors; (2) disseminating intelligence throughout the organisation to the relevant individuals and departments and sharing this understanding across departments; and (3) the various departments engaging in activities designed to meet select customer's needs. In addition, "it means sharing information among functions in the organization that allows for common interpretations, and for taking coordinated actions," (Langerak, 2003, p. 448). As a result the efforts of employees are integrated across the organisations' various departments to create superior value for customers, which, in turn, give rise to superior organisational performance for the company.

The previous section (first theme) of this chapter introduced the first step of market orientation which was to investigate intelligence generation. Therefore, this section (second theme) of the interviews is particularly interested in the intelligence dissemination as the second step of market orientation. Intelligence dissemination means that the communication, interpretation and dissemination of marketing information must occur between and across several functional areas of the firm. Additionally, intelligence dissemination has been described as distributing information to the appropriate individuals or groups selectively and quickly as well as sharing this information. However, previous research findings support the contention that higher levels of information sharing are required to achieve a consensus about market intelligence (e.g., Troy et al., 2001). In order

to achieve an understanding about this theme (Intelligence dissemination) the researcher designed some questions which were distributed to the large Libyan manufacturing companies. The answers to these questions indicate the respondents' perceptions regarding intelligence dissemination, they are as follows:

**The first question** of the interview investigated views regarding whether the interviewee has interdepartmental meetings in their company. The results of the interviews indicated that all respondents from the fifteen companies indicated that they have interdepartmental meetings in their companies. In addition to there being agreement between the respondents that their companies have interdepartmental meetings, it is important to know how often such meetings take place. The results reveal that respondents from eight of these companies indicated that their companies have these kinds of meetings at least once a month, as was noted by one respondent:

*"Yes, we do have interdepartmental meetings in our company and we have a formal meeting at least once a month." (Respondent K).*

Based on the answers of these interviewees, there was at least a once a month meeting in their companies. However, five of the respondents indicated that they have interdepartmental meetings in their companies every three months, while two of them additionally have regular meetings by the Board of Directors which meets at least once a month. Additionally, another one of them added that there are also some meetings for certain emergency circumstances, in some cases when something important happens to a major customer or market, which requires some change in the company's policies. Finally, two of the respondents indicated that there is no specific date for the departments meetings in their companies, but those meetings are arranged as needed. All managers in the company are informed in advance of the meeting date.



The main importance about the intelligence dissemination is whether there was any discussion of the customers' current and future needs and market trends and developments (e.g., competition, suppliers) in those interdepartmental meeting. The results reveal that the majority of respondents indicated that they discuss customers' current and future needs and market trends. In particular, the customers' needs, prices, competitors, product quality, changes in demand for their products, and dealings with intermediaries. In addition, they also discuss financial matters and other business of the other departments in their companies such as production management and human resource management. These points are highlighted in the comments of one respondent as follows:

*“Yes, we do have interdepartmental meeting in our company and we discuss customers' current and future needs, the quality of the product required by the customers, the prices and competition in market and update our knowledge of market requirements. We also discuss other issues related to other departments such as finance, production, human resources.”*  
(Respondent A).

In addition, there are also four of the respondents who mentioned that in some cases, discussing those matters relating to customers, competitors and the market in informal meetings such as one-on-one discussions is called corridor talk. However, regarding monopoly companies, two of the respondents mentioned that they usually discuss in their meetings the production lines and development of production processes and increasing working hours in order to increase production volumes.

The next step in this theme of intelligence dissemination is regarding the sharing of information among the various departments. There should be a mechanism for the company to use the information generated by the market coordinated use of company resources, to disseminate the information throughout the company. As was mentioned in the literature review, the organisation that wishes to practice effective market orientation has to

implement decision support systems, marketing information systems, strategic information systems and other market research activities (Armario et al., 2008). However, the dissemination of the intelligence which is gathered across company departments is required in the pursuit of such an orientation. This allows, 'a shared basis for concerted actions by different departments', (Kohli and Jaworski, 1990, p. 5). Additionally, the shared information requires the departments or individuals to recognize the value of the information transmitted as an aid to decision making. In other words, the functions and divisions within an organisation must listen to each other and have an open transfer of information and ideas in order to allow an effective decision making process. The results regarding the sharing of information in the various departments was as follows: there were eight of the respondents who mentioned that they share information regarding customers and the factors affecting customers among the various responsible departments. As was noted by one of those respondents:

*"Yes, we do share information between various departments, we do it through formal meetings, during those meetings, each director shared his opinion and ideas about any crisis or development based on market information, and then send a report to the different departments of the company, Include the important indications about customers, competitors and market requirements and we do it also for other departments."*  
(Respondent M).

This means that those companies used formal meetings to share information regarding customers, competitors and market requirements as well as using a report to disseminate market intelligence to the various responsible departments. Additionally, some interview responses also described this sharing of various types of information through reading reports at official meetings, posting information on the notice board, and circulating letters to the relevant departments. While five of the respondents indicated that they have shared

information between different departments of the company regarding the customers' current and future needs and market trends and developments through informal means such as the telephone communications and meetings outside of the company (e.g., houses and coffee shops). Moreover, two of these respondents have suggested that they also rely on the personal experience of managers in the companies, especially the information regarding the market. However, respondents from two companies mentioned that there were no specific techniques for the exchange and sharing of information regarding the customers' current and future needs by different departments apart from the process of the discussions that occur within official meetings. Based on this it becomes evident that there was a difference between those companies with regard to the methods used in this second theme (Intelligence dissemination). However, in general, formal and informal meetings are used as a means to share information regarding customers, competitors and market requirements. The most important aspect of market intelligence is 'the dissemination of the information gathered and the responsiveness of the organisation that has gathered it', (Lafferty et al., 2001, p. 97), owing to the changing needs of customers over time. Thus, companies should attempt to achieve consensus on the meaning of the market intelligence in order to develop an appropriate and unified response, since information may have multiple interpretations, (Day, 1994). The whole question of responsiveness and its link with intelligence generation and dissemination will be considered in the next section of this chapter.

### **7.1.3- Responsiveness:**

According to Kohli and Jaworski, (1990) they defined 'responsiveness' as that action which is taken, as a response to the market intelligence that has been generated and then disseminated. However the responsiveness component was redefined in 1993, as being a composite of response design and response implementation, (Jaworski and Kohli, 1993). Response design involved using the market intelligence to develop plans, while response

implementation was the execution of those plans. In other words, it is typically operationalized as the extent to which market intelligence changes the actions of an organisation. Furthermore, they suggested that virtually all individuals participate in responding to market trends in a market-oriented company. Having a shared interpretation also reduces the amount of redundancies, conflicts, and confusion in the process of planning and implementing a response because shared interpretation becomes the means to ensure coordination (Hult et al., 2004), which should reduce the time involved in responding to market intelligence (Thomas et al., 1993). This section (third theme) will discuss the third variable of the market orientation after the identification process of collecting of market intelligence and also how it is deployed between departments within companies. Therefore, in order to achieve an understanding about this theme the researcher designed some questions and the answers of the respondents' perceptions regarding responsiveness were as follows:

**The first part** of the interview investigated views regarding whether the respondent feels that the internal environment of their company has an effect on the responsiveness to market intelligence. Respondents from all companies feel that the internal environment of their companies has an effect on the responsiveness to market intelligence. The majority of respondents mentioned that there are several changes in the internal environment of their companies required to increase the level of response such as changes in the plans and policies, especially regarding prices and quality products. It may also require some changes in the production lines to keep up with the preferences and wishes of the customer. As was noted by one of those respondents:

*"I think to increase the level of response to market requirements, the company should make some changes such as in plans and policies, especially regarding prices and quality products, for example, lower prices*

*in our market which requires reducing costs such as reducing overtime and discounts. Furthermore, changes in production lines, in the past we were producing spiral pipes, but after the reluctance of the oil sector we have changed it by producing new pipes (PP-R).”(Respondent I)*

Additionally, another one of the respondents added that the process of training for employees and increasing training courses in order to increase the capacity of employees to respond to changes that might occur in the market is in the company's interest. Also their companies send their managers on training programs, as training helps the managers to learn about the current trends of the market, to develop their performance and ability, to update and upgrade them regarding competitors' products, strategies and activities, and to teach them how to deal with and face challenges. While four of the respondents confirmed that the increase in the level of response requires integration and coordination between all departments in the company in addition to advanced technology. Moreover, six of the respondents pointed out that the internal environment of their companies is slow to influence the level of response for several reasons, including lack of adequate expertise in the process of gathering information of market intelligence and analysis to support decision-making process, the lack of technology by which you can share information among the various departments quickly and centralized decision-making. As was noted by one of those respondents:

*“We need to decentralize the decision-making process to help us respond quickly and become more market-oriented, while central decision-making is essentially a one-man show and it cannot help the market-oriented, but is an obstacle.” (RespondentF)*

This reflects the fact that decentralised decision-making is helpful for market orientation and centralised decision making is a threat to market orientation. Therefore,

in general, in order to increase the level of responsiveness those companies require many changes in their internal environment to overcome those obstacles.

**The second part** of the interview in this theme helps to identify the nature of intelligence responsiveness of the Libyan companies. This also should outline the problems/obstacles to responding to customer needs and these problems/obstacles should be different to those of the developed countries. **Firstly**, during the interviews there were discussions with the interviewees about whether their company responds to the customer's future needs and wants. Respondents from eight companies agreed that their companies respond to customers' future needs and wants, and five of them indicated that their companies have flexible production lines and modern technology, and therefore they have the ability to respond to the needs of customers. As was noted by one of those respondents:

*"Yes, we usually respond to the needs and wishes of customers, because our company has a variety of production lines, and it is flexible. Also using modern technology, and made it difficult for the small competitors our competition in the market." (Respondent K).*

While the remaining three of eight respondents indicated that their companies respond to the customers' future needs and wants. It could not take action if the action depends on the importation of raw materials. For these companies government regulation is also responsible for them not taking action in some instances. The respondents also mentioned that their companies respond to the action by ensuring a better quality product, new product development, and better promotional activities. However, the respondents disagreed that they could offer new products all the time if their customers' product preferences change over time.

**Secondly**, the next three questions to be asked in this part were regarding the group of respondents who answered yes to the last question, namely, eight companies. The first

question was about how these companies respond to the customers' current and future needs, or how those companies do this. The answers of respondents had varying opinions on this matter; however there were four respondents whose answers tended to focus on the decision makers, the formulating of information and its indicators of market conditions, consumers and competitors in the form of planning and implementing a reaction based on market intelligence. This is done through coordination with directors of other departments within the company. As was noted by one of the respondents:

*"We always try to respond to the information derived from the market through the study of it and to develop appropriate plans, then implement those plans. This needs to have the coordinated efforts of all heads of departments in the company." (Respondent M).*

While the other two respondents mentioned that they had introduced technological developments recently, owing to their companies responding to customer needs and wants. As was stated by one of them:

*"To respond to competition and the customer needs and wants you need technology, which is one of the tools needed to provide better quality products and the lowest prices. Therefore, we change our machines by replacing their old machinery in order to respond to the customer needs and wants." (Respondent D).*

Additionally, there were two other respondents who noted that their companies are responsive to changes that occur in the external environment by organizing regular meetings between the various managers of departments of the company, through these meetings they identify appropriate ways to respond to those changes, depending on the possibilities of the company.

The second question for those eight respondents is about whether their companies respond as fully as they would like? (Do you respond as fully as you would like?) The majority of

respondents indicated that they believe the level of response to the customers' current and future needs is satisfactory, the evidence for this is that the customers are satisfied about the products of their companies and the company's turnover is considered satisfactory as well. However some of them refer to the existence of some obstacles that might prevent their companies from complete satisfaction of responding to those needs and wishes of customers such as government regulations, lack of appropriate technology and outside dependency of raw materials. These barriers will be discussed in more detail through the questions coming from this part of the interview.

The third question is, 'how fast is your company in responding to customer needs?' Respondents from three of these eight companies confirmed that their companies take immediate action, because speed of response was highly important to their companies. In particular, to respond to competitors or exploit opportunities that may emerge in the market. However, the other five respondents indicated that they could not take immediate action and they often are slow because rapid response needed to incorporate several factors including: the speed in the collection of information, flexibility of production lines, availability of raw materials and speed decision-making. As was noted by one of the respondents:

*"Sometimes we cannot make a quick response to changes in the market, because it may require the availability of many things, for example, we import raw materials from outside, of course, this requires many approvals and long procedure, In addition to the lack of sufficient flexibility in production lines. But if we have everything required we take action immediately." (Respondent L).*

It is apparent that those companies in some cases respond quickly to changes in the market, but this is not in the majority of cases, because there are some restrictions, mentioned above which make the level of responsiveness of these companies slow.



**Finally**, on the other hand, respondents from seven companies disagreed that their companies respond to customers' future needs and wants. The question put to these respondents was specifically about investigating what the obstacles were to prevent their company responding to these needs and wants? The results reveal that, respondents from three of these companies indicated that there were some obstacles preventing their company responding to these needs and wants, as was mentioned by one of them:

*"Let me talk to you frankly, the company can not develop products or new products to fit the needs of consumers, because it would require new production lines or the modification and appropriate production lines present, in addition we do not have sources of funding to do so despite our requesting the concerned authorities several times." (Respondent N).*

In summary, the most important obstacles that prevent those companies from responding to the customers' future needs can be illustrated according to the following points:

- 1- Immobility of production lines and prescription.
- 2- Difficulty in obtaining financial funding for renovation and increasing the production lines.
- 3- Difficulty and delay of importing of raw materials and spare parts machines from outside, which sometimes leads to the cessation of production.
- 4- Restrictions on the decision-making process because that company is a subsidiary of the public sector.
- 5- Dependence of these companies on the General Authority for Standardization to determine the quality and quantity of products, according to these specifications, it produces their goods.
- 6- The absence of R&D to develop products, and enable those companies to devise new products.

Additionally, four respondents mentioned that they do not respond to the customers' future needs and wants because their companies are monopolies. For this reason, their companies are only interested in increasing quantity of products and this can be done in the future if their companies met competition in their market. Only then will attention be paid to all these processes such as collecting market information, dissemination in the various departments of the company and then responding to that information. However, at the moment, it does not have any marketing problems; moreover, the customers want their products. Therefore, what should be done now is to increase the quantities produced. As can be seen from the results of interviewing presented in the previous three themes regarding the components of market orientation (intelligence generation, intelligence dissemination, and responsiveness), there were differences between the answers from managers in all the Libyan companies surveyed. This in turn relates to the answers for managers about overall business performance. In order to clarify the business performance for those companies the next section or theme is particularly interested in the business performance relationship with market orientation.

#### **7.1.4- Business performance:**

Performance measurement, although not an end in itself, is an effective tool to enable the delivery of more effective management. Results of performance measurement however only indicate what happened, not what to do about it. Therefore in order for an organisation to make effective use of its performance measurement outcome, it must be able to make the transition from measurement to management. Business performance has also been defined in numerous ways as was already mentioned in chapter three of the literature reviewed. Additionally, there have been studies in the past exploring the impact of MO on business performance in different contexts, however this research is intended to investigate the market orientation construct/culture and philosophy from managers of Libyan companies'

perspective. Because of the differences which exist in national market environments the theme of performance measurement has received increasing attention by both academics and practitioners in marketing. These academics and practitioners have found that defining and measuring business performance is difficult, which has resulted in the concept having remained a problematic issue in business research (Fahy, et al., 2000). Moreover, measuring business performance compared to that of competitors is one of the main topics hotly debated in the literature and was among the topics dealt with in the field study phase of the current research. The researcher used this method when asking the respondents about their perceptions of the ability of their businesses to compete with their nearest competitors in the same industry in terms of the key performance dimensions. Details and discussions with the respondents' results were presented as follows:

First of all, the results of the interviews showed that all of the interviewees concurred that there was measurement of the business performance. Based on the answers of respondents these companies can be divided into three kinds according to their business performance indicators, namely:

**Firstly**, respondents from nine companies indicated that their companies have achieved profit (better business performance) according to indicators measuring business performance. However, there were five of those respondents who mentioned that the main factors to produce this level of performance are focusing on customers and studying all needs and wants, in addition they have production lines to assist them to produce the products according to the wishes of customers. The following are examples of their replies:

*"Yes we do make good profit, because we believe that the reason the company's success is to focus on the needs of customers by giving an opportunity for consumers to discuss needs." (Respondent A).*

*"The most important factors that led to the increased level of performance are that the quality of our products and prices are acceptable to customers."* (Respondent E).

*"We consider successful companies in the Libyan market due to study all the needs of customers and we have modern production lines."* (Respondent H).

On the other hand, respondents from four of the nine companies pointed out that their companies have the monopoly of some products; this is a main factor to achieve better business performance. They also believe that their company's products are high quality and good prices for customers. Additionally, they have huge demand of commodity through local citizens. Also they have a long list of orders for the next six months.

**Secondly**, respondents from three companies indicated that their companies have an improvement in performance. Until now there existed a loss in their performance because those companies were monopolies, but recently the State has allowed the entry of goods to compete with their products, which led to a significant decrease in their performance. In order to return these companies to better performance changes in their policies were initiated and the introduction of modern technology and machinery and collecting information about consumers and competitors. As was noted by one of the respondents:

*"We monopolized some products and we do not make any marketing efforts, only operations for sales, distribution, and we are profitable, but recently the state has allowed competition after the entry of foreign goods, which led to a decline in our performance. And now, the company has changed their policies and has made many changes including the replacement of machinery and attention to marketing operations such as gathering information about consumers and competitors and attempt to satisfy them. In my view there is an improvement in performance now."* (Respondent F).

As can be seen from the results presented in the answer above those companies are trying to do some marketing activities recently, but that does not progress to the application of the

concept of market orientation. Therefore these companies need to do a lot of work to be market-oriented, such as was suggested by Kohli and Jaworski, (1990) which is an information-based conceptualisation, where market orientation is seen as the collection, dissemination and response of a company to intelligence about the market.

**Finally**, respondents from three companies mentioned that their companies are threatened through the inability to survive and continue in the market as a result of their inability to compete; this was due to aging product lines and the lack of government support. As was noted by one of those respondents:

*"I believe we could not perform well, and we could not make profit, because the State permits the importation of goods from outside and stopped subsidies to some public companies like our company, now our company are threatened not to stay in the market." (Respondent N).*

Accordingly, those companies suffer from many problems reducing their level of performance, which is their inability to compete due to aging machinery and equipment, lack of flexible production lines and a lack of capacity to enable it to meet the needs and wants of customers.

In the remaining questions of the interview the intention was to study the attitudes of these respondents, to question particularly whether these respondents think that market orientation will help their companies to achieve a better business performance. The results of the interviews illustrate that the respondents from all fifteen companies have agreed that market orientation helps a company to achieve better business performance. They were then asked how they think this contribution would be made.

The results revealed that respondents from eight of the fifteen companies had similar views about the contribution of market orientation in their company's performance. All of these respondents tended to focus on pleasing customers, in other words, the contribution of

market orientation is to increase the level of business performance by meeting the needs and wants of customers. As was mentioned by one of those respondents:

*“I believe market orientation can help a company to achieve better business performance, because market orientation provides customer satisfaction, and we try to do anything that is pleasing to the customer.” (Respondent C).*

Respondents from all fifteen companies agreed that market orientation contributes positively to the level of business performance of a company. However respondents from three companies indicated that it is difficult to apply because it needs the availability of many of the requirements which their companies are not able to provide, such as rapid response (the companies do not take immediate action) because production lines are not flexible and they can not change them because they need financial support. In addition, their companies lack raw materials. As was noted by one of those respondents:

*“Of course, market orientation is one of the factors that help a company to achieve better business performance, but it needs many requirements, for example, flexible production lines, the availability of raw materials, and financial support. Our company does not have those requirements.” (Respondent B).*

Respondents from four companies indicated that their companies have achieved their targeted profit, even though the companies did not follow the concept of market orientation. The main factors that led to better business performance are: increasing demand for its products; the absence of competitors in their markets, as well as their products being of good quality and having appropriate prices for customers. These respondents also mentioned that market orientation is important when there is intense competition in the market, but at the moment it can achieve profits without being market-oriented. As was noted by one of those respondents:

*“We have achieved targeted profits as well as our sales being on the increase, due to the quality of our products and appropriate prices for customers; also we do not have competitors in the market. But we believe that market orientation is an important factor in improving the business performance, in particular, when there is competition in the market.”*  
(Respondent G).

This answer indicates that business performance within a company could be achieved without being market-oriented. It also suggests some other ways of achieving business success rather than market orientation, such as if they have a monopoly, if the product is unique, innovative and extraordinary, and demand is more than supply.

Finally, respondents were asked about the ways that they feel the internal and external environments in Libya could be changed in order to improve business performance throughout the country. The purpose of this question was to find out if there are other ways the respondents see which might lead to improving business performance and whether it would require a change in their internal or external environment to their companies in the Libyan context. The answers were as follows:

**First: The changes in the internal environment to improve business performance:**

The majority of respondents indicated that the Libyan companies should have an interest in and focus on the actual needs and wishes of customers, and not just according to what these companies can produce through production lines or what raw materials are available to them. Most of these companies have machinery and equipment production characterized by a lack of flexibility and a need to replace or maintain them. They therefore need to develop the ability to respond to changes in customer preferences and wants. As was noted by one of the respondents:

*“From my view, to improve the business performance of the Libyan companies, it should focus on customer needs and wants, and this requires the production of what is desired by the customer, not the output of production lines or as the views of engineers and technocracy in the company. That is the development of production lines and adapted to the needs of customers.” (Respondent L).*

In addition, respondents from three companies indicated that the companies need market research to improve business performance, through the collection of information on customers and competitors and others in the market. Then based on this information the companies produce their goods. However, this process requires people with experience of how to collect that information and analyze it, distributing information to the appropriate individuals or groups selectively and quickly as well as sharing this information among the various departments within companies. In addition, the availability of modern technology must be used in facilitating the speed of communications.

There was one of the respondents who added that companies need to change the management philosophy of the administrative leaders, by introducing participatory decision-making and decentralization, as well as non-application of the concepts of production and sale, but rather attention to the needs and wants of the customer.

Another respondent from these companies also mentioned that their company should change its policies, especially policies on quality and price, because the Libyan customer has become very sensitive to the quality and price issues. Thus, to improve business performance Libyan companies need to focus on quality products and lower prices. This would reduce employment, because most public companies suffer from inflation in employment, also they need to use modern machinery that leads to reduced costs and increased quality.



Finally, there was also one respondent who pointed out that the process of improving the business performance requires the availability of many factors such as quality of products and services; flexibility in production lines and prices; attention to training employees; good distribution efforts and the use of appropriate promotional tools and good relationships with suppliers.

**Second: The changes in the external environment to improve business performance:**

The majority of respondents indicated that the most important factors of the external environment which may require change in order to achieve a better performance are: the stability of the political and legal factors, because these factors are very influential on the nature of a company's performance, in particular, at the stage of economic transition in developing countries such as Libya. The stability of these factors enables companies to develop plans and policies as well as appropriate strategies, but in the current circumstances the Libyan companies are finding it difficult to predict future events. As was noted by one of the respondents:

*"The most important of external environment factors is the stability of the political and legal factors, because it affects our performance, in addition we can not predict the future; put plans and appropriate strategies. We can not make any decisions, especially long-term decisions. I suggested to improve the performance of companies develop clear rules by the state."*  
(Respondent D).

