An Exploration of The Meaning and Outcomes of a Customer-Defined Market Orientation

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To date the marketing literature has failed to substantiate the linkage between market orientation and customer satisfaction. This is surprising particularly when considering the attention that has been given to the implementation of the marketing concept in recent years. Furthermore, market orientation is not yet commonly positioned as a customer-defined organization state, despite the literature strongly promoting the importance of customer perceptions when determining extent of organization success. The exploratory research reported here supports the customer-defined position and seeks to redress this gap in the context of the services industry. An analysis of customer perceptions of market orientation suggests that a reduced and amended version of a well-known market orientation measurement instrument can meaningfully be applied to customers, and that a strong relationship exists between customer-defined market orientation and both service quality and customer satisfaction. The discussion of findings is facilitated through the adoption of an amended satisfaction/dissatisfaction motivation theory model. In addition, areas for further research are proposed. J BUSN RES 2000. 48.101±112. © 2000 Elsevier Science Inc. All rights reserved.

The key to a firm's economic success is developing a sustainable competitive advantage (SCA) (Porter, 1985), and the key to developing a competitive advantage is consistently creating superior value for customers (Slater and Narver, 1992; Narver, Slater, and Tietje, 1998). The marketing literature suggests that a necessary prerequisite to achieving a competitive advantage and providing superior value for customers is the development of a market orientation (e.g., Kohli and Jaworski, 1990; Narver and Slater, 1990; Pitt, Caruana, and Berthon, 1996). However, past research has almost exclusively considered a market orientation as an “employee-perceived phenomenon,” and as a result, subsequent studies pertaining to a firm’s market orientation generally have been based on employee self-reports.

Although Drucker’s (Drucker, 1954) comment that marketing is not a specialized activity, but rather “the whole business seen from the customer's point of view,” was made over four decades ago, only recently has a customer-defined market orientation position been proposed. Adopting a customer-centered view of market orientation, Deshpande, Farley, and Webster (1993) used the term “customer orientation” synonymously with “market orientation” to argue that the evaluation of a firm’s level of customer-orientation should come from customers rather than the company itself. They emphasize that it is the customers— as opposed to the sellers—perceptions of the level to which a firm is customer oriented that will be the critical measure of business performance. Indeed, their empirical rejection of the hypothesis stating that marketer self-reported customer orientation is related positively to business performance, and their acceptance of the hypothesis stating that customer self-reported customer orientation is related positively to business performance adds further testimony to the importance of a customer-defined market orientation. Furthermore, in a contrasting model assessment incorporating three market orientation measurement instruments (i.e., those advanced by Kohli and Jaworski, 1990; Narver and Slater, 1990 and Deshpandé, Farley, and Webster, 1993), a factor analysis resulted in a synthesized 10-item market orientation scale (Deshpandé, Farley, and Webster, 1993). The authors note that the 10 items seem to have intuitive integrity because they all regard a customer-focused notion of market orientation.

Thus, drawing on Drucker’s (Drucker, 1954) comment and Deshpandé and colleagues’ (Deshpandé, Farley, and Webster,
Deshpandé and Farley (1998) research, it seems not only intuitively logical but also necessary to view market orientation from a customer vantage. This view appears even more compelling in cases where organization “perceptions of reality” are out of sync with those of its customers (Deshpandé, Farley, and Webster, 1993). In such cases, defining and evaluating market orientation from an employee vantage appears even more tenuous.

The research reported here advances the customer-defined position and argues that the adoption of the employee-defined view of market orientation is one-sided and myopic in that it ignores the vital role of customers in terms of value recognition. We suggest that an organization can be described as market-oriented only when the firm’s total product offer is both recognized and described by customers in value terms. In other words, a firm can be accurately labeled as “market-oriented” only when customers perceive it as such and when they perceive that the firm offers considerable value to them. We advance therefore that market orientation, as an organization state, is not wholly definable by employees, and that beneficial strategic insights can be gained by firms when they view market orientation from a customer vantage.

In addition, acceptance of the proposed relationship between market orientation and customer satisfaction is more appealing where both constructs are measured from a customer vantage. In other words, if consumers view a firm as being highly market oriented, they are more likely to have a high level of satisfaction with that particular firm. While the explication of the market orientation and customer satisfaction relationship may first appear somewhat tautological, it is important to note that the relationship has not been empirically investigated. If market orientation is a form of organization culture (as proposed by Narver and Slater, 1990; Deshpandé, Farley, and Webster, 1993; Day, 1994; and Narver, Slater, and Tietje, 1998), then we forward that the empirical validation of its proposed linkage to customer satisfaction deserves explicit consideration. Should a positive relationship result, rationalizing the necessity for the development of a market-oriented culture would become all the more palatable for organizations.

Given the considerable extent to which customer satisfaction is discussed as a key strategic issue in the business literature, it is surprising to find that no empirical study has yet explicitly examined the relationship between customer-defined market orientation (CDMO) and customer satisfaction. The current study adds to the existing literature in several ways. First, the market orientation and organization outcome framework is extended by offering a conceptual model in which CDMO is positioned both as an antecedent of service quality (SQ) and customer satisfaction (CS). Second, a market orientation scale is modified to accommodate a customer-defined position. Third, the validity and reliability of a number of competing customer-defined market orientation models are examined. And fourth, the relationships between a CDMO and both CS and SQ are investigated.

We begin by reviewing the literature on the conceptualization and implementation of the marketing concept and the linkages among market orientation, service quality, and outcomes (performance and customer satisfaction).

**Literature Review**

**Implementation of the Marketing Concept**

For decades, the marketing concept has been heralded by marketing academicians and practitioners to the extent that its acceptance as the optimal marketing management philosophy has been almost universal (Houston, 1986). However, many have expressed concern about the implementation of the marketing concept, declaring it is not a practical basis for managing a business (e.g., Kotler, 1991; Day, 1994).

Perhaps the difficulty associated with the practice of the marketing concept stems from a lack of consensus regarding its meaning, what it means to implement the concept, and the term to describe the latter. In general, the meaning and implementation of the marketing concept has been referred to as being “customer oriented,” “market driven,” “market oriented,” and “marketing oriented.”

The terms “market driven” and “customer oriented” are considered as interchangeable concepts by Shapiro (1988). Moreover, he emphasizes that for a company to be considered market driven or customer oriented, three characteristics must be evident. First, information on salient buying influences must permeate each corporate function. Second, strategic and tactical decisions must be made interfunctionally and interdivisionally. And third, divisions and functional units must make coordinated decisions and execute them with a sense of commitment.

The terms “market driven” and “market oriented” are viewed synonymously by Slater and Narver (1992, 1994). They propose that these two terms refer to the development and maintenance of an organization culture that most effectively and efficiently creates superior value for consumers and continuous, superior performance for the firm. They propose further that a market orientation consists of three key dimensions: a customer orientation, a competitor orientation, and interfunctional coordination (coordinated utilization of company resources in creating superior value for target customers).

On the other hand, market driven and market oriented are viewed as different constructs by other authors. For example, Day (1994) applies the term “market driven” to firms that maintain close contact with their customers, more specifically arguing that such firms are superior in their market-sensing and customer-linking capabilities. Shapiro (1988) views being “market oriented” in a more comprehensive manner and posits that it represents a set of processes touching on all aspects of the company. He emphasizes that a market orientation is much more than “getting close to the customer.” Similarly, Kohli and Jaworski (1990) argue that a market orientation is an overall organizational value system, one that provides strong norms for the generation, dissemination, and responsiveness to intelligence.
The terms “market orientation” and “customer orientation” are perceived to be synonymous by Deshpande, Farley, and Webster (1993). Dissimilar to the view mentioned earlier, these authors distinguish a market orientation from a competitor orientation, arguing that it can be antithetical to a customer orientation when the focus is on the strengths of the competitor rather than on the unmet needs of the customer. Furthermore, they position customer orientation as part of an overall fundamental corporate culture.