In addition, respondents from three companies indicated that their companies rely completely on government support, which contributes to improving the performance of their business. As was noted by one of those respondents:

*"Our company is absolutely dependent on government support such as tax exemption; special exchange rates for the imported materials compared with the high exchange rate for the other companies opening documentary*

*credits for foreign currency at low prices, and financial support. These protective factors carried out by the state in order to promote national industry, it is contributing significantly to improve business performance.”*

*(Respondent M).*

While there were two of the respondents who mentioned that one of the aims for improving performance, especially in the Libyan industrial companies, ought to be the conditions and rules of financial support sources; they need some changes so that companies can easily access them.

Additionally, another two respondents mentioned that their companies must produce goods suitable for the Libyan citizen, in order to fit with the culture of that citizen and the society in which they live, including the habits, traditions and religion.

## **7.2. Summary:**

In this chapter the analysis of the qualitative data obtained through semi-structured interviews with managers and their interpretation has been presented. It was developed as a way to inform and support the quantitative data analysis phase in chapter six. Core themes (intelligence generation, intelligence dissemination, responsiveness and business performance) are covered in this part of the thesis. In addition, the results help in interpreting and extracting meanings from the output of the quantitative data analysis phase discussed in the previous chapter.

In chapter six the same was done with the quantitative data analysis. This researcher intended to be able, by combining the results from both the quantitative analysis of the questionnaire completed by managers, with the results of the qualitative data analysis from the interview with managers, to triangulate these findings and answer both the research question and prove or disprove the hypotheses. In the next chapter of this thesis this researcher will discuss the results of analysis from both sets of data and by reference to the literature reviewed make a case for or against the theory that was originally stated.

## **Chapter Eight**

### **Discussion of the results**

#### **8.0- Introduction:**

Over the last few years as the pressures of globalisation have intensified competition in product and labour markets, there has been a much stronger emphasis placed on the need for greater efficiency and productivity. It has as caused a reduction in trade barriers between countries, the deregulation of markets, increased privatisation and the ending of many state run monopolies Holman et al, (2003). In this research the intention was to investigate the market orientation (MO) construct/culture and philosophy of companies and its effects on company performance with particular reference to a Libyan perspective. There is a continuing argument among marketing commentators that MO revolves around whether it is either a cultural matter, a philosophy to be taken on, or a set of behaviours which, if introduced by an organisation, would be of benefit to customers as well as the organisation itself. Many believe that any organisation which becomes market-oriented is one that successfully applies the marketing concept. In the literature review for this research it was discovered that MO is not only considered as a philosophy but also as a culture, which requires companies to adopt a customer orientation and implement total integration of effort with defined organisational objectives.

Therefore this research have been identified MO by considering the three broad business activities inherent in it, proposed by Kohli and Jaworski, (1990) intelligence generation, dissemination and responsiveness, but also by considering in the literature review the behavioural components suggested by Narver and Slater, (1990) as well as the two company decision criteria, which they include in their model of market orientation. Barriers that may arise to impede organisations adopting MO are also identified and

particular attention was paid to the various market orientation perspectives. This was because this research is particularly focused on the business performances relationship with MO. Therefore the short or long term, financial and organisational benefits of performance measurement were also considered. Additionally an organisations ability to achieve the objectives set out by the management, its profit margins and market share as well as its return on investment, needed to be investigated. The market orientation-business performance link is highlighted as are the effects that market turbulence, technological turbulence, competitive intensity and the performance of a country's economy can have on the market orientation culture within an organisation. Because business performance in transitional economies is of particular interest to this researcher, as is the possible impact of culture on business performance.

The review of the literature on MO suggested that its implementation by any organisation will provide a worthwhile benefit, namely improved business performance. However there are also additional benefits which can occur as a result of the introduction of a 'learning orientation'. These benefits include increased employee motivation and feelings of 'belongingness' which are both particularly important to small newly privatised organisations, which may be short of adequately trained personnel. Any improvement in employee motivation and commitment are important human characteristics that increase job satisfaction in all organisations. But in some particularly larger or older organisations, which are now being transformed into new privatised organisational structures, there may be a reluctance to change and implement MO because of their lack of inertia or their culture of bureaucratisation. This fact and the interaction of both external environment and internal capabilities and their effect on MO were considered from the Arab/Libyan perspective as was the performance of Libya's national economy and its impact on MO.

The review of the literature for Chapters Two, Three and Four allowed a number of research questions to be created which included:

1. Does a significant relationship exist between large Libyan manufacturing firm's business performance and its degree of market orientation?
2. What is the current level of market orientation within large Libyan manufacturing firms?
3. Is there evidence that the level of market orientation varies between sectors?

However in order to answer these questions a number of objectives had to be achieved, the research process started by this researcher intended;

1. To determine if a significant relationship exists between a firm's level of MO and its perceived business performance, the literature reviewed in chapter two, suggests that there should be.
2. To assess the current level of MO within larger Libyan manufacturing companies, the survey conducted on the opinions of Libyan managers provide this.
3. To evaluate if large Libyan manufacturing companies in a number of different sectors displayed variable levels of MO, a comparison of results across Libyan businesses clarified this.
4. To provide recommendations as to how large Libyan manufacturing companies can improve their business performance via enhanced MO, the conclusions drawn from this study when compared with the literature reviewed provided these.

In order to prove or disprove the questions postulated a number of hypotheses were created to be tested:

**H1 (a):** There is a significant relationship between market orientation and perceived business performance.

**H1 (b):** The significance of the relationship between business performance and market orientation varies between sectors.

**H2 (a):** The distribution of market orientation scores for large Libyan manufacturing firms will be negatively skewed.

**H2 (b):** The distribution of market orientation scores for large Libyan manufacturing firms will vary between sectors.

The method chosen to address the research questions and supply data in order for the hypotheses to be tested was to assess the current level of market orientation within large Libyan manufacturing companies by conducting an opinion survey of Libyan managers who have some involvement in marketing. This researcher intends to draw various conclusions and then provide recommendations as to how Libyan enterprises could improve their business performance via enhanced market orientation.

In this research a number of Libyan manufacturing companies were surveyed and then results from the data collected were analysed using a variety of tests, these findings were then triangulated and a number of subsequent questions were created with information to produce a subsequent interview schedule for some of the questionnaire respondents. In the initial part of the survey two questionnaires were distributed to each company surveyed, in total 112 questionnaires were completed, both by the General Manager or his Deputy, and by the Director of Marketing or his Deputy. The research variables included in the questionnaire were divided into four sets relating to: intelligence generation, intelligence dissemination, responsiveness and business performance. The results from the quantitative analysis of the questionnaire data were presented in the tables in Chapter Six. By combining the results from both the quantitative analysis of the questionnaire completed by managers, with the results of the qualitative data analysis from the subsequent interviews

with some of those managers, it was possible to triangulate these findings and answer both the research question and prove or disprove the hypotheses.

### **8.1- The relationship between MO and perceived business performance:**

Having a market orientation on its own, might not be enough for most organisations but it is at least, the start of a much deeper process that may make it worthwhile if it alters business performance. Many academics and marketing practitioners have found that defining and measuring, business performance is difficult, which has resulted in the concept having remained a problematic issue in business research (Fahy, et al., 2000).

The first hypothesis to be tested for this research was H1 (a) (b).

**H1 (a): There is a significant relationship between market orientation and perceived business performance.**

**H1 (b): The significance of the relationship between business performance and market orientation varies between sectors.**

As was previously mentioned, the complex nature of MO, which comprises a set of components, requires that each of these should be considered as potential influences on performance along with an overall measure of the extent of MO within a business. Moreover, the effects of these variables need to be evaluated in terms of their impact on business performance. As was mentioned in the literature reviewed many writers such as Kohli and Jaworski, (1990); Narver and Slater, (1990); Hart and Diamantopoulos, (1993); Greenley, (1995a, 1995b), and Siguaw and Diamantopoulos, (1995) have tested, developed, and refined the early market orientation scales to create useful tools for measuring the degree of market orientation Western firms exhibit.

MO has also been described as being composed of three sets of activities: 'organization-wide generating, disseminating and responding to market intelligence', (Gao and Bradley,



2007, p. 81). Although traditionally, customers have been considered to be the primary focus of a market orientation, (Heiens, 2000), 'some researchers have begun to embrace a broader perspective on the MO construct by including exogenous factors that influence customer needs, such as competitors and even government regulation' (Heiens, 2000, p. 1). This perspective can also be reinforced by an organisation having 'superior capabilities in marketing which give the firm the ability to generate and act on information about competitor actions and reactions,' (Vorhies et al., 1999, p. 1172). By generating knowledge about competitors and customers needs, then applying it to deliver superior customer value an organisation will gain a competitive advantage and achieve better performance than its less capable competition, (Vorhies et al., 1999). According to Heiens (2000, p. 1) 'the number and power of competitors could strongly affect the focus of the intelligence gathering activity', while, 'an unbalanced focus on competitors also, is not desirable, because exclusive attention on the competition can lead to the neglect of the exigencies of customers', (Han et al., 1998, p. 34). There is therefore a need for organisations to mix a customer and competitor orientation to maintain a competitive advantage in the marketplace. This is consistent with Narver and Slater's (1990) equal weighting of market orientation's core components. Such a focus on, 'both customers and competitors is important because a complete reliance on either customer-focused or competitor-focused decision making can often lead to an incomplete business strategy, leaving an organization handicapped by a reactive posture,' (Heiens, 2000, p. 2).

#### **8.1.1- Intelligence Generation Results:**

The conceptualisations of MO were dominated by theories from two main sets of researchers; the first theory was suggested by Kohli and Jaworski, (1990) and is an information-based conceptualisation, where MO is seen as the collection, dissemination and response of a company to intelligence about the market. This market intelligence refers to

any data gathered not only about customers, but also about the organisations' competitors and other constituencies. Therefore questions asked of respondents in this survey were intended to investigate the number of times meetings are held with customers to find out what products or services they will need in the future. The steps taken to interact directly with customers to learn how to serve them better and the market research which is carried out in-house and the speed with which any changes in customer preferences are acted upon were also investigated at the companies surveyed. The use of polls to survey end users regularly in order to assess their views about the quality of products and services, as well as meetings with other agencies who can influence the end users' purchases (e.g. retailers, distributors) were also highlighted. Additionally respondents were also asked questions regarding the collection of industry information through informal means (e.g. lunch with industry friends, talks with trade partners) and whether or not intelligence which was gathered regarding competitors was generated independently by several departments. Furthermore each companies' ability to detect fundamental shifts in their industry (e.g. competition, technology, regulation) and the regularity of any review into the likely effect of changes in the business environment (e.g., regulation) and the results of such changes on customers were also considered for this study.

The external environment in Libya was also investigated as respondents to the survey were asked questions regarding the frequency with which they collected and evaluated newly developed general macro-economic information (e.g., interest rate, exchange rate, GDP, industry growth rate, inflation rate). As well as if they maintained contacts with government officials and other regulatory bodies in order to collect and evaluate pertinent information, particularly information concerning general social trends (e.g. environmental consciousness, emerging lifestyles) that might affect their business, or about various aspects of their business (e.g., manufacturing process, industry practices, and clientele).

Finally respondents were asked about the numbers of people within their company charged with intelligence generation.

Quantitative analysis of data collected from the survey questionnaire was carried out to discover if there was a significant difference between the General Manager of the company, Assistant General Manager of the company, Director of Marketing management, Assistant Director of Marketing Management and Head of Marketing department in their attitudes to market orientation. The areas of investigation were set out in Fig (5.2).

In general, all of the results from the comparison between those groups (General Manager of the company; Assistant General Manager of the company; Director of Marketing management; Assistant Director of Marketing management and Head of Marketing department) using evidence from the Kruskal Wallis carried out, indicate no significant differences between the groups in market orientation and business performance. There are also no differences in their views regarding, “components of the market orientation and business performance” in their companies. As a result there was general agreement between these groups regarding the components of the market orientation and business performance, thus it is possible to merge the two groups, and in this research no comparison is made between them; they can be used as a single group.

There are also no differences in their views regarding, “components of the market orientation and business performance” between managers who responded to the questionnaire and interviews. It has been shown that the managers who responded in the questionnaire tended to agree or strongly agree about components of the market orientation or business performance, their answers were almost similar in the interviews with them, there was a sense that they tend to approve this item.

The results of the answers for the items regarding variable intelligence generation, the tests were expected to highlight significant differences between the groups of respondents

regarding collecting industry information by informal means (e.g., industry friends), a number of respondents did feel strongly about the fact that, their company polled end users at least once a year to assess the quality of products and services provided. Furthermore some agreed to some extent that their company maintained contacts with officials of government and regulatory bodies in order to collect and evaluate pertinent information. Of additional interest was the fact that a significant number of respondents questioned agreed or strongly agreed that their company met with customers at least once a year to find out what products or services they might need in the future. On the other hand, the data analysed indicated that there were many respondents who tended to disagree or strongly disagree (59.8% and 20.5% respectively), and felt that, it was not the case that individuals from their manufacturing department interacted directly with customers to learn how to serve them better. Finally there were also respondents who expressed a belief that their companies did not spend time with their suppliers to learn more about various aspects of their business. For more details about the respondents' answers for intelligence generation variable, this is presented in chapter six.

An important objective of the research was to determine if there exists a significant relationship between a firm's level of market orientation and its perceived business performance.

The results from both correlation and multiple regression tests could be integrated as the correlation test describes the relationship between each two variables only and the multiple regression tests describe the relationship between dependent variable and all the independent variables. Therefore, the use of both correlation and multiple regression models in this study seems to fit its objective and hypothesis H1 (a, b).

According to (Narver and Slater, 1990; Jaworski and Kohli, 1993; Wong and Saunders, 1993; Pitt et al., 1996; Selnes et al., 1996) and others, market orientation is linked to

performance, in other words, there exists a positive association between market orientation and business performance and this is supported by the findings from chapter six (see sub-section 6.6.1). The results of this analysis show that the variable intelligence generation was statistically significant and positively correlated with the business performance at the 0.01 level. The moderate and direction of this association ( $r = 0.461$ ) and results of the multiple regression analysis are given in chapter six (see sub-section 6.8.1). These results show the impact of market orientation (intelligence generation) on business performance but this was not as statistically significant as ( $B = 0.091, p > .05$ ).

In addition, with regard to industrial sectors the results from correlation analysis showed a positive correlation exists between intelligence generation as the component of market orientation and business performance in the Chemical Industries Sector and the Textile and Furniture Industry Sector (see tables 6.10 and 6.15). Specially, there was a significant correlation between intelligence generation and business performance as ( $r = 0.508, r = 0.638$ ) respectively and ( $p < 0.01$ ). A positive but non significant relationship was found between intelligence generation and business performance in the Electrical and Engineering Industry Sector, Building Materials Industry Sector and Food Industry Sector as ( $r = 0.451, r = 0.466$  and  $r = 0.317$ ) respectively (see tables 6.11; 6.13 and 6.14). Furthermore, there was a weak relationship between intelligence generation and business performance in Metal Industry Sector as ( $r = 0.200$ , see table 6.12).

The findings related to the regression analysis show that the intelligence generation had a positive and significant effect on business performance in the Chemical Industry Sector, while there was a positive but non significant effect intelligence generation on business performance in Electrical and Engineering Industry Sector, Metal Industry Sector and the Textile and Furniture Industry Sector. However, there was a negative and non-significant

effect of intelligence generation on business performance in the Building Materials Industry Sector and Food Industry Sector (see chapter six).

Furthermore, in chapter seven the suggestion by managers interviewed that there is a system in place to collect market intelligence in the companies was investigated. The qualitative results from this study show that all of the interviewees concurred that there is a system to collect market intelligence in each of their companies. Although this indicates the fact that all the companies are interested in understanding customer needs, the answers from respondents were focused into two trends. There was a large group of respondents to this study who agreed that they always used this system at least once a year because the process of collecting market information was important for the company, there are many reasons highlighted showing that this process is important for managers. In those companies surveyed who are subject to competition managers also feel the importance of collecting market information and point out the particular need for this process focuses on decisions concerning prices, quality of products produced by competitors, services provided by competitors, demand for products, distributors and the appropriate products for the consumers. In addition, the results of this research indicate that those companies surveyed have an awareness of the importance of the process of collecting market information and its positive benefit on the company's performance. Generally results for this study indicated that the process of collecting market intelligence is important for the majority of the managers. The interview participants not only discussed a system to collect market intelligence, but also the importance of information to create market intelligence. All answers pointed toward the fact that this process is important to other employees. This means those managers feel this process is important for other employees in order to show them what is happening in the market and to understand the market, and to determine and specify customers' current and future needs. They also feel that the process will help

employees perform their jobs adequately for the needs of the market. It is also important to recognize the means used to communicate this information to those employees. Moreover, from the results gathered for this study it seems that there are many developed techniques that enable managers to communicate the importance of this process to employees such as daily or monthly bulletins through reports, and periodicals distributed to employees. Some of the companies hold regular meetings with managers and employees as a means of communicating the importance of this process, and they include developments and the most important indicators of the market as a method of identifying customers' current and future needs. However, in some companies the participants noted that there are no specific steps for this purpose despite their awareness of its importance, but in practice Heads of Departments do go through guidance and instructions to employees. Some managers simply requested that employees report to them about the performance of their work then discussed this and tried to persuade them of the importance of an appropriate market.

In the interview conducted to gather qualitative data for this research the questions asked were concerned with whether the companies sampled conducted surveys to determine customers' current and future needs. Moreover, as market oriented companies have been noted to be more knowledgeable about customers and competitors, any organisation which declares itself to be market-oriented, should take this area into account. The literature indicates that to be market-oriented, management should hold regular meetings with customers and others in the supply chain to discover their current and future needs, and how the organisation can better serve those needs.

During the survey and discussion with the interviewees, for this research, about whether their company conducted surveys to determine customers' current and future needs, insights were given into intelligence generation of the customers in Libyan manufacturing companies. This study showed that the method of generating intelligence is necessarily

different than in a developed country because of the culture, social, political and economical differences in the country. The results revealed that less than half of the companies sampled conduct surveys to determine customers' current and future needs. Managers questioned did however have varying opinions, about this topic. There was one of the respondents who indicated that they do generate intelligence but only when the company wants to produce a new product, they did this survey to ensure the success of the product, while there were two of those managers who responded who indicated that their companies started to use this process only recently due to an increase of competition. Other respondents stated that these surveys are carried out on their behalf by delegates of the company in the market, or they had their own research department that conducts this kind of survey for the company. There were five of the respondents questioned who agreed that their companies have conducted surveys to determine customers' current and future needs. The results from this study indicate that the survey as a research tool, has been used by some companies as a means of identifying the customers' current and future needs, in fact at one organisation experts were employed to design the survey in order to provide useful results for the company such as determining the quality of products and quantities required by consumers. In others there was a dependence on the opinions of customers, they encouraged customers' comments and complaints then they took corrective actions on the basis of complaints, as these helped them to improve their work output. Furthermore, one of the respondents mentioned that their company communicates directly with consumers, thereby using their sales force to learn about their attitudes regarding product, prices and quality of products and services associated with goods in comparison with competitors. Additionally, some companies survey both the intermediaries and end users and in one organisation the company carried out a survey before it produced a new product. Respondents from several companies sampled indicated that they survey their



intermediaries more often than their end users; this happens once a year while their intermediaries are surveyed at least twice or three times a year.

However almost half of the respondents questioned held different views, some indicated that their company does not have a formal survey procedure; rather, information is gathered informally. Clearly the survey method, for the collection of market intelligence, is not a very important tool for those companies due to the fact that they are able to obtain information about the market, consumers and competitors through other informal means, such as friends in the industry, officials of government and regulatory bodies as well as from other companies' managers in the same sector. It was also pointed out by these respondents that the experience of managers plays a significant role in identifying and determining customers' current and future needs. This is due to their having dealt with the same market over a long period of time as well as having an understanding of the nature of the social changes that people have with their environment, society, lifestyles, relationship with family and people around them. Subsequently some Libyan managers interviewed felt this process of surveying was not important for them, as they felt they could achieve their goals and develop future plans through the collection of informal information. However, such an ad hoc system of information gathering might leave room for some mistakes, as it is based on the opinions and beliefs of managers, and is not formally collected from consumers and intermediaries. Consequently, these findings may provide some justification for the claims of managers interviewed that there is a link between MO (intelligence generation) with business performance.

On the other hand, there are some theorists (see e.g., Slater and Narver, 1993; Greenley, 1995b; Liu, 1995) who argue that the link between market orientation and performance is not universal. This is supported by the findings from chapter 6 (see sub-section 6.6.2.3) there was a weak relationship for the component of market orientation (intelligence

generation) with business performance as ( $r = 0.200$ ) in the Metal Industry Sector. Also results of the multiple regression analysis are given in chapter six (see sub-section 6.8.2.4), the impact of the variable intelligence generation on business performance was negative and not statistically significant in Building Materials Industry Sector as ( $B = -0.899$ ,  $p > .05$ ).

In addition, the findings showed a trend in responses from some of the managers surveyed toward a belief that in their particular type of company the system to collect market intelligence is unspecified. This was due to the fact that monopolist production in some companies in the Libyan market causes these companies to be uninterested in the process of collecting market intelligence. Therefore, they do not conduct market research to determine the quality and quantity of products required and customers' current and future needs. This indicates a lack of interest in, and awareness of, the importance achieved by such market research or any system to collect market intelligence on the part of these companies. Also it would lead to increased costs for the company with no apparent benefits. Some companies also rely on other parties to exercise the process of collecting market intelligence on their behalf, for example, the People's Committee of the sector and the General Authority for Standardization, in order to determine the quality of products produced and their quantities as well as customers' current and future needs. Finally there are respondents in four of the organisations surveyed who indicated that their companies do not implement the survey process, because the demand for their products is clear, they are convinced of the futility of such surveys and point out that their organisations are not faced with the problems of marketing. This is because these companies are monopolies; therefore, there is no perceived need to carry out a survey because demand for their products is strong and clear. Consequently, they consider that the survey process is not necessary and would simply be an additional cost. Furthermore the respondents from of the companies sampled pointed out

that they do not have the necessary flexibility in production lines, and so would not find it easy to adapt to the needs and wishes of customers.

#### **8.1.2- Intelligence Dissemination Results:**

The literature reviewed for this study shows that despite the particular perspective of MO adopted by an organisation, the need for the company to understand its customers, meet their needs now, as well as in the future and create value for them, as well as put their interests first, is clearly put forth in the various definitions of MO. Another major emphasis in the conceptualisations of MO is the importance of information gathered within the organisation itself, because the truly market driven organisation is one which acquires and utilises information on all the important influencing factors that affect the buyers of its products. Supporters of both conceptualisations in the literature reviewed agree that the organisation also needs to understand the strengths and weaknesses of its competitors through market intelligence, (Lafferty et al., 2001). In the Kohli and Jaworski, (1990) conceptualisation they specify that market intelligence requires organisations to monitor their competitors' actions in order to determine the effect of these actions on consumers. Whereas Narver and Slater, (1990) considered competitor orientation to be just as important as customer orientation in their conceptualisation and indicated that information gathering is equally important in both areas. There was also agreement between the supporters of the two main groups as to the importance of inter-functional coordination in the dissemination of information within the organisation.