Although the terms “market orientation” and “marketing orientation” have been used interchangeably in the literature, the former term is considered to be the better descriptor for three reasons (Kohli and Jaworski, 1990). First, the term implies that the construct is not exclusively a concern of the marketing function; whereas, “marketing orientation” is restrictive and misleading in this respect (Shapiro, 1988). Second, the term “market orientation” is less politically charged because it does not overemphasize the importance of the marketing function in the organization. And third, the label focuses on markets, which include customers and the forces affecting them. This is consistent with the broader “management of markets” orientation proposed by Park and Zaltman (1987) and the “competitor orientation” dimension proposed by Narver and Slater (1990).

In summary, the conceptualized dimensions of customer orientation, competitor orientation, and interfunctional coordination (Narver and Slater, 1990), share a similar nomological network with the dimensions of intelligence generation, intelligence dissemination, and responsiveness (Kohli and Jaworski, 1995). However, though similarities in definition, content, and operationalization are evident, consensus with respect to the importance and positioning of “information,” “value,” and “competitors” has yet to be reached.

**Market Orientation and Performance Assessment**

A modest but growing body of empirical evidence from both the United States (e.g., Narver and Slater, 1990; Deshpandé, Farley, and Webster, 1993; Slater and Narver, 1994; Deshpandé and Farley, 1998) and Europe (e.g., Pitt, Caruana, and Berthon, 1996) supports the proposition that market orientation is positively associated with superior performance. More specifically, Narver and Slater (1990) position market orientation as an important determinant of profitability. These authors suggest that superior business performance is the result of superior skills in understanding and satisfying customers, thereby emphasizing further the importance of measuring market orientation from a customer vantage.

**Market Orientation, Customer Satisfaction, and Service Quality**

Although an empirical linkage among these constructs has yet to be substantiated, the literature suggests a linkage through the concept of value. In the market orientation literature, value provision is positioned as a central organizational objective (e.g., Kohli and Jaworski, 1990; Narver and Slater, 1990). There are three equally important prerequisites for the creation of superior customer value. The first two, information acquisition and information dissemination, focus on understanding what consumers value. These intelligence-related prerequisites overlap with both customer and competitor orientations. The third prerequisite, organization-wide responsiveness, involves coordinating across the firm’s departmental boundaries those activities necessary to deliver superior value (Siguaw, Brown, and Widing, 1994). This dimension overlaps with Narver and Slater’s “interfunctional coordination.”

Within the CS literature, the importance of value creation in satisfying customers also has been recognized. Woodruff, Schumann, and Gardial (1993) explicate the sentiments of other researchers (e.g., Morganovsky, 1988; Spreng, Dixon, and Olshavsky, 1993; Heskett, Jones, Loveman, and Schlessinger, 1994) in stating that “by being responsive to customer’s needs, customer value delivery strategies are instrumental in building strong customer satisfaction.” Thus, a linkage is hypothesized between market orientation, which focuses on the production and provision of value-satisfying activities and the customers’ level of satisfaction. Hence,

H1: The greater the level of customer-defined market orientation, the greater the level of CS.

It is important to distinguish between market orientation as a type of organization culture and its consequences (the customer’s evaluation set). For example, in customers’ interactions with a service firm, they are positioned in the relationship such that they are able to form opinions about the service quality received and consequently construct cognitive evaluations about the organization’s level of delivered service. Thus, we suggest that the level of service provided is guided by the fundamental culture of the providing firm. In this sense, service received reflects a consequence of market orientation. Hence we propose that:

H2: The greater the level of customer-defined market orientation, the greater the level of perceived service quality.

Following Taylor and Baker (1994), we propose that CS and SQ are not only outcomes of a firm’s market orientation but also mediator constructs in a broader organization performance framework (see Figure 1).

Market orientation has mostly been treated as a summary measure representing the extent to which employees perceive their firm to be market oriented (Kohli and Jaworski, 1990; Narver and Slater, 1990). In the current study, the treatment of market orientation is more in line with Deshpande and colleagues’ (Deshpandé, Farley, and Webster, 1993) suggestion that market orientation be customer defined. Thus for this study, we adopt the following working definition of market orientation:
and structure. Hence, the modified instrument was considered a structurally sound, content-valid replication of the original.

Given recent thinking concerning confused aggregated satisfaction data distribution functions (Estelami and De Maeyer, 1997), and the exclusion of any cognitive comparative component in this study, customer satisfaction was measured using a seven-point visual representation scale thereby emphasizing the affective nature of the construct (Anderson and Narvus, 1990). The measurement of customer satisfaction at the overall level is also consistent with Nunnally’s (Nunnally, 1978) suggestion that unidimensional measures are appropriate when the issue to be measured is measurable at the single attribute level.

Completing the main body of the questionnaire, service quality was assessed by aggregating a number of items from the original 22-item SERVQUAL instrument (Parasuraman, Zeithaml, and Berry, 1988). Consistent with Parasuraman and colleagues’ suggestion that items be determined in-line with the objectives of each study, a total of 16 items measured on a 1 (“strongly disagree”) to 7 (“strongly agree”) scale were included. The appropriateness of the wording of each item in the instrument was confirmed with the bank’s management team prior to the dispatch of the survey instrument.

Results

Validity Assessment

Analysis commenced with an assessment of the market orientation scale for unidimensionality and internal consistency. Confirmatory factor analysis was used to test three competing positions advocated in the literature.

The first position, replicating a first-order single factor representation of the data, assesses the unidimensional validity and reliability of an adapted version of the original Narver and Slater (1990) market orientation measurement instrument. Thus, the first position examines the proposition stated earlier.

The second position, replicating a first-order two-factor structure of the data, recognizes the similarity drawn between a combined customer-competitor representation and the “management of markets” position advanced by Park and Zaltman (1987). Thus:

P2: Customer orientation and competitor orientation are indicative of one dimension representing information and acquisition activities, and interfunctional coordination is representative of a separate dimension corresponding to managerial action in the creation of value.

And finally, the third position (Figure 2) tests the validity of a three-dimensional representation of market orientation (Narver and Slater, 1990) and proposes that:

P3: The market orientation components (customer orientation, competitor orientation, and interfunctional coordination) are discrete constructs.

Methodology

To explore the aforementioned hypotheses and proposition, a study to examine market orientation in a business to business banking context was conducted. A cross-sectional, self-administered survey (Appendix A) was mailed to the main contact person in each of all the client firms of a single corporate bank (n = 119). Each client represented a separate organization with which the bank had a direct business relationship. Following the dispatch of a reminder notice, 78 questionnaires were returned (65% response rate) of which 77 were considered usable.

Subjects were asked to respond to a series of 28 item statements. The first 11, representing market orientation, were measured with a scale ranging from 1, “strongly disagree” to 7, “strongly agree.” The original market orientation instrument (Narver and Slater, 1990) consists of 15 items; in this study, however, only 11 of the original items were considered to be relevant to the corporate banking context. To ensure that the administered questionnaire was meaningful and consistent with the content of the original instrument, minor phraseology changes were made. In spite of the amendments, each of the three market orientation dimensions proposed by Narver and Slater (1990) was deemed adequately covered in both content

Market orientation reflects customer attitudes regarding the extent to which a firm’s customer orientation, competitor orientation, and interfunctional coordination represents its total value offering.

To maximize the ability of customers to respond to the market orientation items included in this study, the adoption of an amended version of the Narver and Slater (1990) measurement instrument was deemed appropriate. Hence, this study tests the proposition that:

P1: An amended version of the market orientation instrument developed by Narver and Slater (1990) maintains its psychometric properties of validity and reliability when considered from a customer vantage.

Figure 1. Market orientation performance relationship. Study focus (area with dotted line). Abbreviations: MO = market orientation; CS = customer satisfaction; SQ = service quality.
Chi-square was used to test the null hypothesis that each of the positions (hereinafter referenced as models, that is, position 1 = model 1 [M1], etc.) reproduce the population covariance matrix of the included observed variables. By convention, an acceptable model is one where the p-value is greater than or equal to 0.05 (Bagozzi and Foxall, 1996). In addition to the chi-square test and its associated p-values, the comparative fit index (CFI) is reported as a test of model fit. Bentler (1990) suggests that CFI values of above 0.95 indicate a good overall fit, while values of between 0.90 and 0.95 suggest adequate fit. The analysis reveals that each of the models demonstrate to some extent unsatisfactory results with chi-square and p-values below the desired level in all cases (\(M_1 \times M_2\)) and unacceptable to low goodness-of-fit (CFI) values for models 1 (\(M_1\)) and 2 (\(M_2\), respectively. Consequently, \(M_1\) and \(M_2\) are not presented within the text; however, associated results are documented in Table 1.