The literature review served to highlight the serious advantages and benefits for organisations in, 'identifying explicitly market orientation activities,' (Balabanis et al., 1997) and the conceptualisation of market orientation proposed by Kohli and Jaworski, (1990) is more appropriate in this context, as it presents certain advantages, over that offered by Narver and Slater, (1990). The MO activities conceptualisation focuses more

specifically on market intelligence rather than narrowly defined customer intelligence, it emphasised specific inter-functional co-ordination operations based on collected intelligence and then highlighted activities related to intelligence rather than its effects. However Kohli and Jaworski's (1990) findings led them to strongly suggest that the generation of intelligence cannot simply be left as the responsibility of the marketing department alone, as it is generated throughout the departments within any organisation and therefore mechanisms must be put in place for the intelligence generated at one location to be disseminated effectively to other parts of an organisation. They also pointed out that, market orientation refers to the organisation wide generation of market intelligence pertaining to current and future needs of customers, dissemination of intelligence within the organisation, and responsiveness to it. In their opinion there are three main features of this integrated view; the first is that the organisation has to adopt a wider focus on market intelligence rather than customer intelligence, next there is a need for an emphasis on a specific form of inter-functional coordination with respect to market intelligence and finally a much stronger focus on those activities which relate to the processing of intelligence gathered instead of just the possible effects of these activities.

According to (Kara et al., 2004 and Armario et al., 2008) the organisation that wishes to practice effective market orientation has to implement decision support systems, marketing information systems, strategic information systems and other market research activities. However, the dissemination of the intelligence which is gathered across company departments is required in the pursuit of such an orientation and will allow a shared basis for concerted actions by different departments. In the third part of the interview conducted to gather qualitative data for this research the questions asked were concerned with whether the companies sampled conducted surveys to determine customers' current and future needs. Moreover, as market oriented companies have been noted to be more knowledgeable

about customers and competitors, any organisation which declares itself to be market-oriented, should take this area into account. The literature indicates that to be market-oriented, management should hold regular meetings with customers and others in the supply chain to discover their current and future needs, and how the organisation can better serve those needs.

In this research some questions were asked of respondents in the survey regarding variable intelligence dissemination. Those questions were related to the formal or informal nature of the discussions that take place regarding competitors' tactics or strategies. Also investigated was the regularity with which interdepartmental meetings are held to discuss market trends and developments and the amount of time spent by marketing people in the business unit discussing customers' future needs with other functional departments. Respondents were also asked about the circulation of documents (e.g., reports, newsletters) that provide information about customers. As well as the speed with which information regarding any important change in a market or in customer preference is communicated to the whole business.

Additionally this researcher wanted to know to what extent data on customer satisfaction are disseminated to all levels in the business on a regular basis. Therefore at an inter-departmental level respondents were asked to comment on the level of communication that exists between marketing and manufacturing departments concerning market developments. As well as the speed with which important information gathered about competitors is made available to other departments. Those managers questioned were also asked about the regularity of cross-functional meetings to discuss market trends and developments (e.g., customers, competition, suppliers) or to keep up to date with regard to regulatory requirements. Finally the respondents were asked to comment on the amount of time technical people in their company spend sharing information about technology for new

products with other departments as well as the alacrity with which market information spreads through all levels in their company.

It is apparent from the results gathered for this research report that the vast majority of managers questioned agreed or strongly agreed that, interdepartmental meetings were held at least once a quarter to discuss market trends and developments. Additionally the vast majority of respondents emphasised the fact that their companies' have cross-functional meetings very often to discuss market trends and developments (e.g., customers, competition, suppliers). However, there was also a consensus between the respondents who disagreed or strongly disagreed that their companies only periodically circulates documents (e.g., reports, newsletters) that provide information on customers, or that data on customer satisfaction are disseminated at all levels in their business on a regular basis. For more details about the respondent's answers for intelligence dissemination variable, this is presented in chapter six.

According to Wang et al, (2009), a firm's market orientation is positively related to its performance. This is supported by the findings from chapter six (see sub-section 6.6.1).

The results of this analysis show that there was also a positive relationship between intelligence dissemination and business performance. And the variable intelligence dissemination was also significantly correlated with the business performance at the 0.01 level. The strength and direction of this association was ( $r = 0.539$ ). Additionally, in order to support this result the researcher carried out regression analysis of the reality of data derived from the Libyan industrial companies under consideration in chapter six (see sub-section 6.8.1). These results of the regression analysis for this research show a significant model emerged and there was also a positive impact relationship between intelligence dissemination and business performance, yet the result was not statistically significant as ( $B = 0.100, p > .05$ ). In addition, with regard to industrial sectors the results from correlation

analysis showed a statistical significance and positive relation to the business performance in the Food Industry Sector and the Textile and Furniture Industry Sector, see tables (6.14) and (6.15). While there was also a slightly significant and positive correlation between intelligence dissemination and business performance in the Building Materials Industry Sector, Electrical and Engineering industry sector and the Chemical industry sector at the 0.05 level. The strength and direction of this association is ( $r = 0.671$ ,  $r = 0.582$  and  $r = 0.361$ ) respectively, see tables (6.13); (6.11) and (6.10). Furthermore, there was a weak relationship between intelligence generation and business performance in Metal Industry Sector as ( $r = 0.290$ , see table 6.12).

In addition, the findings related to the regression analysis show that the intelligence dissemination had a positive and significant effect on business performance in the Food Industry Sector (see sub-section 6.8.2.5). While there were positive but non significant effect intelligence dissemination on business performance in Electrical and Engineering Industry Sector, Metal Industry Sector, Building Materials Industry Sector and the Textile and Furniture Industry Sector, However, the impact of the variable intelligence dissemination was negative and not statistically significant in the Chemical Industry Sector (see chapter six).

In addition, in chapter seven managers interviewed suggested that all respondents from the fifteen companies indicated that they have interdepartmental meetings in their companies. In most of the companies inter-departmental meetings are held at least once a month, in others however they happened only every three months, while two of them additionally have regular meetings by the Board of Directors which meets at least once a month. Additionally, some felt that meetings have been called for certain emergency circumstances, in some cases when something important happens to a major customer or market, which requires some change in the company's policies. Finally, two of the

respondents indicated that there is no specific date for departments meetings in their companies, such meetings are arranged as and when they are needed. All managers in the company are informed in advance of the date of such meetings. Moreover, the majority of respondents indicated that they discuss customers' current and future needs and market trends within their company, in particular, the customers' needs, prices, competitors, product quality, changes in demand for their products, and dealings with intermediaries. In addition, they also discuss financial matters and the business of the other departments in their companies such as production management and human resource management. With regard to sharing information between various departments there were eight of the respondents who mentioned that they share information regarding customers and the factors affecting customers among the various responsible departments. The sharing of such information was typically achieved through the reading of reports at official meetings, posting information on the notice board, and circulating letters to the relevant departments. Customers' current and future needs and market trends and developments were usually shared through informal means such as the telephone communications and meetings outside of the company (e.g., houses and coffee shops). A small number of respondents suggested that they also rely on the personal experience of managers in their companies, especially for information regarding the market. In general formal and informal meetings are used as a means to share information regarding customers, competitors and market requirements. In addition, in the survey of Libyan manufacturing companies for this research it became apparent that there are several methods used by these companies to benefit from this information that is collected through their surveys, of either consumers or intermediaries. Two of the respondents indicated that this is done through periodic meetings between the managers and heads of departments in their companies. The primary aim of these meetings was to discuss the information gathered and benefit from it. In a few of the Libyan



manufacturing companies surveyed it was revealed by respondents that the Computer Section in their organisation issued survey forms to consumers or intermediaries. Information gathered was sorted, analysed and then the results were produced in the form of a report which was then distributed to all departments. Such reports contained some of the indicators such as prices of competitors, specifications required of the goods and the rate of demand for goods. This method, used by a number of the companies sampled, is good because these companies would benefit from modern technology enabling them to reduce the time and effort required to collect, collate and analyse market intelligence, additionally as well as the information would hopefully be more accurate. In two other of the companies surveyed for this research it appears that there are Committees which consist of a group of managers and staff with expertise in statistics and marketing, who are responsible and undertake the sorting and analysis of surveys received from consumers or intermediaries then send them to the various managers in the company.

On the other hand, there are some theorists (see e.g., Greenley, 1995b; Au and Tse, 1995) who argue that the link between market orientation and performance is a weak association. This is supported by the findings from chapter 6 (see sub-section 6.6.2.3), there was a weak positive relationship between intelligence dissemination and business performance in the Metal industry sector as ( $r = 0.290$ ) but non significant as ( $p > 0.05$ ). Also Grewal & Tansuhaj, (2001) found that MO has a negative influence on firm performance after crisis. This is supported by the findings, see table (6.18), the variable intelligence dissemination was negative and not statistically significant on business performance in the Chemical Industry Sector.

Furthermore, in chapter seven, managers interviewed suggested that there were respondents from two companies who mentioned that there were no specific techniques for the exchange and sharing of information regarding the customers' current and future needs,

apart from the process of the discussions that occur within official meetings. Based on these results it is evident that there are differences between companies sampled with regard to the methods used to disseminate intelligence. In addition, in the monopoly companies, they usually only discuss in their meetings the production lines and development of production processes and increasing working hours in order to increase production volumes. But they do not discuss customers' current and future needs and market trends within their meetings.

### **8.1.3- Responsiveness Results:**

Although the inter-functional co-ordination component of MO as cited by Narver and Slater, (1990) is gratefully accepted by many, there is an alternative view from Wooldridge and Minsky, (2002) who see the responsiveness component of a market orientation, as a coordination of personnel and other resources from all over the business to create value for buyers. This kind of coordination is of particular importance to any organisation wishing to develop a competitive advantage. This view of inter-functional co-ordination being important, both to value for customers and in developing competitive advantage, is supported by Lafferty et al., (2001) who concluded that such a coordinated integration of business resources is also closely linked to customer and competitor orientation.

Now after several decades of interest in the marketing concept, there are indications that practitioners are acknowledging the responsibility of a market orientation within a company, reaching beyond the scope of the marketing department alone, (Tajeddini et al., 2006). It is even more important and no longer sufficient that in any company, just some of the departments are aware of market intelligence. The existence of a much more competitive environment means that there is a much greater need for a coordinated effort among various functions, which should be instrumental in the organisations' responsiveness to customer needs. The common goal of every organisation should be to acquire superior performance, this will only come about by creating a sustainable

competitive advantage, (Langerak, 2003), but this advantage can only be achieved by first of all, ensuring superior value for customers.

The review of the literature revealed that there is now a much more competitive environment in Libya and therefore a much greater need for a coordinated effort among various functions, which should be instrumental in the organisations' responsiveness to customer needs. This means that, as functions are integrated across departments in an organisation, the problem-solving capabilities potentially are enhanced by employees working toward the common goal, (Tajeddini et al., 2006, p. 536). This common goal is for an organisation to acquire superior performance but will only come about by creating a sustainable competitive advantage, Langerak (2003), however this can only be achieved by ensuring superior value for customers. Kohli and Jaworski's, (1990) findings led them to suggest that the generation of such intelligence regarding customer needs cannot be left to the marketing department alone, as it is generated throughout the various departments within any organisation and therefore mechanisms must be put in place for the intelligence generated at one location to be disseminated effectively to other parts of an organisation. Furthermore according to Jaworski and Kohli, (1993) it is because the needs of customers change over time that, delivering consistently high-quality products and services requires ongoing tracking and responsiveness to changing marketplace needs, i.e., being market-oriented.

In 1990 Jaworski and Kohli defined 'responsiveness' as that action which is taken, as a response to the market intelligence that has been generated and then disseminated. However the responsiveness component was redefined in 1993, as being a composite of response design and response implementation, (Jaworski and Kohli, 1993). Response design involved using the market intelligence to develop plans, while response implementation was the execution of those plans. The whole point of responsiveness is for

an organisation to react to the changing needs of customers over time, as a consequence there may be a need for the introduction of new products and services as a response to evolving customer needs and expectations, (Jaworski and Kohli, 1993). This final component of Kohli and Jaworski's conceptualisation of marketing orientation, is not represented in Narver and Slater's work, but must be recognised as a key issue in its implementation. The significant importance of responsiveness was made clear by the emphasis placed on it in Kohli and Jaworski's data collection tool (MARKOR) used to measure an organisations' market orientation.

Questions of particular interest concerned the nature of the product lines they sell and the dependence of decisions in this area relying more on internal politics than real market needs, as well as the coordination of the activities of the different departments in their business and the seriousness of their response to customer complaints. The respondents were also asked about the alacrity with which they take corrective action when it becomes apparent that customers are unhappy with the quality of their organisations' service. As well as when it becomes apparent that customers' would like a modification to a product or service, additionally departments involved efforts to do so are also investigated. Finally they were asked to comment on the way in which a marketing plan for the company would be implemented. The companies' external responsiveness was investigated in questions relating to the speed with which they start business with new suppliers even though they think they are better than existing ones. As well as their immediacy in responding to a major competitor launching, an intensive campaign targeted at their customers or introducing significant changes in their pricing structures. Additionally their companies' response and speed of action to changes in regulatory policy compared with competitors and their response to accusations by special interest groups, who publicly expressed the

opinion that harmful business practices were being used by the company, were also investigated.

The questions asked of respondents in this part of the survey were intended to investigate the length of time it takes management to decide how to respond to their competitors' price changes as well as their understanding of the principles of market segmentation to drive new product development efforts in the company. Additionally they were asked questions in order to discover the level of their awareness concerning changes in customers' product or service needs. To this end managers were asked how often they review their product development efforts to ensure that they are in line with what their customers' wishes. These managers were also questioned about their business plans and whether or not they are driven more by technological advances than by market research and how often departments get together to plan a response to changes taking place in their business environment.

The responses from the managers at the Libyan manufacturing companies' surveyed indicated that there was a general trend toward agreement, to some extent, by those questioned about the statements put to them, about their belief that "customer complaints fall on deaf ears in their companies". Additionally they also agreed or strongly agreed about the fact that, "It takes us forever to decide how to respond to our competitors' price changes" the relatively high mean score of respondents in these Libyan companies surveyed suggests that, "When we find out that customers are unhappy with the quality of our service, we take corrective action immediately". However, although there are some positive answers there are also many negative aspects in these companies. There were some respondents who disagreed to some extent with the idea that, "the principles of market segmentation drives new product development efforts in this company", and also about "our business plans are driven more by technological advances than by market research".

For more details about the respondents' answers for responsiveness variable, this is presented in chapter six.

Gray et al., (1998) found that inter-functional co-ordination / information sharing was the variable with the strongest correlation with company performance. Also Subramanian et al., (2009) support the positive influence of market orientation on business performance. This is supported by the findings from chapter six (see sub-section 6.6.1).

The results of this analysis are showed that there was also a positive relationship between responsiveness and business performance. And the variable responsiveness was also significantly correlated with the business performance at the 0.01 level. The strength and direction of this association is ( $r = 0.593$ ). It is clear that the responsiveness was higher than for the other two variables, namely, intelligence generation and intelligence dissemination. Additionally, the results of the regression analysis for this research show a significant model emerging and there was also a positive relationship between responsiveness and business performance, and only responsiveness was statistically significant as ( $B = 0.360$ ,  $p < .01$ ). Therefore, hypothesis H1 is supported, indicating that this component of the market orientation (responsiveness) is associated with business performance.

With regard to industrial sectors the results from correlation analysis showed there was statistical significance and a positive relation to the business performance in the Textile and Furniture Industry Sector, Food Industry Sector and Electrical and Engineering Industry Sector as ( $p < 0.01$ ) and ( $r = 0.873$ ,  $r = 0.749$  and  $r = 0.720$ ) respectively see tables (6.15); (6.14) and (6.11). Also there was a positive and slight significance between responsiveness and business performance in the Chemical Industry Sector as ( $p < 0.05$ ) and ( $r = 0.435$ ) see table (6.10). Furthermore, there was a positive relationship between responsiveness and business performance in the Building Materials Industry Sector and the Metal Industry

Sector as ( $r = 0.569$  and  $r = 0.429$ ) but not significant as ( $p > 0.05$ ) see tables (6.13) and (6.12).

In addition, the findings related to the regression analysis show that the responsiveness had a positive and significant effect on business performance in the Textile and Furniture Industry Sector (see sub-section 6.8.2.6). While there was a positive but non significant effect of responsiveness on business performance in Electrical and Engineering Industry Sector, Building Materials Industry Sector and Food Industry Sector see tables (6.19); (6.21) and (6.22) However, the impact of the variable responsiveness was negative and not statistically significant in the Chemical and Metal industry sectors, see tables (6.18) and (6.20).

Managers interviewed suggested that all of the interviewees feel that the internal environment of their companies has an effect on the responsiveness to market intelligence. The majority of respondents mentioned that there were certain changes required such as changes in the plans and policies, especially regarding prices and quality products. It may also require some changes in the production lines to keep up with the preferences and wishes of the customer. Additionally another one of the respondents added that employees at all levels would require training in order to increase their capacity to respond to changes that might occur in the market. While four of the respondents confirmed that the increase in the level of response requires integration and coordination between all departments in the company in addition to advanced technology. Moreover, six of the respondents pointed out that the internal environment of their companies is slow to influence the level of response for several reasons, including lack of adequate expertise in the process of gathering information of market intelligence and analysis to support the decision-making process, the lack of technology by which you can share information among the various departments quickly and centralized decision-making. In addition, respondents from eight companies

agreed that their companies respond to customers' future needs and wants, and five of them indicated that their companies have flexible production lines and modern technology, and therefore they have the ability to respond to the needs of customers. While the remaining three of eight respondents indicated that their companies respond to the customers' future needs and wants, it could not take action if the action depended on the importation of raw materials. For these companies government regulation is also responsible for them not taking action in some instances. The respondents also mentioned that their companies respond to the action by ensuring a better quality product, new product development, and better promotional activities. However, the respondents disagreed that they could offer new products all the time if their customers' product preferences changed over time.

Of those respondents, namely, eight manufacturing companies, four of them indicated that their companies respond to the customers' current and future needs by focusing on the decision makers, the formulating of information and its indicators of market conditions and consumers and competitors in the form of planning and implementing a reaction based on market intelligence. This is done through coordination with directors of other departments within the company. Additionally, there were two other respondents who noted that their companies are responsive to changes that occur in the external environment by organising regular meetings between the various managers of departments of the company, through these meetings they identify appropriate ways to respond to those changes, depending on the possibilities of the company. The majority of respondents from eight companies indicated that they believe the level of response to the customers' current and future needs is satisfactory, the evidence for this is that the customers are satisfied about the products of their companies and the company's turnover is considered satisfactory as well.

Furthermore, respondents from three of these eight companies confirmed that their companies take immediate action, because speed of response was highly important to their



companies. In particular, they respond to competitors or exploit opportunities that may emerge in the market. However, the other five respondents indicated that they could not take immediate action and they often are slow because rapid response needed to incorporate several factors including: the speed in the collection of information, flexibility of production lines, availability of raw materials and speed decision-making. Thus, it is apparent that those companies in some cases respond quickly to changes in the market, but this is not in the majority of cases, because there are some restrictions, mentioned above, which make the level of responsiveness of these companies slow.

On the other hand, as was previously mentioned, Grewal and Tansuhaj, (2001) found that MO has a negative influence on firm performance after crisis firms. This is also supported by the findings, see tables (6.18) and (6.20) the variable responsiveness was negative and not statistically significant on business performance in the Chemical industry sector and Metal industry sector. Additionally, managers interviewed from seven companies suggested that they disagreed that their companies respond to customers' future needs and wants. All of them refer to the existence of some obstacles that might prevent their companies from complete satisfaction of responding to those needs and wishes of customers such as government regulations, lack of appropriate technology and outside dependency of raw materials.

In summary, the most important obstacles that prevent those companies from responding to the customers' future needs can be illustrated according to the following points:

- 1- Immobility of production lines and prescription.
- 2- Difficulty in obtaining financial funding for renovation and increasing the production lines.
- 3- Difficulty and delay of importing of raw materials and spare parts for machines from outside, which sometimes leads to the cessation of production.

- 4- Restrictions on the decision-making process because that company is a subsidiary of the public sector
- 5- Dependence of these companies on the General Authority for Standardization to determine the quality and quantity of products, according to these specifications, it produces their goods.
- 6- The absence of R&D to develop products, and enable those companies to devise new products.

Moreover, four respondents mentioned that they do not respond to the customers' future needs and wants because their companies are monopolies.

#### **8.1.4- Business Performance Results:**

Performance might be defined as, 'the extent to which a business operation has been able to achieve the objectives set out by the management based on measures such as profit margins, market share and return on investment' (Sin et al., 2005, p. 100). Business performance can also be interpreted, however as the consequence of the interaction between an organisations' internal capabilities and external operating conditions. Therefore, it has been argued that there are other environmental influences on business performance which exist as well as, or even instead of market-oriented behaviours.

Because of the differences which exist in national market environments the theme of performance measurement has received increasing attention by both academics and practitioners in marketing. Performance measurement although not an end in itself, is an effective tool to enable the delivery of more effective management. Results of performance measurement however only indicate what happened, not what to do about it. Therefore in order for an organisation to make effective use of its performance measurement outcome, it must be able to make the transition from measurement to management.

Both the cultural and social environment has a vital impact on the economic development of any country. Economic development is associated with the social changes that people have with their environment and has also been associated with, religion, life style and cultural attitudes which emphasise competition rather than contemplation. In Libya the work culture is very different from that of Europe. In Libya there is only strategic thinking when it comes to large-scale projects and because of Libyans' propensity to act within groups, business depends on friendship. This means that trust and reliability are important factors. In recent years the leadership styles of higher-ranking personnel who have studied abroad, or who have management experience, reflect their British and American training. Libya finds itself in a transitional period, where business systems are being transformed from state-led to something else. There is a shift from a central commanded economy with high government interference to an economic system where market driven forces rather than government sponsored and protected initiatives drive the country's economy. As a result, central government control over organisations has been greatly reduced and further economic liberalisation has had a strong impact on organisational systems. There are, of course, a number of factors that influence the business environment in the Arab World, these include the extended family, clan, tribe, village and Islamic religion all of these characterise the Libyan business environment, they also have an effect on the whole area of business management. In Libya the wave of economic liberalisation encouraged foreign investment, the deregulation of financial markets and the lowering of tariff and non tariff barriers to international trade.

This research started out with a number of research objectives, the first was to determine if a significant relationship between an organisation's level of market orientation and its perceived business performance exists. A particular objective was to assess the current low level of market orientation within large Libyan manufacturing companies. As a result the

researcher could evaluate if the better prepared Libyan firms (in terms of MO) display better perceived business performance. As a result of this review of the literature concerning the MO and Business performance link it appears that this is very first question any marketing manager or director should ask. Many authors reviewed for this chapter suggest that the strategic solution is that MO will provide for a market-focused strategic flexibility that should sustain competitive advantage. However in order for a business to achieve profitability and/or satisfy its objectives, a much greater emphasis must be placed on the need for companies to be competitive and profit based by identifying consumer needs, wants and aspirations and delivering compatible offerings which are competitively better than that of its competitors.