In summary, the goodness-of-fit indexes for the 2 and 3 factor representations reveal an improved model fit for these models over the single factor representation with CFI values falling in the Bentler (1990) proposed “adequate fit” band (Table 1, \(M_3\) and \(M_4\), CFI values > 0.90). As stated previously, however, chi-square values and their associated p-values reveal a degree of model misspecification.

A technique of partial disaggregation is used to minimize the effect that low sample size to parameter estimate ratios greater than or equal to 0.05 (Bagozzi and Foxall, 1996). In addition to the chi-square test and its associated p-values, the has on the calculation of the chi-square statistic. Partial disaggregation involves the formation of indices by summing ran-

**Table 1. Goodness-of-Fit Indicators**

<table>
<thead>
<tr>
<th>Model</th>
<th>(\chi^2)</th>
<th>df</th>
<th>(\chi^2)-Ratio</th>
<th>p-Value</th>
<th>CFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>(M_1)</td>
<td>119.69</td>
<td>44</td>
<td>2.70</td>
<td>0.000</td>
<td>0.84</td>
</tr>
<tr>
<td>(M_2)</td>
<td>94.46</td>
<td>43</td>
<td>2.20</td>
<td>0.000</td>
<td>0.90</td>
</tr>
<tr>
<td>(M_3)</td>
<td>74.06</td>
<td>41</td>
<td>1.81</td>
<td>0.000</td>
<td>0.94</td>
</tr>
<tr>
<td>(M_4)</td>
<td>20.66</td>
<td>13</td>
<td>1.59</td>
<td>0.080</td>
<td>0.98</td>
</tr>
<tr>
<td>(M_5)</td>
<td>16.19</td>
<td>17</td>
<td>0.95</td>
<td>0.510</td>
<td>1.00</td>
</tr>
</tbody>
</table>

CFI, comparative fit index (Bentler, 1990.)
Comparing the results, the three-factor solution for model 5 (Figure 4) appears to represent the model of best fit. Lagrange multiplier (LM) and multivariate Wald (W) tests revealed that no further changes to the parameterization of the model's structure would yield a significant improvement in $\chi^2$ values. Thus, model 5 was accepted as representative of the structure of market orientation.

**Convergent and Discriminant Validity**
Convergent and discriminant validity were evaluated by calculating the average variance extracted (AVE) for each factor. Convergent validity is established if the shared variance accounts for 0.50 or more of the total variance. Discriminant validity is evident when the AVE for each construct is greater than the squared correlation between that construct and any other construct in the model (Fornell and Larcker, 1981).

The results presented in Table 2 confirm both the convergent and discriminant validity of model 5.

**Internal Consistency**
Internal consistency was assessed by means of the Cronbach’s alpha coefficient. Values were calculated for each of the three factors included in model 5. The results presented in Table
Figure 4. Three factor partial disaggregation structure (model 5). EQS summary statistics: method = ML; \( \chi^2 = 16.19; df = 17; p \text{ value } = 0.5107; \) BBNFI = 0.964; BBNNFI = 1.003; CF1 = 1.000. Asterisks signify significant result at <0.05 level. CompOrn = competitive orientation; CusOrn 1–3 = diasagregated customer orientation items; FCoord = interfunctional coordination. For coding schema See Appendix A.

2 attest to the high internal consistency of the instrument in that all values are above the suggested 0.70 level for scale robustness (Nunnally, 1978). The results presented in the above sections offer support for the psychometric soundness of the CDMO measurement instrument at a three-factor level. Propositions 1 and 2, which explore the structure of market orientation at the single and two factor levels are rejected. However, proposition 3, which stated that “the market orientation components of customer orientation, competitor orientation, and interfunctional coordination are discrete constructs,” is accepted. On the evidence of the above results we concur with Narver and Slater (1990) that the structure of market orientation is best represented by three unique dimensions, that is, customer orientation, competitor orientation, and interfunctional coordination.