There is some evidence from the review that it is differences in the market environments of different countries that influence the types of strategies that companies develop and adopt, which in turn influence business performance. Many of the academics and practitioners reviewed have found that defining and measuring, business performance is difficult, which has resulted in the concept having remained a problematic issue in business research. However even though 'performance as a concept can have a variety of meanings (e.g. short- or long-term, financial or organisational benefits) it is broadly viewed from two perspectives', according to Appiah-Adu, (1998, p. 31). First of all there is the subjective concept of performance where the primary concern is with an organisation's performance in relation to its own expectations or those of its competitors. Next there is the objective concept where absolute measures are used to calculate an organisation's business performance.

The review of the MO literature presented in chapter two had predicted a positive relationship between it and performance on the assumption that a market orientation provides any organisation with a better understanding of its environment and customers.

This understanding leads ultimately to enhanced customer satisfaction. The marketing literature also mainly asserts that implementing the marketing concept using the MO concept will result in superior organisational performance. However, any attempt to find empirical backing for this association have produced mixed results, (Slater and Narver, 1994 and; Bhuian, 1998; Van Egeren and O'Connor, 1998), as it appears that findings can vary depending on how an organisation's performance is defined as well as what organisational settings are studied. The review of the MO literature for this research also further suggests that most studies have found a direct, positive relationship between MO and at least one performance variable, but that there are notable inconsistencies in the findings according to which performance variables are examined. Some empirical studies suggested a positive relationship between market orientation and managers' perceptions of overall firm performance, (Jaworski and Kohli, 1993), managers' perceptions and financial performance, (Slater and Narver, 1994) and managers' perceptions and new product performance, (Slater and Narver, 1994). On the other hand there was at least one study that did not support a direct positive relationship between performance and MO, (Han, et al., 1998). Additionally, numerous academics have questioned the link between market orientation MO and business performance. For instance, Diamantopoulos and Hart, (1993) identified only a weak association between MO and business performance, while Bhuain, (1998) and Greenley, (1995) found no relationship between the two variables at all. Also, MO is found not to be related to a firms' actual market share, (Jaworski and Kohli, 1993) or actual net income, (Han, et al., 1998). This review of the literature next investigated the objective concept where absolute measures are used to calculate an organisation's business performance, which has been interpreted as the consequence of the interaction between an organisation's internal capabilities and external operating conditions. Therefore, it can be argued that there are other environmental influences on business performance than market-

oriented behaviours. Marketing researchers have argued for some time that in their investigation into the influence of the external environment on market orientation in transition economies, organisations should implement procedures in order to closely monitor their external environment when considering the development of a strong market-oriented culture,.

Matsuno et al., (2005) offer a model that organises and reconciles two distinct MO conceptualisations, and provided a framework with which to carry out any investigation of a country's external environment and its influence on behavioural and cultural contexts. The model incorporates organisational conduct which would necessarily include objectives set out by the management and takes into account consequences and therefore builds on the classic "structure-conduct-performance" paradigm. Matsuno et al., (2005) added to their generic model, and not only clearly identified the various types of internal and external environment factors as well as moderators that can be put in place by organisations, but also point out the extended scope of market factors namely; customers, competition, suppliers, regulatory factors, social and cultural trends as well as the macroeconomic environment. This extended model not only distinguishes between economic and organisational consequences, it emphasises things like profit margins, market share and return on investment. This would seem to make sense as within any organisation financial performance is usually measured with profit margins and return on investment (ROI) which indicates internal efficiency relative to rivals. Market performance on the other hand is seen as reflecting the outcomes of a firm's strategic decisions in the long run, the two most common measures of market performance are, market share and sales volume.

In the past there have been a number of studies which used sales or market share as a measure of performance, some found no relation between market share and performance and others combined these variables with profitability and growth and found little relation.

There is evidence to suggest that sales growth however provides a more immediate measure of performance. This search for the performance link with MO has been informed by a number of authors, many of whom however highlighted that this link could be affected by, market turbulence, technological turbulence, competitive intensity and the performance of the economy. These variables, it was suggested, also have the potential to moderate the link between market orientation, new product performance, and organisational performance. There has been growth in use and popularity of Business Performance Measurement (BPM) systems over the past twenty years. In more companies and in more countries information technology is now being used to provide a “sense and control” capability, this technology makes the diffusion of performance measurement and its monitoring and control across the business or across businesses much simpler than in the past.

The questions asked of respondents in this final part of the survey were intended to measure business performance. The various questions asked concerned their companies overall performance relative to major competitors, market share growth within its primary market and sales growth relative to major competitors, as well as the percentage of sales generated by new products relative to major competitors and the return on sales relative to major competitors in the last year. Finally their companies return on assets and return on investment relative to major competitors last year were considered.

The results indicate that, there was a higher or much higher sales growth in their companies relative to major competitors last year, (55.4%) of these respondents emphasised that fact. Furthermore whereas, (43.8%) of respondents believe that the overall performance was higher or much higher in their companies relative to major competitors last year, the proportion (42.9%) of these respondents suggested overall performance was the same as major competitors. In addition, most (34%) of the total answers in all business performance measures were focused on the same competitors. However, there were many respondents

who believed that their percentage of sales generated by new products last year relative to major competitors was lower or much lower (42.9% and 23.2% respectively).

As was mentioned in the previous sections of this chapter and based on the results obtained through quantitative data related to the first hypothesis H1 (a,b) the following points arose:

**Firstly**, several studies have been conducted to understand the market orientation and its impact on business performance. Many of the empirical findings provide support for the proposition that market orientation positively related to its performance such as Jaworski and Kohli, 1993; Slater and Narver, 1994; Pelham and Wilson, 1996; Deshpande & Farley, 1999; Matsuno and Mentzer, 2000. This is supported by the findings from chapter six in table (6.9). The results of this analysis showed that there was a positive and statistically significant relationship between the three components of the MO and business performance in Libyan manufacturing companies, see sub-section (6.6.1). These findings indicate a link between components of the market orientation and business performance and suggest that all components of the market orientation were positively related to business performance. Therefore, hypothesis H1 (a) is supported, indicating that all components of the market orientation are associated with business performance.

**Secondly**, the results related to hypothesis H1 (b) indicate that:

- The three market orientation components, intelligence generation; intelligence dissemination and responsiveness are significantly related to the business performance of the Chemical Industry Sector see table (6.10).
- Results from the Electrical and Engineering Industry Sector indicate that intelligence dissemination and responsiveness were statistically significant and positively related to business performance, While the other market orientation component, intelligence generation was not significant, see table (6.11).



- In the Metal Industry Sector, a positive but non significant relationship was found between the three components of market orientation and business performance. However, even though a slightly higher relationship was indicated between responsiveness and business performance there was a weak relationship indicated for the other two components of market orientation. In general there was a positive but weak relationship between three components of market orientation and business performance in this sector see table (6.12).
- In the Building Materials Industry Sector only one of the components (intelligence dissemination) of market orientation was statistically significant and positively related to the business performance. While the other market orientation components, intelligence generation and responsiveness, were not significant in this sector, see table (6.13).
- All the components of market orientation were positively related to business performance in the Food Industry Sector however intelligence generation was not a significant correlation which there was statistically significant in intelligence dissemination and responsiveness see table (6.14).
- The results from the Textile and Furniture Industry Sector show that all components of market orientation had a high degree of correlation to the business performance see table (6.15).

Also in order to strengthen the previous results regarding the relationship between market orientation and business performance the researcher tested the relationship between the overall market orientation and perceived business performance for companies and sectors and the results are as follows:

There was a statistically significant relationship for all components of market orientation with business performance. These results indicate that the overall market orientation was found to be significant and positively correlated with perceived business performance for the Libyan manufacturing companies surveyed.

Additionally, there was a statistically significant and positive correlation between overall market orientation and business performance for the chemical industry sector, electric and engineering industry sector, food industries sector and textile and furniture industries sector. However there was also a positive relationship between market orientation and business performance, even if it was less statistically significant in the building materials industry sector and a positive but non significant relationship was found between market orientation and business performance in the metal industry sector, see table (6.16).

Additionally, in order to test the relationship between market orientation and business performance for this research; the researcher also carried out regression analysis of the reality of data derived from the Libyan manufacturing companies under consideration. According to the results, previous empirical studies as summarised in appendix (7) show that these results are mixed, (Slater and Narver, 1994 and 2000; Bhuian, 1998; Van Egeren and O'Connor, 1998), as it appears that findings can vary depending on how an organisation's performance is defined as well as what organisational settings are studied. The review of the MO literature for this research also further suggests that most studies have found a direct, positive relationship between MO and at least one performance variable, but that there are notable inconsistencies in the findings according to which performance variables are examined. This is supported by the findings of this research where the results of the regression analysis can be seen as following:

- The results from regression analysis by companies shows a significant positive effect of responsiveness on business performance, while the coefficient of intelligence generation and intelligence dissemination was positive, yet the result was not statistically significant, see table (6.17).

- The results from regression analysis by sector shows that in the Chemical Industry Sector the main effects of the intelligence dissemination and responsiveness variables were negative and not statistically significant on business performance. However, the results show a significant positive effect of intelligence generation on business performance, see table (6.18).
- In the Electrical and Engineering Industry Sector the adjusted coefficient of determination of the regression was 36%, which meant that the independent variables explain the variation in the business performance as dependent variables. A model of significance emerged and all components of the market orientation were positively related to business performance. However, the results show that it was not statistically significant with business performance, see table (6.19).
- In the Metal Industry Sector there was a weak positive relationship between the two variables of market orientation (intelligence generation and intelligence dissemination) and business performance. However, the variable responsiveness was negative. Also the adjusted coefficient of determination is very poor. Moreover, no significance emerged from the model, see table (6.20).
- The results of the Building Materials Industry Sector model were similar to those of the electrical and engineering industry sector. The adjusted  $R^2$  of the regression was 48%; which meant that the market orientation variables explain the variation in the business performance as dependent variables. The model of significance which emerged showed the main effects of the intelligence dissemination and responsiveness variables were positive and not statistically significant on business performance. However, the variable intelligence

generation was negative and not statistically significant on business performance, see table (6.21).

- The results based on the analysis demonstrate that the adjusted  $R^2$  of the regression was 63% in the Food Industry Sector, the model which emerged showed that only intelligence dissemination was positive and statistically significant while the coefficient of responsiveness was positive, but not statistically significant. However, the variable intelligence generation was negative and not statistically significant on business performance, see table (6.22).

- In the results for the final sector, the Textile and Furniture Industry Sector it can be seen that there is an adjusted  $R^2$  value of (72%). This explains the variation in business performance (dependent variable) also the model significance which emerged showed that all the components of the market orientation were positively related to business performance. However, the results also show that two were not statistically significant with business performance only the responsiveness variable was positive and statistically significant, see table (6.23).

In order to better understand the link between market orientation and business performance and also to triangulate the quantitative results extracted from the questionnaire, a number of subsequent interviews were carried out in a number of the companies sampled.

In this research respondents were asked about their perceptions of the ability of their businesses to compete with their nearest competitors in the same industry in terms of the key performance dimensions. Results from the interviews conducted showed that all of the interviewees concurred that there was measurement of the business performance in their companies. Based on the answers of respondents the companies surveyed can be divided into three kinds according to their business performance indicators. Some respondents

indicated that their companies have achieved profit (better business performance) according to indicators measuring business performance. However, others mentioned that the main factors to produce better levels of performance are focusing on customers and studying all needs and wants. It was the view of another group of respondents that their companies have the monopoly of some products which is a main factor enabling them to achieve better business performance. In some of the companies surveyed there has been an improvement in performance because of privatisation and changes in Government regulations allowing the entry of goods to compete with their products. This acted as an incentive to introduce modern technology and machinery and promoted the idea of collecting information about consumers and competitors. It is apparent from the results that some companies surveyed are trying improve their marketing activities, but have not fully progressed to the application of the concept of market orientation. Perhaps most significantly some respondents pointed out that their companies are threatened because of their inability to compete, this means that they may not survive and continue in the market. The main drawbacks these companies faced were aging product lines and the lack of government support.

The results from the interviews carried out illustrated that all of the respondents agreed that market orientation helps a company to achieve better business performance and when they were asked specifically about how this could be achieved, all of these respondents tended to focus on pleasing customers, in other words, the contribution of market orientation is to increase the level of business performance by meeting the needs and wants of customers. Some of the managers questioned for this survey explained that their companies have achieved their targeted profit, even though the companies did not follow the concept of market orientation. The main factors that led to better business performance are: increasing demand for its products; the absence of competitors in their markets, as well as their

products being of good quality and having appropriate prices for customers. These respondents also mentioned that market orientation is important when there is intense competition in the market, but at the moment their company can achieve profits without being market-oriented.

In summary, the findings of this research (interviews and the questionnaire) show that a moderate and positive relationship exists between MO and business performance and that the relationship is significant. This means that the greater the MO of companies the greater its business performance and market orientation does have an influence on business performance in the Libyan transitional context. In addition, there is a growth in embracing the market orientation concept during the transition process. The relationship between MO and business performance has never been tested in the large Libyan manufacturing companies' context, therefore the findings are somewhat unique. However, it does support studies in other industries and in different contexts that have confirmed a positive and significant relationship between MO and performance, for example, these results were in line with studies conducted in other developing countries which used (MARKOR) scale, as shown in table (8.1):

**Table (8.1) Summary of studies conducted in developing countries with results that are consistent with this study**

| <b>Study/Authors (Date)</b>      | <b>Context</b> | <b>Main Findings</b>                                                                                                                                                    |
|----------------------------------|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Horng and Chen, (1998)           | Taiwan         | The MO of small and mediumsized enterprises in Taiwan is a critical determinant of its business performance, employees' organizational commitment, and esprit de corps. |
| Vorhies et al, (1999)            | Australian     | Positive (+). MO might be an even more important influence on performance.                                                                                              |
| Grewal & Tansuhaj, (2001)        | Thailand       | MO has a negative influence on firm performance after crisis. Firms with high levels of performance before crisis tended to perform better after crisis.                |
| Soehadi et al., (2001)           | Indonesian     | Positive relationship between MO and performance. Positive effect of MO on firm performance.                                                                            |
| Liu, Luo, & Shi, (2003)          | China          | Positive (but mediated by organizational learning, centre-preneurship).                                                                                                 |
| Rogers & George,(2005)           | Hungary        | Positive relationship between MO and performance.                                                                                                                       |
| Recela et al, (2007)             | Thailand       | MO enhances cooperation with distributors, which in turn, leads to higher performance.                                                                                  |
| Panigyrakis & Theodoridis (2007) | Greece         | MO has positive effect on performance (Total sales, Growth rate of sales, Gross margin, Market share, Space productivity, Stock age).                                   |
| Panigyrakis & Theodoridis (2007) | Greece         | MO has positive effect on performance (Total sales, Growth rate of sales, Gross margin, Market share, Space productivity, Stock age).                                   |
| Ho &Huang, (2007)                | Taiwan         | No support for positive relationship between the level of market orientation and business performance was detected.                                                     |
| Subhash et al, (2008)            | Turkish        | MO has positive effect on business performance direct and indirect (mediated) influence through new service development performance.                                    |

However, the results are inconsistent with some previous studies, as shown in table (8.2):

**Table (8.2) Summary of studies conducted in developing countries with results that are inconsistent with this study**

| Study Authors (Date)        | Context      | Main Findings                                                                                                                                                                                                                                                                                                                    |
|-----------------------------|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bhuian, (1997)              | Saudi Arabia | MO has a negative influence on business performance where three objective performances: ROA (-), ROE (-), sales per employee (-).                                                                                                                                                                                                |
| Sittimalakorn &Hart, (2004) | Thailand     | MO did not have a direct positive relationship with performance. Quality orientation has a positive effect on performance. Both orientations are highly related and are complementary approaches to achieve business success regardless of external environmental factors. In uncertain markets, high levels of MO are required. |
| Nwokah, (2008)              | Nigeria      | Weak association between market orientation and business performance.                                                                                                                                                                                                                                                            |
| Grewal and Tansuhaj, (2001) | Thailand     | Found MO had a negative influence on firm performance after crisis in Thailand.                                                                                                                                                                                                                                                  |

In addition, these results were in line with the results from some developed countries such as Jaworski and Kohli, (1993); Slater and Narver, (1994); Pelham and Wilson, (1996); Matsuno and Mentzer, (2000); Matsuno et al., (2002); Im and Workman, (2004); Kara, et al., (2005) in the USA and Pitt et al.,(1996); Appiah-Adu, (1997); Doyle and Wong, (1998); Harris, (2001); Wang, Hult, Ketchen and Ahmed, (2009) in the UK.

However, the results are inconsistent with some previous studies such as Han, et al., (1998) whose findings did not support a direct positive relationship between MO and performance. Additionally, (Diamantopoulos and Hart, 1993; Greenley, 1995) identified only a weak association between MO and business performance in the UK.



By examining the relationship between three components of market orientation and business performance for six sectors, the findings indicate that it is difficult to compare the findings of these sectors with the findings of previous studies that have investigated the relationship between MO and business performance because there are no previous studies in some sectors and the results vary from sector to sector. Despite this, these findings indicate a link between components of the market orientation and business performance; this suggests that all components of the market orientation were positively related to business performance in all six sectors. In addition, through the comparison between the results of these sectors, it appears that the Textile and Furniture Industry Sector has the best correlation between the components of MO and business performance. However, there was a weak relationship between the components of MO and business performance in the Metal Industry Sector.

As can be seen there is some competition in some sectors, such as the Electrical and Engineering Industry Sector, the Food Industry Sector and the Textile and Furniture Industry Sector, which led in turn to an increase in the interest of some of those companies towards the customer as an important element for success in the Libyan market. However, many of these companies are suffering from some problems related to financial funding, raw materials; determining the quality and quantity of products, the decision-making process and production lines. While the majority of companies included in Building Materials Industry Sector and Metal Industry Sector are not taking on the importance of the market orientation concept. This is because these companies are monopolies.

These results can be interpreted based on the interviews, in the Libyan market, state-owned businesses which are still the dominant businesses in the market. Those companies are only interested in increasing quantity of products. In other words, those companies have a strong orientation towards production. The common belief in the Libyan market is that customers

are willing to buy whatever is available in the market. This is also clear from the ignorance of public and privatised companies to some critical dimensions such as market research, after sales services, study consumer preferences and satisfaction.

## **8.2- The level of MO within large Libyan manufacturing companies:**

In Chapter Two it was pointed out that having a market orientation should provide a company with a better understanding of its customers, competitors, and environment, basically because it is thought that this would subsequently lead to superior organisational performance. However, from this researcher's review of the literature regarding business performance in Chapter Three, it is apparent that there has been research which suggested that it is the differences in the market environments of countries that can influence the types of strategies companies adopt, which in turn influence business performance. The literature reviewed for Chapter Three also made it apparent that there are environmental influences on business performance, other than market-oriented company behaviours. These have been identified as being either internal or external, marketing or business planning are the most effective way to combat both these internal capabilities and external operating conditions. There are a number of techniques and activities that can assist an organisation in achieving an appropriate alignment of external environment and internal capabilities. However the interaction of both these factors may be disproportionately affected in certain cultural contexts.

The second hypothesis to be tested for this research was H2 (a,b).

**H2 (a):** The distribution of market orientation scores for large Libyan manufacturing firms will be negatively skewed.

**H2 (b):** The distribution of market orientation scores for large Libyan manufacturing firms will vary between sectors.

The results from this research show that the managers sampled believe that there are many factors which can have an influence on the business environment in Libya. The results of the interviews conducted illustrate that all the respondents believed that there are external environmental factors which affect the amount of market intelligence their company gathers. The Libyan culture itself plays a significant role in the amount of information gathering, due to the fact that the nature of products must comply with the culture of Libyan society, because consumer preferences are affected by the society in which consumers live. Additionally, state policy must be followed closely as it was not stable at the end of the 1970's and beginning of the 1980's, the State decided to move towards the public sector and established public manufacturing companies and allowed them to import products from abroad at the lowest cost which led to a decline in the need for market orientation. Today companies operate with an increasing level of competition and the rate of change in the external environment requires that there should be increased attention to market intelligence. Because most large industrial companies are public and state-owned the enactment of certain laws and regulations by the State have an impact on determining the company's policies, e.g. concerning the salary system, law number 1/5/1981 establishes the salary for each individual working in state-owned institutions. Also, there are laws relating to customs, documentary credits of banks, raw materials and consumer protection. There is legislation laid down by the People's Committee for Industry concerning preservatives in products, which means dairy factory produce, that is not sold on the same day will spoil, while the same products from other countries, including Egypt and Saudi Arabia, which contain preservatives, stay fresher longer which makes the consumer prefer those goods.

According to the majority of respondents, political factors are changing continuously due to the fact that in countries with transitional economies, specifically developing countries such

as Libya, there has been a fundamental change in environmental factors engendered by the transition from a centrally planned to a market economy. This leads to many changes occurring in state policies, laws and regulations, such as salary systems, and laws relating to customs, documentary credits of banks, raw materials and consumer protection. There are very low levels of competition in the market for some products in Libya there are only five companies in the Metal Industries Sector in the whole country. There are also only nine companies in the Building and Materials Industries Sector and there is no strong competition between companies due to the fact that few companies are included in these sectors. Therefore companies do not pay much attention to external environment factors. However, they feel those factors are important because this situation might not continue and there is now increasing pressure on companies to compete.

Quantitative analysis of data collected from the survey questionnaire was carried out to discover if there was a low level of market orientation within the fifty-six manufacturing companies surveyed. The researcher carried out test 95% Confidence Interval for Mean and the results showed that the largest group of twenty-three companies, which account for a total of 41 percent of the companies surveyed, were located in the low level of market orientation (see Table 6.25). The results of correlation analysis indicate a moderate and positive relationship between the market orientation and business performance of those companies with the exception of monopolies because they have a high business performance without the application of the market orientation concept. This means that these companies included in this level can be judged as not having awareness of the concept of market orientation. Also they do not know the benefits of implementing this concept and its returns on their business performance. In addition some of these companies are suffering from some of the problems solved without adoption and application of the market orientation concept, as was mentioned in this chapter.

Although the results from the literature reviewed show that the variables of MO were found to be significant and positively correlated with business performance for many companies, in the Libyan manufacturing companies surveyed the business performance was low, because there was a decline in the awareness and application of MO. There are however, some companies located in the median level of market orientation awareness; this means that the companies present at this level are considered to have a medium level of awareness and application of the concept of MO. However, it does not rise to the level required, because some of those companies are still using some traditional methods in their application components of market orientation (intelligence generation, intelligence dissemination and responsiveness). The remaining companies surveyed had specialised in a high level of MO, and had a high level of awareness and its application. In other words, these companies were taking a customer focus or a product quality focus in their operations.

In addition, the same test was used to prove or disprove the second part of hypothesis two (b), where the intention is to discover, if there is a low level of market orientation in the six main sectors surveyed. The results based on the quantitative analysis demonstrate that twenty-three companies were located in the low level of market orientation. A high percentage in this low level of market orientation was obtained by the Metal Industry Sector; this means that the companies included in this sector were the worst in the awareness and application of market orientation. This is because these companies are monopolies; therefore, there is no perceived need to carry out the market orientation concept because of demand for their products being strong and clear. They also achieved profits and their rate of performance was high. But this situation may not last a long time because today companies operate with an increasing level of competition and the rate of change in the external environment requires that there should be increased attention to

market intelligence. Then comes the Chemical Industry Sector in second place with more than half of the companies surveyed in this sector lacking awareness and application of the concept of market orientation. This can be explained based on the results of regression analysis which showed that the variables intelligence dissemination and responsiveness were negative and not statistically significant on business performance in this sector. The results from the Textile and Furniture Industry Sector show that, all components of market orientation had a high degree of correlation to the business performance. Also there was a statistically significant relationship for all components of market orientation with business performance. However, this sector came in third place which shows that those companies that are in this level are not aware and do not apply the market orientation concept. They need to focus on the customers' current and future needs, and how they can better serve those needs. Then the Electrical and Engineering Industry Sector comes in fourth place in this level. This may be because these companies are exposed to competition especially from foreign industries, such as China and Taiwan, which is characterized by low-price goods, although it is poor quality. Next in fifth and sixth place in this level comes both the Food Industry Sector and the Building Materials Industry Sector respectively. This can be explained based on the results of regression analysis which showed that the variable intelligence generation was negative and not statistically significant on business performance in both sectors.

In the interviews carried out for this research managers were asked about the ways that they felt the internal and external environments in Libya could be changed in order to improve their companies' business performance. The majority of respondents indicated that the Libyan manufacturing companies should have an interest in and focus on the actual needs and wishes of customers, and not just according to what these companies can produce through production lines or what raw materials being available to them. Most of these

companies have machinery and equipment production characterised by a lack of flexibility and a need to replace or maintain them. They therefore need to develop the ability to respond to changes in customer preferences and wants. Additionally respondents from three companies emphasised that the companies need market research to improve business performance, through the collection of information on customers and competitors and others in the market. Then based on this information the companies can produce their goods. However, this process requires people with experience of how to collect that information and analyse it, distributing information to the appropriate individuals or groups selectively and quickly as well as sharing this information among the various departments within companies. In addition, the availability of modern technology must be used in facilitating the speed of communications.

Furthermore there was a call from at least one respondent who added that companies need to change the management philosophy of the administrative leaders, by introducing participatory decision-making and decentralisation of decision-making as well as non-application of the concepts of production and sale, but rather attention to the needs and wants of the customer. Another respondent also mentioned that their company should change its policies, especially policies on quality and price, because the Libyan customer has become very sensitive to the quality and price issues. Thus, to improve business performance Libyan companies need to focus on quality products and lower prices. Finally, there was a respondent who pointed out that the process of improving the business performance requires the availability of many factors such as quality of products and services; flexibility in production lines and prices; attention to training employees; good distribution efforts and the use of appropriate promotional tools and good relationships with suppliers.

The majority of respondents indicated that the most important factor of the external environment which may require change in order to achieve a better performance is: the stability of the political and legal factors, because these factors are very influential on the nature of a company's performance, in particular, at the stage of economic transition in developing countries such as Libya. The stability of these factors enables companies to develop plans and policies as well as appropriate strategies, but in the current circumstances the Libyan companies are finding it difficult to predict future events. Respondents also indicated that their companies rely completely on government support, which contributes to improving the performance of their business. Two of the respondents mentioned that one of the aims for improving performance, especially in the Libyan industrial companies, ought to be the conditions and rules of financial support sources; they need some changes so that companies can easily access them. Additionally, another two respondents mentioned that their companies must produce goods suitable for the Libyan citizen, in order to fit with the culture of that citizen and the society in which they live, including the habits, traditions and religion.



### **8.3 Summary:**

All of the cases sampled respondents concurred that there was measurement of the business performance. Many companies have achieved profit (better business performance) according to indicators measuring business performance. All of the respondents questioned believed that market orientation will help their companies to achieve a better business performance. All of these respondents tended to focus on pleasing customers, in other words, the contribution of market orientation is to increase the level of business performance by meeting the needs and wants of customers. However, some respondents indicated that it is difficult to apply for a variety of reasons including; a lack of rapid response, or raw materials. Despite this companies sampled have achieved their targeted profit, even though the companies did not follow the concept of market orientation. The main factors that led to better business performance are: increasing demand for its products; the absence of competitors in their markets, as well as their products being of good quality and having appropriate prices for customers.

The majority of respondents to the survey indicated that the Libyan manufacturing companies should have an interest in and focus on the actual needs and wishes of customers, and not just according to what these companies can produce through production lines or what raw materials are available to them. There was also a suggestion that the management philosophy of the administrative leaders needed to change, by introducing participatory decision-making and decentralization, as well as non-application of the concepts of production and sale, but rather attention to the needs and wants of the customer. Furthermore companies should change their policies, especially policies on quality and price, because the Libyan customer has become very sensitive to the quality and price issues. Thus, to improve business performance Libyan companies need to focus on quality products and lower prices which would reduce employment, because most public

companies suffer from inflation in employment, also they need to use modern machinery that leads to reduced costs and increased quality. Finally quality of products and services; flexibility in production lines and prices; attention to training employees; good distribution efforts and the use appropriate promotional tools and good relationships with suppliers are also needed. The majority of respondents indicated that the most important factors of the external environment which may require change in order to achieve a better performance are stability in political and legal factors. Stability in these areas would enable companies to develop plans and policies as well as appropriate strategies, in the current circumstances Libyan companies are finding it difficult to predict future events. There is reliance by some of the companies sampled on government support, which contributes to improving the performance of their business. Libyan companies must produce goods suitable for the Libyan citizen, in order to fit with the culture of that citizen and the society in which they live, including the habits, traditions and religion.

By combining the results from both the quantitative analysis of the questionnaire completed by managers, with the results of the qualitative data analysis from the interview with managers, to triangulate these findings and answer both the research question and prove or disprove the hypotheses. The next chapter presents conclusions and recommendations.

## **Chapter Nine**

### **Conclusions and Recommendations**

#### **9.0 Introduction**

From the review of the literature for this research it is evident that according after the suspension of UN sanctions sustained recovery in oil prices, meant that Libya emerged as a market of immense potential and as such generated renewed interest from among investor circles. There is now an ever increasing openness and a number of encouraging signs that the government is pursuing a more conciliatory approach towards foreign businesses. It is also apparent from the review that studies on the antecedents or development of a market orientation (MO) have been largely restricted to the developed countries. Therefore it remained unclear whether, any of the evidence related to the development of a market orientation is relevant to other transitional economies like Libya. There have only been are a few empirical studies which have investigated the development of MO in transitional economies and there is increasing pressure for the MO of organisations in these developing countries where the process of economic diversification is taking place rather rapidly, to be investigated to some extent.

Over the years there has been a lot of confusion regarding a definition of marketing and the understanding of the marketing concept. For the purposes of this research the term market orientated is used to explain the existence of particular business culture or philosophy and having a market orientation describes the act of implementing that culture/philosophy. Market orientation as a philosophy, comprises of customer orientation which requires that companies have an overall understanding of the psychological and social factors which determine the customer's action. Additionally they must to be able to identify the basic customer needs that they serve, and define the nature of their business accordingly. The

integration of effort that will enable the company to provide, the value to meet customer needs, includes the need to co-ordinate effort in terms of the elements of the marketing mix for each product. However, simply having market orientation might not be enough for most organisations it is at the very least the start of a much deeper process that may make it worthwhile if it positively alters business performance. According to the literature reviewed for this research a number of academics and marketing practitioners have found that defining and measuring, business performance is just as difficult as defining market orientation, which has resulted in the concept of business performance measurement (BPM) having remained a problematic issue in business research. Although performance might be defined as, the extent to which a business operation has been able to achieve the objectives set out by the management. Where these are based on measures including profit margins, market share and return on investment business performance can also be interpreted, however as the consequence of the interaction between an organisations internal capabilities and external operating conditions. Therefore, it has been argued that there are other environmental influences on business performance which exist as well as, or even instead of market-oriented behaviours. These influences can include changes in demand, the obsolescence of certain products, pressures from competitive and product technology as well as market growth/demand, market turbulence, competitive intensity and technological turbulence, which were identified as potential moderators of the market orientation-performance link by Kohli and Jaworski, (1990).

As was previously mentioned there have been studies carried out where the researchers contended that, MO is important to organisation because of its positive association with performance. However there were only a few where a positive link was found. The majority of those studies that did report a positive association between MO and performance are based on (Narver and Slater, 1990; Jaworski and Kohli, 1993; Slater and

Narver, 1994, 1995) and their work in US firms. There are few of these researchers, however, who have studied the implementation of performance measures and made observations with regards to the dynamic relationship between; performance measurement, MO. Historically in Libya the whole area of management has been affected by the fact that the extended family, clan, tribe, village and Islamic religion characterise the social environment (Aгнаia, 1997). All of these factors play a major role in the community's life and people's relationships with each other. Studies in international comparative management have highlighted the impact of industrialisation on developing nations and suggested that in their quest for economic progress, the developing countries like Libya would face managerial and social problems, (Aгнаia, 1997). In Libya as in Arab societies in general management procedures are frequently influenced by personal connections, nepotism, sectarian and ideological affiliation Libyan managers have been accused of being more concerned about the creation of social relationships at the workplace than the job itself. This tribal mentality and also encourages authoritarian approaches to dealings with non-kin, such as other tribes or other segments of society and leads to the authoritarian organisational structures. These structures whether public or private, are highly centralised and adopt this authoritarian structure, regardless of corporate strategy or technology. There is a growing belief, however that changing global economic conditions require that, companies in transitional countries like Libya need to be ready to adapt their policies due to changes taking place in the surrounding business environment. The slowly emerging new business environment in Libya started with the proliferation of businesses and increased competition in the market-place. The effect of competitive intensity this proliferation causes is a greater variety of choices for buyers which require those organisations that wish to be competitive to clearly identifying customers' changing needs/preferences and to respond accordingly. The general Libyan business environment was altered even further by

the Government's acceptance of recommendations from CERA (2006) which recommended an acceleration and re-organisation of the reform of the banking sector in the country, in order to channel well-priced capital to productive enterprise. This would CERA suggested promote entrepreneurship and catalyze innovation, risk-taking and further business formation in Libya.

In this chapter general conclusions will be made regarding the relationship that exists between the business performance of the companies surveyed and their degree of market orientation MO. There current level of awareness and their application of MO and also whether such awareness leads to better perceived business performance. More specific conclusions will draw concerning the opinions of the Libyan managers surveyed at the different companies, in order to ascertain the various levels of MO across different sectors of Libyan industry.

There will also be a number of recommendations made which it is hoped will provide a guide to companies on how to improve their business performance via enhanced MO. The specific results from the study will be presented in the next to section (9.1); there are in section (9.2) and (9.3) limitations and contribution of the research. This researcher's recommendations are made in section (9.4) and the final section (9.5) will be presented further research.

There has been a lot of attention paid to marketing and market orientation in the academic literature with some pessimistic commentators coming to the conclusion that there is a steep decline in the marketing function, (Webster, 2005). This is not conclusion that has altered very much in the past few years, Nath and Mahajan, (2008, p. 65) pointed out that, marketing academics have raised concerns with the decreasing influence of marketing at the level of corporate strategy over the past three decades. A particularly important question

was raised by Puledran et al., (2000, p. 119) who asked raised the question concerning the pivotal role of market orientation in the achievement of superior business performance and what are the factors that drive or hinder market-oriented activity. In this research the market orientation-business performance link was highlighted as were the effects that market turbulence, technological turbulence, competitive intensity and the performance of a country's economy can have on the market orientation culture within an organisation.

Despite the importance of market orientation in the modern business world, the need for a market orientation study has been ignored in developing countries. The few efforts that have been made to study market orientation in developing countries have involved studies that were very specific and limited in nature, and none of them was done in a comprehensive manner (Bhuan, 1997; 1998; Deng and Dart, 1999; Akimova, 2000). Therefore, to fill this gap, this study developed a set of research questions. Additionally, In order to answer those questions was a set of objectives to be achieved. Therefore, to achieve those objectives there was a number of hypotheses that have been tested (see subsection 5.1, Chapter 5).

Methodology and methods employed in order to address the main hypotheses were presented in Chapter 5, and the main data collection tool used to achieve the aim and objectives, of this research and prove or disprove the main hypotheses was the extended MARKOR questionnaire. This questionnaire has been used by others to measure market orientation. But it has not been used in Libya before.

It was important to initially raise the question of which research philosophy to adopt and then consider the subject of the research approach that flows from that research philosophy. The positivistic or quantitative research philosophy and the deductive research approach are seen as the most common view of the nature of the relationship between theory and social

research. In particular, this research involved the Post positivist research philosophy, under such a philosophy and approach the researcher deduces a hypothesis (or hypotheses) that must then be subjected to empirical scrutiny. For this research the collection of both quantitative and qualitative data support the case for an inductive approach, however this approach underlies and combines with a deductive approach as this researcher seeks to develop a theoretical position and then tested its applicability through data collection and analysis. The research method used addressed the research questions and supplied both quantitative and qualitative data which allowed the proposed hypotheses to be tested. There were fifty-six companies from six sectors which agreed to participate in this research. In Libya, two questionnaires was distributed to each company surveyed, in total 112 questionnaires were completed either by the General Manager or his Deputy, and by the Director of Marketing or his Deputy. The surveyed companies operate in a variety of sectors in Libya. As part of the research personal information was gathered regarding the respondents paints a picture of the numbers, age, and specialist knowledge and experience of those who organisations in Libya have operating their marketing departments and implementing marketing strategies. This information was taken into account when analysing the quantitative and qualitative data collected and its subsequent analysis.

In order to discover if there was a significant relationship this exists between a firm's business performance and its degree of market orientation (MO). Moreover within Libyan manufacturing companies what exactly is the level of market orientation and does it vary between different sectors. As was mentioned the way employed in order to address and prove or disprove the main hypotheses was the extended MARKOR questionnaire, in the quantitative data analysis the non-parametric approach was employed to analyse the data and test the hypotheses such as the techniques Kruskal-Wallis test was used to determine



differences between groups of respondents. namely, the General Manager of the company, Assistant General Manager of the company, Director of Marketing management, Assistant Director of Marketing management and Head of Marketing department. Additionally, a correlation coefficient and the multiple regression were used to determine if there exists a significant relationship between a firm's level of market orientation and its perceived business performance and test 95% Confidence Interval for Mean, which was statistical techniques, used extensively to examine causal relationships between variables and level of market orientation.

In addition, the analysis of the qualitative data obtained through semi-structured interviews with fifteen managers. It was developed as a way to inform and support the quantitative data analysis. The interview questions were designed to flow in the order of the research questionnaire, and it was divided into four sections (themes). These sections or themes covered the three components of market orientation (intelligence generation, intelligence dissemination, and responsiveness) in addition to business performance.

### **9.1- Specific Results from the Study:**

There are two main theories or conceptualisations of MO. The first theory was suggested by Kohli and Jaworski (1990) and is an information-based conceptualisation, where MO is seen as the collection, dissemination and response of a company to intelligence about the market. The research variables included in the questionnaire were divided into four sets relating to: intelligence generation, intelligence dissemination, responsiveness and performance. The results show as following:

- The results from both correlation and multiple regression tests for Libyan manufacturing companies revealed that there was a moderate correlation between the three main components of the market orientation and business performance. In other words, there was

a positive and statistically significant relationship between market orientation and business performance.

- The results from both correlation and multiple regression tests for industrial sectors showed that:

**Firstly results from correlation test for industrial sectors:**

The quantitative test results indicate that in the Chemical Industry Sector, a positive correlation is seen to exist between the three components of market orientation and business performance (see table 6.10).

Results from the Electrical and Engineering Industry Sector indicate that intelligence dissemination and responsiveness were statistically significant and positively related to business performance, while the other market orientation component, intelligence generation, was not significant see table (6.11).

The results demonstrate that in the Metal Industry Sector a positive but non- significant relationship was found between the three components of market orientation and business performance. However, even though a slightly higher relationship was indicated between responsiveness and business performance, there was a weak relationship indicated for the other two components of market orientation. In general there was a positive but weak relationship between three components of market orientation and business performance in this sector (see table 6.12).

In the Building Materials Industry Sector results demonstrated that only one of the components (intelligence dissemination) of market orientation was statistically significant and positively related to business performance, the others were not significant in this sector (see table 6.13).

All the components of market orientation were positively related to business performance in the Food Industry Sector, however there was not a significant correlation to intelligence

generation, which there was in intelligence dissemination and responsiveness (see table 6.14).

The results from the Textile and Furniture Industry Sector show that for all components of market orientation, there was a statistically significant relationship for all components with business performance (see table 6.15).

Overall these results indicate that market orientation was found to be significant and positively correlated with perceived business performance for the Libyan companies surveyed. Additionally, there were statistically significant and positive correlations between overall market orientation and business performance for the Chemical Industry Sector, Electric and Engineering Industry Sector, Food Industries Sector and Textile and Furniture Industries Sector. However there was also a positive relationship between market orientation and business performance, even if it was less statistically significant, in the Building Materials Industry Sector and a positive but non significant relationship was found between market orientation and business performance in the Metal Industry Sector. These two sectors are state controlled and operate in monopolistic conditions (see table 6.16).

#### **Secondly results from multiple regression test for industrial sectors:**

The quantitative test results indicate that in the Chemical Industry Sector the main effects of the intelligence dissemination and responsiveness variables were negative and not statistically significant on business performance. However, the results show a significant positive effect of intelligence generation on business performance (see table 6.18).

Results demonstrated that in the Electrical and Engineering Industry Sector all components of market orientation were positively related to business performance. However, the results showed that it was not statistically significant with business performance (see table 6.19).

In the Metal Industry Sector there was a weak but positive effect between the variables market orientation (intelligence generation and intelligence dissemination) and business performance but the variable responsiveness was negative (see table 6.20).

Results from the Building Materials Industry Sector show that the main effects of the intelligence dissemination and responsiveness variables were positive and not statistically significant on business performance. However, the variable intelligence generation was negative and not statistically significant on business performance (see table 6.21). Additionally in the Food Industry Sector, the variables intelligence dissemination and responsiveness were positive, however, the intelligence dissemination statistically significant, but the variable responsiveness not statistically significant. However, the variable intelligence generation was negative and not statistically significant on business performance (see table 6.22).

Finally, results from the Textile and Furniture Industry Sector show that all the components of the market orientation were positively related to business performance. However, the results also show that two were not statistically significant with business performance only the responsiveness variable was positive and statistically significant (see table 6.23).

- There was a low level of market orientation in twenty-three (41%) of the companies surveyed, this result indicates a lack of awareness of the concept of market orientation for those companies or they do not know the benefits of implementing this concept and its returns on their business performance (see table 6.25). In the Libyan manufacturing companies surveyed however the business performance link was low, because there was a decline in the awareness and application of market orientation concepts. There are however, some companies located in the median level of market orientation awareness which means they have a medium level of awareness and application of the concept of market

orientation. The remaining companies surveyed had specialised in a high level of market orientation, and had a high level of awareness of its application. In other words, these companies were taking a customer focus or a product quality focus in their operations.

- The results based on the quantitative analysis demonstrate that twenty-three companies were located in the low level of market orientation. The high percentage (67%) in this low level of market orientation was obtained by the Metal Industry Sector, then comes the Chemical Industry Sector in second place with the rate of (53%), which indicates more than half of the companies surveyed in this sector, next comes the Textile and Furniture Industries Sector (45%), then comes Electric and Engineering Industries Sector (37.5%), then comes the Food Industries Sector (31%), finally Building Materials Industries Sector (17%) see table (6.33).

- From results based on the qualitative analysis, it is apparent that there are two types of companies. The first type of company is exposed to competition. For this reason, those companies feel that the process of collecting market intelligence is important and try to convince employees of the importance of this process, although they use traditional methods to achieve this. However, the second type of company has been performing their activities in monopolistic or semi-monopolistic conditions, and work in guaranteed or semi-guaranteed markets. In this case, this leads those companies to have a lack of interest in the process of collecting market intelligence, although they have in some cases used this process (see pages 204, 205).

It can be concluded from the results that less than half of the companies sampled conduct surveys to determine customers' current and future needs. Managers questioned did however have varying opinions about the topic of intelligence generation. Generation of intelligence took place but only when the company wants to produce a new product, the

survey being carried out to ensure the success of the product. Some Libyan companies have only started to use this process recently due to an increase of competition in the country. Other respondents stated that these surveys are carried out on their behalf by delegates of the company in the market, or they had their own research department that conducts this kind of survey for the company. There were five of the respondents questioned who agreed that their companies had conducted surveys to determine customers' current and future needs (see the interview analysis beginning on p.207).

- There were some who polled end users at least once a year to assess the quality of products and services provided. Others met with customers at least once a year to find out what products or services they might need in the future. Some managers indicated that their company maintained contacts with officials of government and regulatory bodies in order to collect and evaluate pertinent information. It is also possible to conclude however that many respondents tended to disagree to some extent and stated that it was not the case that individuals from their manufacturing department interacted directly with customers to learn how to serve them better. Finally there were also respondents who expressed a belief that their companies' did not spend time with their suppliers to learn more about various aspects of their business. The survey, as a research tool, according to the results of this study, has been used by some Libyan companies as a means of identifying the customers' current and future needs, sometimes involving the use of experts to design the survey in order to provide useful results for the company, such as determining the quality of products and quantities required by consumers. At other companies there was a greater dependence on the opinions of customers, who were encouraged to make comments and complaints which the management would then take corrective actions to resolve and then improve work output. Some companies according to this research communicated directly with consumers,

thereby using their sales force to learn about their attitudes regarding product, prices and quality of products and services associated with goods in comparison with competitors (see the third part p.212, 213).

- In some companies it was the usual practice to survey both the intermediaries and end users and one company carried out a survey before it produced a new product. Respondents from several companies sampled indicated that they survey their intermediaries more often than their customers; this happens at least once a year, while their intermediaries are surveyed at least twice or three times a year.

- In most of the companies surveyed inter-departmental meetings are held at least once a month, in others however they happened only every three months. At some companies regular meetings by the Board of Directors which meets at least once a month are held. Additionally, some felt that meetings were held only for certain emergency circumstances, in some cases when something important happens to a major customer or market, which requires some change in the company's policies. Finally, two of the respondents indicated that there is no specific date for department meetings in their companies, such meetings are arranged as and when they are needed. All managers in the company are informed in advance of the date of such meetings (see the third part p.212, 213,214).