**Hypotheses Testing**

Hypotheses 1 and 2 state that there will be a significant positive relationship between market orientation and both CS and SQ. Recognizing the three-factor structure of market orientation,

<table>
<thead>
<tr>
<th>CusOrn</th>
<th>CompOrn</th>
<th>FCoord</th>
<th>(Corr)$^2$</th>
<th>Conv</th>
<th>Disc</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rel</td>
<td>Ave</td>
<td>Rel</td>
<td>Ave</td>
<td>0.53</td>
<td>0.40</td>
</tr>
<tr>
<td>M5</td>
<td>0.90</td>
<td>0.80</td>
<td>0.71</td>
<td>0.70</td>
<td>0.84</td>
</tr>
</tbody>
</table>

Abbreviations: CusOrn = customer orientation; CompoOrn = competitor orientation; FCoord = interfunctional coordination; Rel = Cronbach alpha coefficient; AVE = average variance extracted = \( \Sigma \) of standard loading$^2$ / \( \Sigma \) of standard loading$^2$ + \( \Sigma \) of \( e_i \). Conv. = convergent validity (AVE > 0.50); Disc. = discriminant validity = AVE/(Corr)$^2$ > 1; (Corr)$^2$ = highest (Corr)$^2$ between factors of interest and remaining factors.
Discussion and Implications

Since market orientation, as an overall organizational value provision system, influences the behavioral norms that shape the organization’s attributes and delivery behavior, the considerable impact of market orientation on both service quality (SQ) and customer satisfaction (CS) is logical. The results presented in Figure 6 attest to the significance of each of the dimensions of market orientation (customer orientation, competitor orientation, and interfunctional coordination) as CS and SQ antecedents. The results revealed here show a similar ordering of standardized coefficients between the three market orientation dimensions and CS and SQ. The strongest coefficients are evident between competitive orientation (CompOrn) and CS (0.39) and SQ (0.37), respectively.

At a cursory glance, the relatively strong relationships evidenced between a competitive orientation and both CS and SQ may lead a service firm’s management to think that it is more beneficial to focus on the competition than it is on the customer orientation (CusOrn) or interfunctional coordination (FCoord) delivery components. An extension to Herzberg and colleagues’ (Herzberg, Mausner, and Snyderman, 1959) dual factor needs-satisfaction theory can be applied here to help understand the findings of this study and to compose a management response agenda incorporating the three market orientation dimensions.

On the basis of past research findings using the critical incident technique, Herzberg and colleagues’ (Herzberg, Mausner, and Snyderman, 1959) proposed the dual factor theory to understand better the causes of both satisfaction and dissatisfaction in the workplace. Two sets of factors were revealed, one explaining instances of dissatisfaction, and the other, instances of satisfaction. The former set, referred to as “hygiene” factors, relates to attributes which are expected in the normal course of service delivery (e.g., reliable, prompt, courteous, etc.). From this perspective, hygiene factors are not considered strong predictors of satisfaction, though their absence can result in dissatisfaction. The latter set, referred to as “satisfiers” or “motivators,” pertains to attributes that contribute positively to the fulfillment of customer higher order needs. Positive performance, which causes pleasant surprise and/or delight, is applicable here. Thus “satisfiers” please by their presence, but do not dissatisfy by their absence. In essence therefore, Herzberg and colleagues (Herzberg, Mausner,
and Snyderman, 1959) have argued that satisfaction results from the attainment of a “motivator” need and dissatisfaction, the frustration of a “hygiene” need (Oliver, 1997). While providing an important framework to understand the needs-satisfaction relationship, fault has been found with the above dual factor theory. For example, one criticism focusing on the potential limitations of a two-factor model to explain the needs-satisfaction relationship has been considered by Oliver (1997). Here, Oliver extends the two-factor framework to include a third factor, which is comprised of attributes that have the ability to both satisfy when present and dissatisfy when absent. This group is labeled “bivalent satisfiers.” Adopting the language of “valency,” the other two factors in the framework are likewise relabeled. Thus, “hygiene” factors become “monovalent dissatisfiers,” and “satisfiers” or “motivators” become “monovalent satisfiers.”