- The responses from the managers at the Libyan manufacturing companies' surveyed indicated that there was a general trend toward agreement to some extent by those questioned about their belief that "customer complaints fall on deaf ears in their companies". Additionally they also agree or strongly agree about the fact that, "It takes us forever to decide how to respond to our competitors' price changes" the relatively high mean score of respondents in these Libyan manufacturing companies surveyed suggests that, "When we find out that customers are unhappy with the quality of our service, we take

corrective action immediately". However, although there are some positive answers there are also many negative aspects in these companies. There were some respondents who disagreed to some extent with the idea that, "the principles of market segmentation drives new product development efforts in this company", and also about "our business plans are driven more by technological advances than by market forces". As a result of this research it became apparent that there are several methods used by these companies to benefit from the information that is collected through their surveys, of either consumers or intermediaries. This might be done either by periodic meetings between the managers and heads of departments in their companies or the Computer Section in an organisation might issue survey forms to consumers or intermediaries and then the information gathered would be sorted, analysed and then the results produced in the form of a report which was then distributed to all departments. These reports would include some indicators such as prices of competitors, specifications required of the goods, and the rate of demand for goods. This method used by a number of the companies sampled is good because these companies would benefit from modern technology enabling them to reduce the time and effort required to collect, collate and analyse market intelligence. Committees are also used which consist of a group of managers and staff with expertise in statistics and marketing, who are responsible and undertake the sorting and analysis of surveys received from consumers or intermediaries then send them to the various managers in the company. However almost half of the respondents indicated that their company does not have a formal survey procedure; rather, information is gathered informally, information being gathered through friends in the industry, officials of government and regulatory bodies as well as from other companies managers in the same sector. The experience of individual managers was also seen as playing a significant role due to their having dealt with the same market over a long period of time as well as having an understanding of the nature of the social changes that



people have within their environment, society, lifestyles, relationship with family and people around them. Most of the managers questioned for this research see that the survey process outlined would contribute to support decisions on prices, products and competitors, one of the respondents added that this process would provide the company the information that would assist in increasing their market share. Also another respondent said that, without this information the company would face threats as well as other problems from the changes that may occur in their environment due to it not anticipating those changes in advance. This would lead the company into real difficulties. However in those companies sampled which were in effect monopolies respondent managers placed greater importance on their organisations' need to focus on the production process in the sense of merely increasing the amounts produced. They felt the survey process to improve market orientation may be important, but only at some point in the future. The results from the literature reviewed for this research showed that the variables of market orientation had been found to be significant and positively correlated with business performance for many companies.

- The dissemination of market intelligence in Libyan manufacturing companies involves various techniques that enable managers to communicate the importance of this process to employees. These techniques include daily or monthly bulletins through email or reports, and periodicals distributed to employees. Some companies hold regular meetings with managers and employees as a means of communicating the importance of this process, and they include developments and the most important indicators of the market as a method of identifying customers' current and future needs. In a number of Libyan companies there are discussions among departments concerning customers' current and future needs and market trends. In particular, the customers' needs, prices, competitors, product quality,

changes in demand for their products, and dealings with intermediaries are considered important. Additionally, financial matters and the business of the other departments in their companies such as production management and human resource management are considered. However, in the monopolistic companies, they usually only discuss the production lines and development of production processes and increasing working hours in order to increase production volumes. The sharing of information between various departments was seen as important and was typically achieved through the reading of reports at official meetings, posting information on the notice board, and circulating letters to the relevant departments. Customers' current and future needs and market trends and developments were usually shared through informal means such as the telephone communications and meetings outside of the company (e.g. managers' houses and coffee shops). (See section 7.1.2).

- The managers surveyed for this research also felt that the internal environment of their companies had an effect on their responsiveness to market intelligence. The majority of respondents mentioned that there should be several changes in the internal environment of their companies in order to increase the level of response. These changes would include; their companies present plans and policies, especially regarding prices and the quality of products and changes in the production lines to keep up with the preferences and wishes of the customer. Furthermore there is a need to update the training programme for employees and increase the training courses which would provide knowledge and increase the capacity of employees to respond to changes that might occur in the market. Managers also, these respondents felt, should be sent on training programs, as training would help managers to learn about the current trends of the market, to develop their performance and ability and to

update and upgrade them regarding competitors' products, strategies and activities. They also need to be taught how to deal with and facing challenges.

- Furthermore any increase in the level of response requires integration and coordination between all departments in the company as well as advances in technology. This is necessary because the internal environment of some companies is slow to influence the level of response due to a lack of adequate expertise in the process of gathering information of market intelligence and its subsequent analysis to support the decision-making process. There is a serious lack of the technology necessary to share information among the various departments quickly and provide information to centralized decision-makers. There may be a case for the decentralisation of decision-making as centralised decision making is a threat to market orientation. Therefore, in general, in order to increase the level of responsiveness many managers felt their companies require significant changes in their internal environment to overcome these obstacles.

Finally, it is noted that these results were derived from information collected and analyzed before the start of the Libyan Revolution in February, 2011. Accordingly, the environment of which these results are based may change in the future, because there are many expected, especially in the Libyan business environment. Therefore, the researcher expects that while a significant change may occur in the future with regard to Libya's business environment, which may affect the interpretation of the findings of this study, it is also the case that factors such as culture, customs, tribal mentality and religion will only change over a long period of time and may not change at all. Accordingly, the researcher expected results of the study to remain valid.

According to Scullion and Lineham (2005, p. 275), there is a need for competitiveness in developing countries, but economic policy regulations, even if modified in the framework

of liberalisation, are still handled by governments as powerful tools of political control over economic agents, and interactions to maintain the political and economic hegemony of the ruling elites and their clientele.

Therefore, Libya is seeking to establish democratic and non-state control of institutions, which in turn makes the companies operating in such an environment experience more freedom and the advancement of the private sector and small businesses, as well as increased competition and the elimination of state monopoly in some sectors or companies. Also these will be reflected in the business performance of the companies, and the results of future studies.

#### **9.2- Limitations of the study:**

The main emphasis of this study was to discover if there was a significant relationship which exists between a firm's business performance and its degree of market orientation (MO). Previous research in this area has tended to focus on investigating the relationship between various measures of company performance and the adoption or implementation of particular aspects of a market or marketing orientation. Furthermore this researcher wanted to discover what exactly the level of market orientation within Libyan businesses is and does it vary between different sectors. The way to answer the research questions posed and test the hypotheses put forward was to assess the current level of market orientation within large Libyan manufacturing companies and the survey conducted on the opinions of Libyan managers was intended to provide this. The data collection tools used to achieve the aim and objectives of this research and prove or disprove the main hypotheses was the extended MARKOR questionnaire and subsequent interviews. The extended MARKOR questionnaire allowed a tried and tested data collection tool to be used and as the most important aspects of such research are credibility, reliability and validity, the

standardisation offered by the questionnaire provided a means to gather consistent answers to consistent questions.

However on reflection it appears that the extended MARKOR questionnaire was too restrictive, a number of respondents had difficulty relating to the terms and words used within it. Additionally the respondents were drawn from companies, sampled for the research, which consisted of the top eighty-three Libyan manufacturing companies in Libya. The majority of which were state-owned and therefore operated under monopolistic conditions. It might have been better to concentrate on either public or private sector companies only. The questionnaire was distributed to 112 respondents who were the General Manager or his Assistant; the Director of Marketing management or his Assistant or the Head or Assistant Head of the various companies' marketing departments. It would have been better if a larger number of respondents could have been included in the survey but this researcher received a positive response at only fifty-six of the companies approached to participate, there were a number however who declined or were omitted. The surveyed companies operate in a variety of sectors and were spread throughout Libya, however the number of industrial sectors represented was only small and hampered the testing that could take place between them. Despite these limitations the results achieved are revealing and the conclusions drawn add to the available knowledge about the marketing and acceptance of market orientation in transitional economies like Libya.

### **9.3 - Contribution to knowledge:**

Recently, the pressures of globalisation have intensified competition in product and labour markets recently especially in Libya. This competitiveness has emphasised the need for greater efficiency and productivity. Globalisation has also led to a reduction in trade barriers between countries, the deregulation of markets, increased privatisation and the

ending of many state monopolies, (Holman et al., 2003). The intention of this research was to investigate the culture and philosophy of market from a Libyan perspective. In this study, an attempt has been made to determine whether market orientation is simply a set of behaviours which, if adopted, leads to benefits for both customers and the organisation, or whether issues of culture and philosophy also determine the success of market orientation. The thrust of the argument was that any firm which becomes market-oriented is one that successfully applies the marketing concept. In this context, the main contributions of this study are outlined below.

(1) Although, there is evidence of a much research taking place in the 1990s which contended that market orientation was important to firms because of its positive association with performance, there were only a few studies where a positive link was found. Therefore, this research is a response to researchers such as Kohli et al., (1993) and Ward and Lewandowska, (2005) who called for investigation of the phenomenon of market orientation in different cultural and economical environments, as cultural differences are crucial in such studies and can provide fruitful results. Additionally it fills the gap in the existing literature, especially in transitional economies like Libya.

(2) This study is considered to be the first which uses the extended MARKOR (51 items) developed by Matsuno et al., (2000) in a transitional economy such as Libya. Additionally it used the mixed methods design to the process of collecting and analysing qualitative and quantitative data.

(3) This study has also contributed to knowledge by showing that the method of generating intelligence is necessarily different in Libya, than in a developed country because of the cultural, social, political and economic differences of the country. Furthermore it highlights the fact that some Libyan companies have only started to use the process of intelligence generation recently, due to an increase in business competitiveness in the country.

Additionally this study has revealed that there is now a much more competitive business environment in Libya, and therefore a much greater need for a coordinated effort among various functions, which should be instrumental in an organisation's responsiveness to customer needs.

(4) A further contribution made by this research concerns the general understanding of the methods currently used for the generation and dissemination of market intelligence in Libyan companies, as well as the responsiveness of management, other departments and the company's employees. As a result of this research, it became apparent that there were several methods used by companies to benefit from the information that is collected through their surveys, of either consumers or intermediaries. There is a tendency for this to take place on an informal basis as customers' current and future needs and market trends and developments were usually discussed through informal means such as the telephone communications and meetings outside of the company (e.g. managers' houses and coffee shops).

(5) Given the transitional nature of Libya as a nation there are two types of company operating across the various industrial sectors. This study has increased knowledge about the influence of external parties in the collection of market intelligence. The People's Committee of the particular industrial sector and the General Authority for Standardization, which is a government body both collect market intelligence in order to determine the quality of products produced and their quantities as well as customers' current and future needs. The study also contributes to the general understanding of how such market intelligence is distributed within particular companies. The results from this research show that the dissemination of market intelligence in Libyan companies involves various techniques that enable marketing managers to communicate the importance of this process to other departments and employees. Additionally it highlights the various methods used by

these companies to benefit from the information that is collected through their surveys, of either consumers or intermediaries. This might be done either by periodic meetings between the managers and heads of departments in their companies or the Computer Section in an organisation might issue survey forms to consumers or intermediaries and then the information gathered would be sorted, analysed and then the results produced in the form of a report which was then distributed to all departments.

However the results also indicate that in some companies there is a serious lack of the technology necessary to share information among the various departments quickly and provide information to centralized decision-makers. There may be a case for the decentralisation of decision-making as centralised decision making is a threat to market orientation. Therefore, in general, in order to increase the level of responsiveness many managers felt their companies required significant changes in their internal environment to overcome these obstacles. Furthermore some of the managers surveyed for this research also felt that the internal environment of their companies had an effect on their responsiveness to market intelligence. There was support for the need to make changes in the internal environment of their companies in order to increase the level of response, including the production of marketing plans and policies, especially regarding prices and the quality of products, and changes in production lines to keep up with the preferences and wishes of the customer.

(6) This study contributes to the knowledge regarding the marketing concept in Libyan organisations by indicating the various levels of market orientation between sectors. In some there is clearly very little awareness and application of market orientation concepts. There are some who have a medium level of awareness and application of the concept of market orientation. The remaining companies surveyed had specialised in a high level of market orientation, and had a high level of awareness of its application. In other words,



these companies were taking a customer focus or a product quality focus in their operations. This should be the norm in all Libyan companies. The study exposes the need to update the training programmes organisations hold for employees and include or increase those courses which would provide knowledge and understanding and add to the capacity of employees to respond to changes that might occur in the market. This would be done by adopting a learning orientation in Libyan companies which would inevitably lead to an improvement in their market orientation.

#### **9.4- Recommendations:**

As a result of the investigation into market orientation in Libyan companies this research would like to recommend that changes be undertaken in organisations to increase their level of responsiveness to market intelligence. This would entail companies actually creating a marketing plan which clearly defines a marketing mix appropriate to the product or sector the company is targeting. Additionally the lack of necessary computer technology in some companies needs to be addressed to facilitate the dissemination of market intelligence quickly and provide information to centralized decision-makers. There should be a mechanism for the organisation to use the information generated by the market coordinated use of company resources, and to disseminate this information throughout the organisation. The use of this particular market orientation component must be cultivated by placing greater emphasis on the advantages inherent in the different areas in the organisation cooperating closely with each other. To be effective however all departments must be sensitive to the needs of all the other departments in the organisation. Also, the management of companies needs to oversee the development of updated customer information databases, which in turn, will help in providing a good understanding of the nature of Libyan market behaviour.

There is also a case to consider the de-centralisation of marketing decisions particularly in state controlled enterprises. Furthermore, all Libyan companies should embrace a learning orientation, which would increase employee motivation and enhance their feelings of belongingness. This orientation toward learning should start by updating the training programmes currently in place for employees to provide the necessary skills and knowledge and increase their capacity to respond to changes that might occur in the market.

The Libyan manufacturing companies should have an interest in and focus on the actual needs of customers in order to satisfy them, and not plan production simply according to their existing capacity or the raw materials available to them. Most of these companies have machinery and production equipment characterised by a lack of flexibility and a high maintenance / replacement costs. Therefore, these companies need to develop the ability to respond to changes in customer preferences and wants. They also need to pay more attention to R&D to improve products, and enable these companies to devise new products.

Additionally Libyan Manufacturing companies need market research to improve business performance, through the collection of information on customers, competitors and intermediaries in the market. Then based on this information, the companies can produce their goods. However, this process requires people with experience of how to collect that information, analyse it and distribute it to the appropriate individuals or groups selectively and quickly as well as sharing this information among the various departments within companies. In addition, modern technology must be used in accelerating the speed of communications.

Finally, Libya today is a much more competitive environment, and there is a much greater need for a coordinated effort among various functions which should be instrumental in the organisations' responsiveness to customer needs. In other words, they need to be able to identify the basic customer needs that they serve, and then define their business

accordingly. The integration of effort will enable the company to provide the value to meet customer needs, but this includes the need to co-ordinate effort in terms of the elements of the marketing mix for each product. Additionally, because market orientation is an organisation-wide prescription, it is necessary that the whole company is organised and co-ordinated in the service of the customer. In order to achieve its main organisational objectives, the first of which is profitability, it is necessary for an organisation to adopt the marketing concept throughout its activities to serve customer needs in order to meet its requirements for achieving objectives/profit. This is essential for long-term survival.

The research advises managers and decision makers to increase the awareness of marketing management in general and marketing skills in particular among employees at different organisational levels. In addition, they should seek to increase the awareness of the importance of a market orientation culture/philosophy to a successful strategy in the Libyan market under the current transition process. This is of great importance to Libyan manufacturing companies especially with increasing local competition from private sector companies and the opening of the country's boundaries to foreign competition.

In addition, the research recommends that Libyan manufacturing companies should rely more on consulting university academics and other external expertise to update their knowledge through developing advanced training programs and directing their effort toward customers' needs and satisfaction. Moreover, all Libyan manufacturing companies should establish a close relationship with leading marketing institutions and universities to develop specific training programmes suitable to the needs of employees in Libyan manufacturing companies, especially with regard to management and marketing issues.

#### **9.5- Further Research:**

The purpose of this research was to investigate the relationship between market orientation and business performance of the local manufacturing companies and thus multinational

companies and service companies as well as medium-small sized companies were excluded. Future studies in Libya should include multinational companies and service companies in order to provide comparative analysis between local companies and multinational companies or service companies and Medium-small sized companies.

In addition, it would have been more appropriate had the evaluation of market orientation come from the point of view of both company and customer. This leaves room for future investigation.

As this research was limited to one developing country, it was not possible to carry out a comparative analysis with market orientation of another country. It is therefore suggested that cross-cultural studies should be carried out in the future in different developing countries for comparison purposes.

Furthermore, one important factor that needs to be considered for future research is the use of a refined measurement of performance. This research has used subjective measures of performance producing very interesting and diverse results on the market orientation and its presumed link to company performance. It is therefore suggested that objective measures of performance should be carried out in the future.

The results of this study show that there are a number of barriers in the Libyan companies that prevent the correct application of marketing concepts and market orientation. Future studies will be required to operationalise and develop scales for these issues, especially in developing economies in general, and the transition economies like Libya in particular.

In addition, the results showed that the largest group of companies surveyed, were located in the low level of market orientation. It is therefore suggested that future research could

focus on the most important reasons for this low level of market orientation, and provide some suggestions and possible means to raise this level in such companies.

Moreover, the results show that the internal environment of MO has been influenced by a number of elements which include the opinions of and approach taken by top management, the level of inter-functional coordination and most importantly the opinions of employees; this process requires people with experience of how to collect the necessary information and analyze it, distributing information to the appropriate individuals or groups selectively and quickly as well as sharing this information among the various departments within companies. Thus, it should be of the direction and focus of future research on the training process (training needs) of managers and employees, in order to increase awareness and spread the culture of the market in all levels of the organization.

It also apparent from the results of this study that there are many deficiencies in the implementation of market orientation due to the impact of Libyan culture, for example; the process of collection information in Libyan companies is usually done through an informal way, as the respondents indicated that their company does not have a formal survey procedure; rather, information is gathered informally, usually through friends in the industry, government officials and regulatory bodies, as well as from other company managers in the same sector. In addition, there is a lack of awareness among consumers to provide the companies the accurate information which would help the companies to determine specifications required of the goods and to identify customers' current and future needs. Based on this information the company could produce products appropriate for them according to their preferences and wishes. Therefore, the researcher suggests that there is a need for more future research to understand the issues associated with implementing market orientation and in particular the obstacles/barriers, and influence of culture.

The results of correlation analysis and regression analysis in this study show that sometimes there are some differences between the results because there is a high correlation between independent variables. Therefore the researcher suggests the use of other statistical analyses such as factor analysis, especially in developing countries, so it is possible to compare the results other statistical analysis with the results of this study.

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## **Appendix (1)**

### **SURVEY QUESTIONNAIRE**

**University of Gloucestershire**

#### **Market orientation and performance questionnaire**

The researcher would like to help you to gain information on market orientation and firm's performance.

This questionnaire is part of the requirements for obtaining PhD degree from the University of Gloucestershire, UK. Your complete the answer of all questions is essentially to the accuracy of the research.

Your anonymity is protected given that the answers gained from this questionnaire will be aggregated to create various variables necessary for the implementation on this research.

Information gained through this questionnaire is going to be dealt with as extremely confidential.

This questionnaire takes less than 20 minutes to answer.

There is no right or wrong answers.

**Finally, I would like to thank you for your help and collaboration.**

## SECTION (A): General Information:

1- Name of the company:

.....

Please fill in all the blanks and tick (✓) in the appropriate boxes

2- Your company's main industry is:

1- Chemical industries ☐

2- Electric and engineering industries ☐

3- Metal industries ☐

4- Building materials industries ☐

5- Food industries ☐

6- Textile and furniture industries ☐

7- Others (please specify) .....

3- When was your company founded?

4- Is your company an independent venture? ☐

or a subsidiary of a corporation ☐

5- How many employees are there in your company?

6- What was your company's turnover in 2008?

## SECTION (B): Respondent Information:

Please fill in all the blanks and tick (✓) in the appropriate boxes

### 1- Age of respondent:

- Less than 30 years ☐
- 31 – 49 ☐
- More than 50 years ☐

### 2- Highest qualification of respondent:

- ☐ School level ☐ Undergraduate ☐ Master Degree
- ☐ PhD Degree ☐ Professional qualification
- ☐ Others (please specify) .....

### 3- Qualification of respondent in:

- ☐ Marketing.
- ☐ Other business
- ☐ Others (please specify) .....

### 4- Position in the company:

- ☐ General Manager of the company
- ☐ Assistant General Manager of the company
- ☐ Director of marketing management
- ☐ Assistant Director of marketing management
- ☐ Head of Marketing department
- ☐ Others (please specify).....

### 5- How many years have you been in this position?

- Less than 5 years ☐
- 5 – 10 ☐
- More than 10 ☐

## SECTION (C): Market Orientation Questionnaire

### MARKET ORIENTATION SCALE QUESTIONS (Extended MARKOR scale):

This is an assessment of the market orientation of your business.

The following is the scale used for the questions:

1 ----- 2 ----- 3 ----- 4 ----- 5  
 Strongly Disagree      Disagree      Neither      Agree      Strongly Agree

Please circle the number that best reflects the extent of your agreement or disagreement.