We now apply this mono and bivalent satisfier/dissatisfier conceptualization to help interpret the findings of the current study. We expected to find the highest path coefficient between customer orientation and customer satisfaction (0.31, Figure 6). However this was not the case as demonstrated by the magnitude of the path coefficient between competitive orientation and CS (0.39). How can this, as well as the other relationships depicted in the market orientation-CS framework, be explained?

A close examination of the interfunctional coordination attributes indicates that they contain properties similar to those of the monovalent dissatisfiers; that is, they are essential service organization elements and do not contribute to satisfaction by their presence but contribute to dissatisfaction by their absence. Thus, they can be considered “hygiene” factors. The relatively low path coefficient witnessed between this dimension and both SQ (0.27), and CS (0.25) attests to this logic.

A stronger relationship (0.31) exists between the dimension of customer orientation and CS. Here, an examination of the customer orientation attributes suggests that they are comprised of bivalent satisfiers; that is, they are the likely cause of both client satisfaction and dissatisfaction. For example, either satisfaction or dissatisfaction can be interpreted when selecting the item with the highest factor loading for this dimension (the item that pertains to the firm engaging in information acquisition [market research] activities to determine customer needs—factor loading 0.84). When market research is conducted to ascertain customer needs, the service firm’s customers may feel empowered, given that the product/service supplied has been directed to meet their specific requirements. Thus they may feel more satisfied. Where the converse is true, that is, no market research is executed, the customers may feel that the relationship between themselves and the firm is unidirectional in the firm’s favor and thus feel dissatisfied.

Figure 6. Path analysis. EQS summary statistics: method = ML; $\chi^2 = 17.73$; df = 12; $p$ value = 0.1242; BBNFI = 0.962; BBNNFI = 0.969; CFI = 0.987. Abbreviations: Asterisks indicate significant result at $<0.05$ level. CompOrn = competitive orientation; CusOrn = customer orientation; FCoord = interfunctional coordination.
The strongest path coefficient evidenced in the model is between competitive orientation and CS (0.39). The competitive orientation attributes provide an example of Oliver’s (Oliver, 1997) monovalent satisfiers; that is, they can motivate and satisfy by their presence but not necessarily dissatisfy by their absence. In the case of the service firm/customer relationship described here, this appears particularly relevant for two reasons. First, the service firm’s customers are somewhat committed in their relationship with the firm. Therefore, to switch to an alternative service provider could result in switching costs (financial, time, operational, etc.). Hence, an action by the firm that is considered by the customers as competitive in their favor is likely to intensify the customers’ level of relationship comfort thus their satisfaction with the firm. Second, the competitiveness of the service firm is likely to be displayed with the positive fulfillment of one or more of the bivalent satisfier components of customer orientation. Hence, the more the bank is perceived to be competitive, the more likely it is that it will be perceived to be customer-oriented. The strong significant positive correlation (0.64) evident between these dimensions attests to this assertion.

An indication as to how management can gain direction from this study becomes evident when the findings are considered in conjunction with the competitive advantage concept. For an organization to achieve a competitive advantage, it is necessary to ascertain not only the key critical success factors (CSFs) driving the industry but furthermore the performance ability of competitors with respect to these factors. Having assessed all of these factors, superior performance against the appropriate “deliverables” corresponding to these CSFs can be designed into the organization’s portfolio. In this way, both the competitor- and customer-orientation components are considered. Finally, to ensure the effective delivery of the firm’s offerings, the necessary implementation infrastructure, that is, one which complies with the need for a coordinated organizational effort towards the creation and provision of value, needs to be in place. Such arrangements include the formation of alliances between functional units in an organization, and likewise, the formation of alliances between organization units in a corporation (Anderson and Narus, 1990).

On the basis of the evidenced relationships, some support for the notion that management may be able to influence CS and SQ by adopting and implementing a market-oriented culture is offered. Furthermore, since we argue in this article that market orientation is a customer-defined state, customer evaluations of the level of market orientation exhibited by an organization may similarly serve as good indicators of management’s ability to implement such an orientation within the firm.