This set of statements is about “**Intelligence Generation**” in your company.

| Market Orientation Item<br>(Intelligence Generation)                                                                                      | Strongly<br>Disagree | Disagree | Neither | Agree | Strongly<br>Agree |
|-------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------|---------|-------|-------------------|
| 1- In this business unit, we meet with customers at least once a year to find out what products or services they will need in the future. | 1                    | 2        | 3       | 4     | 5                 |
| 2- Individuals from our manufacturing department interact directly with customers to learn how to serve them better.                      | 1                    | 2        | 3       | 4     | 5                 |
| 3- In this business unit we do a lot of in-house market research.                                                                         | 1                    | 2        | 3       | 4     | 5                 |
| 4- We are slow to detect changes in our customers' product preferences.                                                                   | 1                    | 2        | 3       | 4     | 5                 |
| 5- We poll end users at least once a year to assess the quality of our products and services.                                             | 1                    | 2        | 3       | 4     | 5                 |
| 6- We often talk with or survey those who can influence our end users' purchases (e.g., retailers, distributors).                         | 1                    | 2        | 3       | 4     | 5                 |
| 7. We collect industry information through informal means (e.g., lunch with industry friends, talks with trade partners).                 | 1                    | 2        | 3       | 4     | 5                 |



| <b>Market Orientation Item<br/>(Intelligence Generation)</b>                                                                                                                                                     | <b>Strongly<br/>Disagree</b> | <b>Disagree</b> | <b>Neither</b> | <b>Agree</b> | <b>Strongly<br/>Agree</b> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------|----------------|--------------|---------------------------|
| 8. In our business unit, intelligence on our competitors is generated independently by several departments.                                                                                                      | 1                            | 2               | 3              | 4            | 5                         |
| 9. We are slow to detect fundamental shifts in our industry (e.g., competition, technology, regulation).                                                                                                         | 1                            | 2               | 3              | 4            | 5                         |
| 10. We periodically review the likely effect of changes in our business environment (e.g., regulation) on customers.                                                                                             | 1                            | 2               | 3              | 4            | 5                         |
| 11. In this business unit, we frequently collect and evaluate Newly developed general macro-economic information (e.g., interest rate, exchange rate, GDP, industry growth rate, inflation rate).                | 1                            | 2               | 3              | 4            | 5                         |
| 12. In this business unit, we maintain contacts with officials of government and regulatory bodies (e.g., Department of Agriculture, FDA, FTC, Congress) in order to collect and evaluate pertinent information. | 1                            | 2               | 3              | 4            | 5                         |
| 13. In this business unit, we collect and evaluate information concerning general social trends (e.g., environmental consciousness, emerging lifestyles) that might affect our business.                         | 1                            | 2               | 3              | 4            | 5                         |
| 14. In this business unit, we spend time with our suppliers to learn more about various aspects of their business (e.g., manufacturing process, industry practices, and clientele).                              | 1                            | 2               | 3              | 4            | 5                         |
| 15. In our business unit, only a few people are collecting competitor information.                                                                                                                               | 1                            | 2               | 3              | 4            | 5                         |

This set of statements is about “**Intelligence Dissemination**” in your company.

| <b>Market Orientation Item<br/>(Intelligence Dissemination)</b>                                                                              | <b>Strongly<br/>Disagree</b> | <b>Disagree</b> | <b>Neither</b> | <b>Agree</b> | <b>Strongly<br/>Agree</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------|----------------|--------------|---------------------------|
| 16. A lot of informal “hall talk” in this business unit concerns our competitors’ tactics or strategies.                                     | 1                            | 2               | 3              | 4            | 5                         |
| 17. We have interdepartmental meetings at least once a quarter to discuss market trends and developments.                                    | 1                            | 2               | 3              | 4            | 5                         |
| 18. Marketing personnel in our business unit spend time discussing customers’ future needs with other functional departments.                | 1                            | 2               | 3              | 4            | 5                         |
| 19. Our business unit periodically circulates documents (e.g., reports, newsletters) that provide information on our customers.              | 1                            | 2               | 3              | 4            | 5                         |
| 20. When something important happens to a major customer or market, the whole business unit knows about it in a short period.                | 1                            | 2               | 3              | 4            | 5                         |
| 21. Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis.                                   | 1                            | 2               | 3              | 4            | 5                         |
| 22. There is minimal communication between marketing and manufacturing departments concerning market developments.                           | 1                            | 2               | 3              | 4            | 5                         |
| 23. When one department finds out something important about competitors, it is slow to alert other departments.                              | 1                            | 2               | 3              | 4            | 5                         |
| 24. We have cross-functional meetings very often to discuss market trends and developments (e.g., customers, competition, suppliers).        | 1                            | 2               | 3              | 4            | 5                         |
| 25. We regularly have interdepartmental meetings to update our knowledge of regulatory requirements.                                         | 1                            | 2               | 3              | 4            | 5                         |
| 26. Technical people in this business unit spend a lot of time sharing information about technology for new products with other departments. | 1                            | 2               | 3              | 4            | 5                         |
| 27. Market information spreads quickly through all levels in this business unit.                                                             | 1                            | 2               | 3              | 4            | 5                         |

This set of statements is about “**Responsiveness**” in your company.

| <b>Market Orientation Item<br/>(Responsiveness)</b>                                                                                  | <b>Strongly<br/>Disagree</b> | <b>Disagree</b> | <b>Neither</b> | <b>Agree</b> | <b>Strongly<br/>Agree</b> |
|--------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------|----------------|--------------|---------------------------|
| 28. It takes us forever to decide how to respond to our competitors’ price changes.                                                  | 1                            | 2               | 3              | 4            | 5                         |
| 29. The principles of market segmentation drive new product development efforts in this business unit.                               | 1                            | 2               | 3              | 4            | 5                         |
| 30. For one reason or another we tend to ignore changes in our customers’ product or service needs.                                  | 1                            | 2               | 3              | 4            | 5                         |
| 31. We periodically review our product development efforts to ensure that they are in line with what customers want.                 | 1                            | 2               | 3              | 4            | 5                         |
| 32. Our business plans are driven more by technological advances than by market research.                                            | 1                            | 2               | 3              | 4            | 5                         |
| 33. Several departments get together periodically to plan a response to changes taking place in our business environment.            | 1                            | 2               | 3              | 4            | 5                         |
| 34. The product lines we sell depend more on internal politics than real market needs.                                               | 1                            | 2               | 3              | 4            | 5                         |
| 35. We are slow to start business with new suppliers even though we think they are better than existing ones.                        | 1                            | 2               | 3              | 4            | 5                         |
| 36. If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately. | 1                            | 2               | 3              | 4            | 5                         |
| 37. The activities of the different departments in this business unit are well coordinated.                                          | 1                            | 2               | 3              | 4            | 5                         |

| <b>Market Orientation Item<br/>(Responsiveness)</b>                                                                                                                                  | <b>Strongly<br/>Disagree</b> | <b>Disagree</b> | <b>Neither</b> | <b>Agree</b> | <b>Strongly<br/>Agree</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------|----------------|--------------|---------------------------|
| 38. Customer complaints fall on deaf ears in this business unit.                                                                                                                     | 1                            | 2               | 3              | 4            | 5                         |
| 39. Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion.                                                               | 1                            | 2               | 3              | 4            | 5                         |
| 40. We are quick to respond to significant changes in our competitors' pricing structures.                                                                                           | 1                            | 2               | 3              | 4            | 5                         |
| 41. When we find out that customers are unhappy with the quality of our service, we take corrective action immediately.                                                              | 1                            | 2               | 3              | 4            | 5                         |
| 42. When we find that customers would like us to modify a product or service, the departments involved make concerted efforts to do so.                                              | 1                            | 2               | 3              | 4            | 5                         |
| 43. If a special interest group (e.g., consumer group, environmental group) were to publicly accuse us of harmful business practices, we would respond to the criticism immediately. | 1                            | 2               | 3              | 4            | 5                         |
| 44. We tend to take longer than our competitors to respond to a change in regulatory policy.                                                                                         | 1                            | 2               | 3              | 4            | 5                         |

**Business Performance:**

In your judgment, how did your business unit perform relative to its major competitors last year with respect to each criteria?

Please answer the following and circle the most appropriate number that reflects the extent of your company.

**Note:** 1= Much Lower    2 = Lower    3 = Same    4 = Higher    5 = Much Higher

| <b>Business Performance Item</b>                                                           | <b>Much<br/>Lower</b> | <b>Lower</b> | <b>Same</b> | <b>Higher</b> | <b>Much<br/>Higer</b> |
|--------------------------------------------------------------------------------------------|-----------------------|--------------|-------------|---------------|-----------------------|
| 45- Our business unit's overall performance relative to major competitors last year.       | 1                     | 2            | 3           | 4             | 5                     |
| 46- Our business unit's market share growth in our primary market last year.               | 1                     | 2            | 3           | 4             | 5                     |
| 47- Our business unit's sales growth relative to major competitors last year.              | 1                     | 2            | 3           | 4             | 5                     |
| 48- Percentage of sales generated by new products last year relative to major competitors. | 1                     | 2            | 3           | 4             | 5                     |
| 49- Our business unit's return on sales relative to major competitors last year.           | 1                     | 2            | 3           | 4             | 5                     |
| 50- Our business unit's return on assets relative to major competitors last year.          | 1                     | 2            | 3           | 4             | 5                     |
| 51- Our business unit's return on assets relative to major competitors last year.          | 1                     | 2            | 3           | 4             | 5                     |

If you would like to make comments or observations on the space provided:

.....

.....

.....

**Thank you for your support and cooperation.**

## **Appendix (2)**

### **Interview**

#### **Follow up interview questions to triangulate questionnaire results**

1. Does your company have a system in place to collect market intelligence?
  - a. If Yes, How important do you feel this process is?
  - b. How important do you feel this process is to other employees?
  - c. What steps do you take to communicate the importance of this process to employees?
  - d. If No, would you like to see such a process being put in place?
2. Do you feel that the external (cultural/social/political) environment affects the amount of market intelligence that can be gathered?
  - a. If yes, can you explain in your own words the affects the external environment has on the collection of market intelligence?
  - b. If No, can you explain how intelligence from the external environment i.e. your competitors is collected and how often this process takes place.
3. Do you conduct surveys to determine customers' current and future needs?
  - a. If yes, do you survey both the end user and intermediaries?
  - b. How often do you conduct such surveys?
  - c. How do you use the information collected from these surveys within your company?
  - d. If you do not conduct such surveys, why not?
4. Where would you say are the real strengths of your intelligence gathering operation - can you give me examples of why you think that is so?
5. Do you have interdepartmental meetings in your company?

- a. If yes, how often do you have such meetings?
  - b. Do you discuss customers' future needs in those meetings?
  - c. Do you share information regarding customers among the various departments?
  - d. How do you share this information?
  - e. If you do not conduct such meetings, why not?
6. Do you feel that the internal environment of your company has an affect on the responsiveness to market intelligence?
- a. If yes, what changes would you make to increase the level of responsiveness?
  - b. If No, can you explain the process by which market intelligence is gathered and transferred to decision makers?
  - c. Could you clarify how often the process of market collection takes place; is it something that happens purely by chance, or is it carried out periodically, or is it a process that is systematically done?
7. Where do you feel your intelligence gathering operations could be improved?
8. Do you feel your company responds to the customer future needs and wants?
- a. If yes, how do you do this?
  - b. Do you respond as fully as you would like?
  - c. How fast are you in responding to customer needs?
  - d. If you do not respond to these needs and wants, why not?
  - e. What are the obstacles to prevent you responding?
9. In your company is business performance measured?
- a. If yes, what are the main factors that produce this level of performance?

- b. Do you think that market orientation will help your company to achieve a better business performance? If yes, how do think this contribution would be made?
  - c. If No, What are the main factors which cause the bad performance?
10. In what ways do you feel the internal and external environments in Libya could be changed in order to improve business performance throughout the country?

**Thank you very much for taking part in this research**



## Appendix (3)

### Case of interviews

1. Does your company have a system in place to collect market intelligence?

*Yes, there is a system to collect market intelligence in my company.*

- a. If Yes, How important do you feel this process is?

*This process is very important for all the companies; we collect necessary information regarding our customers, competitors, and intermediaries, especially with regard to prices and quality products and services in the market.*

- b. How important do you feel this process is to other employees?

*This process is also important for employees because it enables them to perform their jobs adequately for the needs of the market.*

- c. What steps do you take to communicate the importance of this process to employees?

*Our company does not have any specific steps to communicate the importance of the process to employees, but it is usually to do this process by regular meetings between department heads and employees, at those meetings every manager explains the importance of the market information to his employees.*

2. Do you feel that the external (cultural/social/political) environment affects the amount of market intelligence that can be gathered?

*Yes, the external environment factors have an effect on the amount of market intelligence that is collected from the market.*

- a. If yes, can you explain in your own words the effects the external environment has on the collection of market intelligence?

*"Yes, of course, the external environment affects the amount of market intelligence or information gathering from the market, for example, culture plays a significant role in the amount of information gathering, especially in our company, due to the fact that the nature of our products must comply with the culture of Libyan society, because consumer preferences are affected by the society in which consumers live. The second example is state policy. We must follow it closely as it is not stable. During the end of the 1970's and beginning of the 1980's, the state decided to move towards the public sector and the state has established public manufacturing companies and allowed them to import products from abroad at lowest cost which led to a decline in the amount of market intelligence. However, this situation has changed. Today's firms operate with an increasing level of competition and rate of change in the external environment, which necessitates that increased attention be paid to market intelligence."*

3. Do you conduct surveys to determine customers' current and future needs?

*"Yes, we do collect information about customers' current and future needs in sometimes by the survey."*

- a. If yes, do you survey both the end user and intermediaries?

*"Yes, investigate from customers and intermediaries provide us some information on customer's wishes and specifications for the required products in the market, so we have such surveys to customers and intermediaries."*

- b. How often do you conduct such surveys?

*"We do not have a formal survey regularly, but we do it whenever we feel there is a change for market conditions, for example, when we feel that there*

*are significant changes in the market or we produce a new product. In addition, we usually do this at least once a year for both the customers and intermediaries."*

- c. How do you use the information collected from these surveys within your company?

*"We have a group of delegates in the market; these delegates are gathering information from the market and then transfer to the committees in the company. These committees consist of a group of managers and staffs with expertise in statistics and marketing, which undertake the sorting and analysis of surveys, then send them to the various managers in the company."*

- 4 Where would you say are the real strengths of your intelligence gathering operation - can you give me examples of why you think that is so?

*"The real strengths of the intelligence gathering operation is, it must be accurate and obtained in a timely manner so as to be supportive of the decisions and policies of the company. For example, when entering a new competitor in the market must know what is the quality of products and prices and promotional tools that are used, and then based on that information, the company can to take appropriate decisions."*

5. Do you have interdepartmental meetings in your company?

*"Yes, in our company there are interdepartmental meetings at least once a month."*

- a. If yes, how often do you have such meetings?

*"We have regular meetings once a month as well as sometime there are also some meetings for certain emergency circumstances."*

- b. Do you discuss customers' future needs in those meetings?

*"In those meetings, we discuss to many things regarding the situation of the company as well as customers' current and future needs. In addition, the Director of Marketing is always present in those meetings, he discuss about the quality of the product required by the customers, the price they are ready to pay."*

- c. Do you share information regarding customers among the various departments?

*"Yes, we share all information, including those relating to customers among the various departments."*

- d. How do you share this information?

*"Yes, we share those information and after the completion of each meeting there is a report about summary of the results of each meeting, and then sent to the different departments in the company."*

6. Do you feel that the internal environment of your company has an affect on the responsiveness to market intelligence?

*"Yes, the internal environment of the company has an impact on the responsiveness to market intelligence."*

- a. If yes, what changes would you make to increase the level of responsiveness?

*"From my view, there are many internal factors that must change in order to help the company to increase the level of responsiveness such as changes in plans and policies, machines to diversify and improve quality of our products by the introduction of modern technology, And increase training courses to increase the capacity of employees to respond to the changes that occur in the market."*

- c. Could you clarify how often the process of market collection takes place; is it something that happens purely by chance, or is it carried out periodically, or is it a process that is systematically done?

*"As was mentioned before, this process carried out periodically, we usually do this at least once a year for both the customers and intermediaries as well as when we feel that there are significant changes in the market or we produce a new product."*

7. Where do you feel your intelligence gathering operations could be improved?

*"I think to improve the process of gathering market intelligence requires some factors such as the work team to be qualified and trained and to gather the appropriate information about the market intelligence in a timely manner, and the ability to analyze those information in order to support the decision-making process."*

8. Do you feel your company responds to the customer future needs and wants?

*"Yes, we respond to significant changes in the market but not rapidly."*

- a. If yes, how do you do this?

*"We are responding to the changes that occur in the market by organizing regular meetings between the various managers of departments of the company, at those meetings, we identify appropriate ways to respond to those changes, but this depending on the possibilities of the company."*

- b. Do you respond as fully as you would like?

*"I see, it is not satisfactory, but in general that can fit the Libyan market needs."*

- c. How fast are you in responding to customer needs?

*"I think that the speed of response to the customers' future needs depends on the type of changes required for example if you need to change in production lines or raw materials, the speed of response will be slow. But if you need to change such as some plans for the prices or promotion, the response will be faster, in addition, sometimes we cannot respond to them."*

9. In your company is business performance measured?

*Yes, we're making profits and compared to some competitors, our business performance is good.*

- a. If yes, what are the main factors that produce this level of performance?

*"I believe that the most important factors that produced this level of performance are the quality of our products and our prices are accepted by the Libyan customer."*

- b. Do you think that market orientation will help your company to achieve a better business performance? If yes, how do think this contribution would be made?

*"In my view, market orientation can help the company achieve better business performance. Because it is considered one of the means by which the company identified on the customer future needs and wants and how to help the company to meet those needs in order to achieve better business performance."*

10. In what ways do you feel the internal and external environments in Libya could be changed in order to improve business performance throughout the country?

*"I think that there are many changes that must Libyan companies do to improve their business performance including changes related to the internal environment, such as producing goods desired by customers this requires follow the changes occur in the market to identify the needs and wishes of customers, an available modern machines for the production of*

*those goods, as well as the employees who are able to produce suitable goods of the customers. In addition, the changes related to the external environment, such as the stability of the political and legal factors, especially related to companies system and competition, in addition, to government support for Libyan companies to encourage local industry.”*

## **Appendix (4)**

### **Letter to participate in questionnaire**

**Dear Respondent**

I am from Libya but currently studying for a PhD in the UK. I have been given authority to conduct some research into marketing practices in your company.

I appreciate that you might be very busy but completion of this questionnaire will only takes less than 20 minutes. Participation in this research is voluntary and all of the data collected is for purely statistical purposes and participants responses are strictly confidential. It is important that everyone asked to participate does so and therefore I sincerely request that you agree to take part.

Please read the questionnaire carefully and answer all the questions, while answering the questions, please be sure to select the option with which you most agree or disagree. All information given will be used for the purpose of this research only.

Thank you in advanced for taking the time to complete this questionnaire, which will be of tremendous use in my research. I would also like to express my sincere gratitude for your assistance and state that your co-operation is greatly appreciated. If you have any queries regarding any part of the questionnaire please contact me on (Yusri Adam Abdelsalam) Tel No (0923992885).

Yours Faithfully

E-mail y1964\_adam@yahoo.co.uk



## Appendix (5)

### Letter to participate in interview

Yusri Adam Abdelsalam  
E-mail [y1964\\_adam@yahoo.co.uk](mailto:y1964_adam@yahoo.co.uk)  
Tel No. (0913992885).

From:  
Company Name

|  |
|--|
|  |
|--|

Position in Company:

☐

I am able to talk to you about marketing practices in my company. I am available to meet you at the following times, dates and location...

| Date | Time | Location |
|------|------|----------|
|      |      |          |
|      |      |          |
|      |      |          |

☐

You can contact me to make arrangements for an interview on:

| Contact Tel. No | Contact E-Mail Address |
|-----------------|------------------------|
|                 |                        |

☐

I also recommend that you speak with...

| Name | Position | Contact Tel. No | Contact E-Mail Address |
|------|----------|-----------------|------------------------|
|      |          |                 |                        |

☐

I am unable to participate in the study of marketing practices.

☐

I however recommend that you speak with...

| Name | Position | Contact Tel. No | Contact E-Mail Address |
|------|----------|-----------------|------------------------|
|      |          |                 |                        |

Thank you

## Appendix (6)

### Type of respondents

| Response | Company                                 | Respondents position             | Sector                              |
|----------|-----------------------------------------|----------------------------------|-------------------------------------|
| A        | Chemical Company.                       | Director of marketing.           | Chemical industries                 |
| B        | Soap and cleaning Company.              | Director of marketing.           |                                     |
| C        | Detergent Company.                      | Director of marketing.           |                                     |
| D        | Industrial sponges Company.             | Deputy of General manager.       |                                     |
| E        | Engineering Industries Company.         | Deputy of Director of marketing. | Electric and engineering industries |
| F        | Electrical materials industry Company.  | Director of marketing.           |                                     |
| G        | Iron and steel Company.                 | Deputy of Director of marketing. | Metal industries                    |
| H        | Cement Company.                         | Director of marketing.           | Building materials industries       |
| I        | Building materials Company.             | Director of marketing.           |                                     |
| J        | Dairy and poultry products Company (1). | Deputy of Director of marketing. | Food industries                     |
| K        | Mill and Fodder Company.                | Deputy of Director of marketing. |                                     |
| L        | Dairy and poultry products Company (2). | General manager.                 |                                     |
| M        | Mill Company.                           | Director of marketing.           |                                     |
| N        | Fabric (blankets) Company.              | Director of marketing.           | Textile and furniture industries    |
| O        | Spinning and Weaving Company.           | General manager.                 |                                     |

## Appendix (7)

### Parametric test

#### 1- The correlation of MO and business performance of companies:

Correlations

|                            |                     | Intelligence Generation | Intelligence Dissemination | Responsiveness | Business Performance |
|----------------------------|---------------------|-------------------------|----------------------------|----------------|----------------------|
| Intelligence Generation    | Pearson Correlation | 1                       | .756**                     | .699**         | .509**               |
|                            | Sig. (2-tailed)     | .                       | .000                       | .000           | .000                 |
|                            | N                   | 112                     | 112                        | 112            | 112                  |
| Intelligence Dissemination | Pearson Correlation | .756**                  | 1                          | .696**         | .505**               |
|                            | Sig. (2-tailed)     | .000                    | .                          | .000           | .000                 |
|                            | N                   | 112                     | 112                        | 112            | 112                  |
| Responsiveness             | Pearson Correlation | .699**                  | .696**                     | 1              | .616**               |
|                            | Sig. (2-tailed)     | .000                    | .000                       | .              | .000                 |
|                            | N                   | 112                     | 112                        | 112            | 112                  |
| Business Performance       | Pearson Correlation | .509**                  | .505**                     | .616**         | 1                    |
|                            | Sig. (2-tailed)     | .000                    | .000                       | .000           | .                    |
|                            | N                   | 112                     | 112                        | 112            | 112                  |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### 2- The correlation of MO and business performance of sectors:

##### 2.1- The correlation of MO and business performance for the Chemical Industry Sector:

Correlations<sup>a</sup>

|                            |                     | Intelligence Generation | Intelligence Dissemination | Responsiveness | Business Performance |
|----------------------------|---------------------|-------------------------|----------------------------|----------------|----------------------|
| Intelligence Generation    | Pearson Correlation | 1                       | .765**                     | .803**         | .571**               |
|                            | Sig. (2-tailed)     | .                       | .000                       | .000           | .000                 |
|                            | N                   | 34                      | 34                         | 34             | 34                   |
| Intelligence Dissemination | Pearson Correlation | .765**                  | 1                          | .739**         | .414*                |
|                            | Sig. (2-tailed)     | .000                    | .                          | .000           | .015                 |
|                            | N                   | 34                      | 34                         | 34             | 34                   |
| Responsiveness             | Pearson Correlation | .803**                  | .739**                     | 1              | .449**               |
|                            | Sig. (2-tailed)     | .000                    | .000                       | .              | .008                 |
|                            | N                   | 34                      | 34                         | 34             | 34                   |
| Business Performance       | Pearson Correlation | .571**                  | .414*                      | .449**         | 1                    |
|                            | Sig. (2-tailed)     | .000                    | .015                       | .008           | .                    |
|                            | N                   | 34                      | 34                         | 34             | 34                   |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

a. Your company's main industry is: = Chemical industries

## 2.2- The correlation MO and business performance for Electrical and Engineering Industry Sector:

Correlations<sup>a</sup>

|                            |                     | Intelligence Generation | Intelligence Dissemination | Responsiveness | Business Performance |
|----------------------------|---------------------|-------------------------|----------------------------|----------------|----------------------|
| Intelligence Generation    | Pearson Correlation | 1                       | .517*                      | .464           | .459                 |
|                            | Sig. (2-tailed)     | .                       | .040                       | .070           | .074                 |
|                            | N                   | 16                      | 16                         | 16             | 16                   |
| Intelligence Dissemination | Pearson Correlation | .517*                   | 1                          | .531*          | .583*                |
|                            | Sig. (2-tailed)     | .040                    | .                          | .034           | .018                 |
|                            | N                   | 16                      | 16                         | 16             | 16                   |
| Responsiveness             | Pearson Correlation | .464                    | .531*                      | 1              | .630**               |
|                            | Sig. (2-tailed)     | .070                    | .034                       | .              | .009                 |
|                            | N                   | 16                      | 16                         | 16             | 16                   |
| Business Performance       | Pearson Correlation | .459                    | .583*                      | .630**         | 1                    |
|                            | Sig. (2-tailed)     | .074                    | .018                       | .009           | .                    |
|                            | N                   | 16                      | 16                         | 16             | 16                   |

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\*. Correlation is significant at the 0.01 level (2-tailed).