This study has provided preliminary insight into the market orientation, SQ, and CS relationship. Methodologically, further empirical research is needed to confirm the dimensionality and structure of the CDMO construct and to explore the applicability of the proposed CDMO measurement instrument across a broader range of service and goods-producing firms.

Support has been offered for the linkage between market orientation, which focuses on the production and provision of value satisfying activities, and the customer’s level of satisfaction, which includes an appraisal of value received. Future research is needed to develop and explicitly include a measure of value in the market orientation framework. Thus far, very little attention has been given to ascertaining and understanding the importance, nature, dimensionality, and structure of the value construct.

In developing a more extensive framework, a model that incorporates the consequences of both CS and SQ, that is, loyalty and objective measures of organization performance, will also provide timely and important contributions to marketing knowledge. Studies that examine the depicted relationships in other countries also will extend our knowledge concerning the cultural and contextual antecedents and consequences of the market-orientation framework.

Working with larger sample sizes could perhaps alleviate problems with respect to model parameter estimation. Finally, it is suggested that the valency needs-satisfaction framework applied in this study may prove a useful interpretive tool to help management understand the output of more traditional CS and SQ measurement studies.

References


## Appendix A. Questionnaire

<table>
<thead>
<tr>
<th>Coding Schema (as per figures)</th>
<th>Statement Wording</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer Orientation</strong></td>
<td></td>
</tr>
<tr>
<td>CDCC1</td>
<td>XYZ Bank effectively utilizes its human and product/service systems to gain long-term customer commitment</td>
</tr>
<tr>
<td>CDCV2</td>
<td>XYZ Bank consistently offers products and services that create customer value</td>
</tr>
<tr>
<td>CDMRDCN3</td>
<td>XYZ Bank engages in market research activities to determine customer needs</td>
</tr>
<tr>
<td>CDDLVP54</td>
<td>XYZ Bank uses customer information to deliver products and services that are in line with customer requirements</td>
</tr>
<tr>
<td>CDMEASQ5</td>
<td>XYZ Bank systematically measures customer satisfaction</td>
</tr>
<tr>
<td>CDDELSQ6</td>
<td>XYZ Bank’s practices and procedures consistently focus on delivering customer satisfaction</td>
</tr>
<tr>
<td><strong>Competitor Orientation</strong></td>
<td></td>
</tr>
<tr>
<td>CDRESCA7</td>
<td>XYZ Bank is quick to respond to competitor activity</td>
</tr>
<tr>
<td>CDUNDNCN8</td>
<td>XYZ Bank’s managers demonstrate a knowledge and understanding of their competition</td>
</tr>
<tr>
<td><strong>Interfunctional Coordination</strong></td>
<td></td>
</tr>
<tr>
<td>CDINFSH9</td>
<td>At XYZ Bank customer information is shared between relevant staff members</td>
</tr>
<tr>
<td>CDCORD10</td>
<td>There appears to be effective coordination between XYZ Bank’s functional areas</td>
</tr>
<tr>
<td>CDFCV11</td>
<td>All XYZ Bank’s functional areas work together in creating superior customer value</td>
</tr>
<tr>
<td><strong>Customer Satisfaction</strong></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td></td>
</tr>
</tbody>
</table>

### Service Quality

- 13. XYZ uses the most up-to-date technology available
- 14. XYZ facilities are in line with those provided by banking services
- 15. When an employee of XYZ promises to do something by a certain time, he/she does so
- 16. XYZ employees are sympathetic and reassuring to customer problems
- 17. XYZ employees deal effectively with customer problems
- 18. XYZ employees give prompt service
- 19. XYZ employees are trustworthy
- 20. XYZ employees are polite and considerate
- 21. XYZ employees verbally communicate in a clear manner
- 22. XYZ employees written communication is comprehensible
- 23. My dealings with the bank are treated confidentially
- 24. XYZ employees demonstrate an understanding of my personal needs and requirements
- 25. The amount of information provided by XYZ is in line with my requirements
- 26. The information provided by XYZ is accurate
- 27. XYZ employees are easy to access
- 28. XYZ employees have my best interests at heart

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All items assessed using 7-point "1 = strongly disagree" and "7 = strongly agree" scale.

◊ Smiles vary in width in original.