a. Your company's main industry is: = Electric and engineering industries

## 2.3- The correlation MO and business performance for the Metal Industry Sector:

Correlations<sup>a</sup>

|                            |                     | Intelligence Generation | Intelligence Dissemination | Responsiveness | Business Performance |
|----------------------------|---------------------|-------------------------|----------------------------|----------------|----------------------|
| Intelligence Generation    | Pearson Correlation | 1                       | .844*                      | .840*          | .369                 |
|                            | Sig. (2-tailed)     | .                       | .035                       | .036           | .471                 |
|                            | N                   | 6                       | 6                          | 6              | 6                    |
| Intelligence Dissemination | Pearson Correlation | .844*                   | 1                          | .892*          | .457                 |
|                            | Sig. (2-tailed)     | .035                    | .                          | .017           | .363                 |
|                            | N                   | 6                       | 6                          | 6              | 6                    |
| Responsiveness             | Pearson Correlation | .840*                   | .892*                      | 1              | .336                 |
|                            | Sig. (2-tailed)     | .036                    | .017                       | .              | .515                 |
|                            | N                   | 6                       | 6                          | 6              | 6                    |
| Business Performance       | Pearson Correlation | .369                    | .457                       | .336           | 1                    |
|                            | Sig. (2-tailed)     | .471                    | .363                       | .515           | .                    |
|                            | N                   | 6                       | 6                          | 6              | 6                    |

\*. Correlation is significant at the 0.05 level (2-tailed).

a. Your company's main industry is: = Metal industries

## 2.4- The correlation MO and business performance for the Building Materials Industry Sector:

Correlations<sup>a</sup>

|                            |                     | Intelligence Generation | Intelligence Dissemination | Responsiveness | Business Performance |
|----------------------------|---------------------|-------------------------|----------------------------|----------------|----------------------|
| Intelligence Generation    | Pearson Correlation | 1                       | .948**                     | .722**         | .527                 |
|                            | Sig. (2-tailed)     | .                       | .000                       | .008           | .078                 |
|                            | N                   | 12                      | 12                         | 12             | 12                   |
| Intelligence Dissemination | Pearson Correlation | .948**                  | 1                          | .780**         | .678*                |
|                            | Sig. (2-tailed)     | .000                    | .                          | .003           | .015                 |
|                            | N                   | 12                      | 12                         | 12             | 12                   |
| Responsiveness             | Pearson Correlation | .722**                  | .780**                     | 1              | .652*                |
|                            | Sig. (2-tailed)     | .008                    | .003                       | .              | .022                 |
|                            | N                   | 12                      | 12                         | 12             | 12                   |
| Business Performance       | Pearson Correlation | .527                    | .678*                      | .652*          | 1                    |
|                            | Sig. (2-tailed)     | .078                    | .015                       | .022           | .                    |
|                            | N                   | 12                      | 12                         | 12             | 12                   |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

a. Your company's main industry is: = Building materials industries

## 2.5- The correlation MO and business performance for the Food Industry Sector:

Correlations<sup>a</sup>

|                            |                     | Intelligence Generation | Intelligence Dissemination | Responsiveness | Business Performance |
|----------------------------|---------------------|-------------------------|----------------------------|----------------|----------------------|
| Intelligence Generation    | Pearson Correlation | 1                       | .759**                     | .571**         | .417*                |
|                            | Sig. (2-tailed)     | .                       | .000                       | .002           | .034                 |
|                            | N                   | 26                      | 26                         | 26             | 26                   |
| Intelligence Dissemination | Pearson Correlation | .759**                  | 1                          | .830**         | .747**               |
|                            | Sig. (2-tailed)     | .000                    | .                          | .000           | .000                 |
|                            | N                   | 26                      | 26                         | 26             | 26                   |
| Responsiveness             | Pearson Correlation | .571**                  | .830**                     | 1              | .779**               |
|                            | Sig. (2-tailed)     | .002                    | .000                       | .              | .000                 |
|                            | N                   | 26                      | 26                         | 26             | 26                   |
| Business Performance       | Pearson Correlation | .417*                   | .747**                     | .779**         | 1                    |
|                            | Sig. (2-tailed)     | .034                    | .000                       | .000           | .                    |
|                            | N                   | 26                      | 26                         | 26             | 26                   |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

a. Your company's main industry is: = Food industries

**2.6- The correlation MO and business performance for the Textile and Furniture Industry Sector:**

**Correlations<sup>a</sup>**

|                            |                     | Intelligence Generation | Intelligence Dissemination | Responsiveness | Business Performance |
|----------------------------|---------------------|-------------------------|----------------------------|----------------|----------------------|
| Intelligence Generation    | Pearson Correlation | 1                       | .679**                     | .720**         | .680**               |
|                            | Sig. (2-tailed)     | .                       | .002                       | .001           | .002                 |
|                            | N                   | 18                      | 18                         | 18             | 18                   |
| Intelligence Dissemination | Pearson Correlation | .679**                  | 1                          | .714**         | .718**               |
|                            | Sig. (2-tailed)     | .002                    | .                          | .001           | .001                 |
|                            | N                   | 18                      | 18                         | 18             | 18                   |
| Responsiveness             | Pearson Correlation | .720**                  | .714**                     | 1              | .867**               |
|                            | Sig. (2-tailed)     | .001                    | .001                       | .              | .000                 |
|                            | N                   | 18                      | 18                         | 18             | 18                   |
| Business Performance       | Pearson Correlation | .680**                  | .718**                     | .867**         | 1                    |
|                            | Sig. (2-tailed)     | .002                    | .001                       | .000           | .                    |
|                            | N                   | 18                      | 18                         | 18             | 18                   |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

a. Your company's main industry is: = Textile and furniture industries

## Appendix (8)

Table (1) summary of Empirical Studies of Market Orientation and Performance:

| Authors (Date)           | Context / Sample                                                                                                      | MO Construct measurement                                                                                                                                                                                                                 | Performance Measure                          | MO / performance Relationship                                                                             |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| Kohli & Jaworski (1990)  | Theoretical sample of 62 managers across a range of 47 USA businesses of different sectors and 10 business academics. | Organization-wide market Intelligence generation, dissemination and responsiveness. In-depth interviews taped and transcribed.                                                                                                           | Subjective and objective.                    | Positive association for subjective but not for objective measures.                                       |
| Narver and Slater (1990) | Top management members in 140 SBU's in one company in the USA.                                                        | Organization culture; Customer orientation, competitor orientation and interfunctional co-ordination. Long-term horizon and profit emphasis decision criteria (15-item scale Narver and Slater, 1990). Using 7 point Likert-type scales. | Subjective. (ROA) Relative return on assets. | Positive, MO and performance (ROA) significantly related.                                                 |
| Ruekert (1992)           | Managers of 5 SBU's in one company in the USA.                                                                        | 23-item Ruekert (1992) scale and use of customer information, development of market-oriented strategy and implementation of market-oriented strategy dimensions of the overall construct.                                                | Objective. Long run financial performance.   | Positive relationship between MO and degree of long run financial performance achieved by business units. |

Table (2) Continued

| Authors (Date)               | Context / Sample                                                                                                   | MO Construct measurement                                                                                                                                          | Performance Measure                                                                                   | MO / performance Relationship                                                                                                                                                   |
|------------------------------|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Deshpande` et al. (1993)     | 50 Japanese firms cross industry (staff and customers).                                                            | 9-item Deshpande, Farley, and Webster (1993). Customer orientation scale using 5-point Likert-type scales.                                                        | Subjective. (Profitability, size, market share and growth rate) in comparison to largest competitors. | Positive, customer assessed orientation is more important than self-reported perceptions of customer orientation in classifying high and low performing firms.                  |
| Diamontopoulos & Hart (1993) | 87 manufacturing firms in the UK.                                                                                  | 4 components of marketing concept developed from 12-item factor analysis. MO components (Intelligence generation, intelligence dissemination and responsiveness). | Objective. Relative sales growth and relative profit margin.                                          | Weak association.                                                                                                                                                               |
| Jaworski & Kohli (1993)      | -Sample one: 222 SBU's in 115 companies in the USA. (various industries)<br>-Sample Two: 230 companies in the USA. | Four phase process of scale development using pre-tests. 32-item measuring (Intelligence generation, intelligence dissemination and responsiveness).              | Subjective and objective. (Market share and management's opinion of overall performance).             | Positive, MO significantly related to performance when overall performance is measured using judgmental measures but not when using the more objective measure of market share. |



Table (3) Continued

| Authors (Date)           | Context / Sample                                              | MO Construct measurement                                                                                         | Performance Measure                                                                            | MO / performance Relationship                                                                        |
|--------------------------|---------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| Slater & Narver (1994)   | Executives of 107 SBU's in two corporations in the USA.       | MO components (customer orientation, competitor coordination). Using 15-item Narver and Slater (1990) scale.     | Subjective. ROA, sales growth and new product success.                                         | Positive relationship between MO and ROA, sales growth and new product success.                      |
| Greenley (1995)          | 240 large firms in the UK (more than 5000 employees).         | Market turbulence with ROI, (14-item Narver and Slater, 1990) scale.                                             | Subjective. ROI, sales growth and new product success.                                         | Weak association. Association may be Positive or negative dependent on competitive environment.      |
| Au and Tse (1995)        | 148 hotels in New Zealand. 41 hotels in Hong Kong             | MO instrument based on Kotler (1977)                                                                             | Objective. Occupancy rate.                                                                     | Weak. None identified.                                                                               |
| Pitt et al. (1996)       | 161 firms in the UK. 200 firms in Malta. (various industries) | 20-item MARKOR scale of Kohli et al., (1993). Used 7-point Likert-type scales.                                   | ROCE, sales growth, subjective impressions.                                                    | Positive, supports a link between MO and performance in both countries.                              |
| Pelham and Wilson (1996) | 68 small firms in the USA. (various industries)               | 9-item Pelham (1993) scale adapted for small business from Narver and Slater (1990) and Jaworski & Kohli (1993). | Subjective. New product success, sales growth/market share, product quality and profitability. | MO Positively influences small firm profitability, new product success and relative product quality. |

Table (4) Continued

| Authors (Date)              | Context / Sample                                  | MO Construct measurement                                                                                                                                                           | Performance Measure                                                                                                                                                                                  | MO / performance Relationship                                                                                                  |
|-----------------------------|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| Appiah-Adu (1997)           | 110 responses from MDs/OMs in small UK companies. | Pelham and Wilson's 9-item. Using 7-point Likert-type scales.                                                                                                                      | Subjective. New product success, sales growth and ROI.                                                                                                                                               | Positive impact of market orientation upon small business performance.                                                         |
| Avlonitis & Gounaris (1997) | 444 Greek firms. (various industries)             | Attitude to marketing orientation on 15-item scale based on Kohli and Jaworski (1990). Using 5-point Likert-type scales.                                                           | Subjective weighted measures of performance. (Profits, annual turn-over, ROI and market share).<br>- Actual performance vs. performance target<br>- Actual performance vs. competitor's performance. | Positive, important insights pertaining to both the concept of marketing orientation and its influence on company performance. |
| Bhuian (1998)               | 115 companies in Saudi Arabia.                    | Based on Jaworski & Kohli's (1993) study, an adapted 11-item scale covering Intelligence generation, dissemination and responsiveness.                                             | Overall performance.                                                                                                                                                                                 | Positive. Organizational performance a function of MO is supported.                                                            |
| Doyle & Wong (1998)         | 344 senior managers of SBU's of large UK firms.   | 9-item scale corresponding to Kohli and Jaworski (1990). Using 5-point Likert-type scales. MO components (Intelligence generation, intelligence dissemination and responsiveness). | Market share, sales growth and overall performance.                                                                                                                                                  | Firms with a strong MO are more likely to be high performance.                                                                 |

Table (5) Continued

| Authors (Date)           | Context / Sample                              | MO Construct measurement                                                                                                                                                                                                                                                                                                                    | Performance Measure                                                                                                               | MO / performance Relationship                                                                       |
|--------------------------|-----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Kumar et al.<br>(1998)   | Chief administrators of USA hospitals.        | 25-item scale Narver and Slater, (1990). Using 7-point Likert-type scale, MO components (customer orientation, competitor orientation, interdepartmental coordination-long term).                                                                                                                                                           | Growth in revenue, return on capital, success of new services, success in retaining patients and success in controlling expenses. | Positive.<br>MO a significant predictor of performance in terms of all 5 performance criteria used. |
| Siguaw et al.<br>(1998)  | 179 dyads of wholesalers and their suppliers. | MO components (information gathering, dissemination, and responsiveness). Supplier's market orientation on both the distributor's MO and its perception of various channel relationship factors, including trust, cooperative norms, commitment, and satisfaction with performance. Using 20 item MARKOR scales of Jaworski & Kohli (1993). | Subjective.<br>Satisfaction with its financial performance.                                                                       | Positive.<br>Bi-directional relationship between MO and performance. MO influences performance.     |
| Horng and Chen<br>(1998) | 76 firms of Small and Medium in Taiwan        | Measured MO and employee attitudes were basically adopted from Jaworski and Kohli (1993) and Narver and Slater (1990). Using 5-point Likert-type scales. Market orientation components (Intelligence generation, intelligence dissemination and responsiveness).                                                                            | Subjective.<br>Overall performance.                                                                                               | Positive.<br>MO was found to be significantly related to overall performance                        |

Table (6) Continued

| Authors (Date)             | Context / Sample                                                                  | MO Construct measurement                                                                                                                                 | Performance Measure                                                                                                                                                                                                                 | MO / performance Relationship                                                                                                                         |
|----------------------------|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| Vorhies et al. (1999)      | 87 large manufacturing and service firms in Australia.                            | 32-item Jaworski & Kohli (1993) scale measuring Intelligence generation, intelligence dissemination and responsiveness. Using 7-point Likert-type scale. | Profitability, customer satisfaction and adaptability.                                                                                                                                                                              | Positive. Market driven businesses (identified by their MO and strategic directions) outperform competitors based upon multiple performance outcomes. |
| Deshpande & Farley (1999)  | Two samples in Japan and India. 224 interviews in Japan. 116 interviews in India. | 9-item Deshpande et al. (1993). (Scale was formed by adding items). MO components (supplier, customer).                                                  | Profitability compared to competitors, size, market share and sales growth.                                                                                                                                                         | Positive. MO might be an even more important influence on performance in India than in Japan or other industrial countries.                           |
| Deng & Dart. (1999)        | 282 personal interviews with CEOs of Chinese firms across industrial sectors.     | 35-item Deng and Dart (1994). MO components (customer orientation, competitor orientation, interfunctional coordination and profit emphasis).            | Overall financial performance, corporate liquidity, sales volume, market share, penetration of foreign markets, sales in foreign markets, new product development, development new markets, quality improvements, and productivity. | MO positively related to performance.                                                                                                                 |
| Matsumoto & Mentzer (2000) | 364 marketing executives in USA manufacturing companies.                          | 22-item Kohli and Jaworski (1990) scale. These items represent intelligence generation, intelligence dissemination and responsiveness.                   | Subjective. Four economic performance measures (SOM, SGRO, PCTNP and ROI).                                                                                                                                                          | The relationships between MO and four economic performance measures were not monotonic. (Moderated)                                                   |

Table (7) Continued

| Authors (Date)         | Context / Sample                                                                                   | MO Construct measurement                                                                                                                                                                              | Performance Measure                                             | MO / performance Relationship                                     |
|------------------------|----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------------|
| Slater & Narver (2000) | 53 SBU's of business corporations, and MBA students in the USA.                                    | Entrepreneurial orientation. Using 5-point Likert-type scale,                                                                                                                                         | Business profitability.                                         | Positive relationship between MO and business profitability.      |
| Pelham (2000)          | 235 useable responses to a survey of presidents and sales managers in USA SMEs.                    | 12-item scale refined from Narver and Slater (1990) and Kohli and Jaworski (1990) measuring 3 components of customer satisfaction, customer understanding and competitive orientation.                | Sales, effectiveness, growth share and profitability.           | Positive. Total MO significantly correlated with marketing/sales  |
| Harris (2001)          | 241 responses to a random sample of UK firms.                                                      | 15-item scale Narver and Slater (1990).                                                                                                                                                               | Objective and Subjective. Sales growth and profitability (ROI). | Positive impact of MO on objectively measured profits and growth. |
| Langerak (2001)        | 1200 Dutch manufacturers with more than 50 employees, multi-informant 72 matched sets of suppliers | 51-item Langerak (1997). (26 pertaining to downstream MO and 25 to upstream MO). MO components (Customer orientation, downstream competitor orientation and downstream interfunctional coordination). | Sales growth, profit, NPD success and ROI.                      | Positive relationship between MO components and performance.      |

Table (8) Continued

| Authors (Date)                     | Context / Sample                              | MO Construct measurement                                                                                                                                                                                                          | Performance Measure                                                                                                             | MO / performance Relationship                                                                                                                              |
|------------------------------------|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Soehadi, Hart & Tagg. (2001)       | 159 Indonesian retail firms.                  | 25-item scales generated by Narver and Slater (1990) and Kohli et al, (1993). Using 5-point Likert-type scale. MO components (Customer orientation, competitor orientation, interfunctional coordination and profit orientation). | Financial performance and non financial performance.                                                                            | Positive relationship between MO and performance.<br>Positive effect of MO on firm performance.                                                            |
| Subramanian & Gopalakrishna (2001) | 162 manufacturing and service firms in India. | Customer orientation, competitor orientation and interfunctional coordination. Long-term (25-item scale Narver and Slater, 1990). Using 7 point Likert-type scales.                                                               | Growth in overall revenue, Return on capital, new product success, ability to retain customers and success of expenses control. | Positive.<br>MO is significant for all five dependent variables (performance)                                                                              |
| Grewal & Tansuhaj (2001)           | 120 small and mid-sized firms in Thailand.    | 31-item scale Kohli and Jaworski (1993). These items represent information generation, information dissemination response design and response implementation.                                                                     | Subjective.<br>(both before and after crisis) ROI goals, sales goals, profit goals and growth goals.                            | MO has a negative influence on firm performance after crisis<br>Firms with high levels of performance before crisis tended to perform better after crisis. |

Table (9) Continued

| Authors (Date)                            | Context / Sample                                | MO Construct measurement                                                                                                                                                                                                                                                   | Performance Measure                                                                                                         | MO / performance Relationship                                                                  |
|-------------------------------------------|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Matear, Osborne, Garrett and Gray. (2002) | 231 service firms in New Zealand.               | MO components: Customer orientation, competitor orientation, interfunctional co-ordination and profit emphasis.                                                                                                                                                            | Subjective. Financial performance and market performance.                                                                   | Positive. MO has a direct contribution to performance and also contributes through innovation. |
| Matsuno et al, (2002)                     | 364 manufacturing companies in the USA.         | MO components: intelligence generation, intelligence dissemination and responsiveness. Using three measurements: MARKOR scale of Jaworski & Kohli (1993), adapted items from Covin and Slevin (1989); Morris and Paul (1987); Naman and Slevin (1993) and Newly developed. | Subjective. Market share, percentage of new product, sales to total sales and ROI.                                          | Positive relationship between MO and performance.                                              |
| Raju & Lonial (2002)                      | 293 top executives in 175 hospitals in the USA. | Four factors for MO: Intelligence generation, customer satisfaction, responsiveness to customers and responsiveness to competition. MO was measured with an instrument designed by Jaworski and Kohli (1993). Using a 5- point Likert scale                                | Quality outcomes, market/product development outcomes, financial outcomes (profits, cash flow, ROA, operating margin, ROI). | Positive (but mediated by service quality).                                                    |

Table (10) Continued

| Authors (Date)                     | Context / Sample                                                              | MO Construct measurement                                                                                                                                                                           | Performance Measure                                                                                                                      | MO / performance Relationship                                                           |
|------------------------------------|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| Agarwal, Erramilli, & Dev (2003)   | 201 international Hotels in the USA.                                          | 14-item scale Narver and Slater, (1990). Using 5-point Likert-type scale. MO components: Customer orientation, competitor orientation and interfunctional co-ordination.                           | Objective and Subjective. Occupancy rate, profitability, market share, service quality, customer satisfaction and employee satisfaction. | MO is positively associated with both judgmental and objective measures of performance. |
| Liu, Luo, & Shi (2003)             | 304 SOEs in China                                                             | 10-item scale developed by Deshpande and Farley (1998). Using a seven-point Likert scale. MO components: customer orientation, market information generation and market information dissemination. | Subjective.<br>-sales turnover<br>-market share<br>-ROI                                                                                  | Positive (but mediated by organizational learning, centre-preneurship)                  |
| Sin, Tse, Yau, Chow and Lee (2003) | 20 Chinese managers, 10 working in mainland China and 10 working in Hong Kong | 14-item scale Narver and Slater, (1990). Using 7-point Likert-type scale. MO components: Customer orientation, competitor orientation and interfunctional co-ordination                            | Subjective rather than an objective.<br>- sales growth;<br>- customer retention<br>- ROI<br>- Market share.                              | Positive relationship between MO and performance across the two samples.                |
| Im & Workman Jr. (2004)            | 206 high technology manufacturing firms in the USA.                           | 14-item scale Narver and Slater, (1990). Using 7-point Likert-type scale MO components: Customer orientation, competitor orientation and cross-functional integration.                             | Subjective.<br>New product performance: Market share, sales, ROI, profitability and meeting objectives.                                  | Positive (but mediated by creativity).                                                  |



Table (11) Continued

| Authors (Date)                         | Context / Sample                                                                                                                                                                                                      | MO Construct measurement                                                                                                                                                                   | Performance Measure                                                                                                                                     | MO / performance Relationship                                                                                                         |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| Kara, Spillan & DeShields. (2005)      | 148 executive directors of non-profit organizations across the USA.                                                                                                                                                   | 32-item MARKOR scale of Kohli et al., (1993). Using 7-point Likert-type scale. MO components: Intelligence generation, intelligence dissemination and responsiveness.                      | Organizational performance:<br>-Continuous analysis of funding.<br>- RFP's to funding sources.<br>- Periodic fundraising.                               | Positive & significant relationship between MO components and performance.                                                            |
| Rogers, Ghauri & George. (2005)        | Top management from: Tesco and its subsidiaries and affiliates in Hungary and Slovenia. UK (445 superstores, 168 high street stores, 75 small express stores). Hungary 31 small stores. Slovenia 5 department stores. | MARKOR scale<br>MO components: Intelligence generation, intelligence dissemination and responsiveness.                                                                                     | Subjective,<br>- Profit.<br>- Market Share.                                                                                                             | Positive relationship between MO and performance.                                                                                     |
| Subramanian, Kumar & Strandholm (2009) | 159 acute care hospitals in the USA.                                                                                                                                                                                  | Narver and Slater, (1990) scale and Kumar et al (1998). Using 7-point Likert-type scale.                                                                                                   | Subjective<br>-cost containment<br>-growth in revenue<br>-Success in retaining patients<br>-success of new services.                                    | MO has a Positive impact on performance.                                                                                              |
| Wang, Hult, Ketchen & Ahmed (2009)     | 213 UK firms (46.5% in service industries and 53.5% in manufacturing industries).                                                                                                                                     | MARKOR scale of Kohli and Jaworski (1993); Kohli et al, (1993). Using 7-point Likert-type scale.<br>MO components: Intelligence generation, intelligence dissemination and responsiveness. | Subjective :<br>- Return on capital employed.<br>- Sales growth.<br>- Earnings per share.<br>Objective:<br>Change in the profit (loss) before taxation. | MO is positively related to its performance where MO had a stronger link with subjective performance than with objective performance. |

