

Dynamics of market orientation in Croatian economy^{*1}

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Abstract

It was the goal of this research to examine the dynamics of Croatian transformation to market orientation and test whether the market orientation model changes with time as the business environment changes. Based on the literature analysis, we proposed a hypothetical model which relies on behavioural approach in understanding market orientation. To empirically test the hypothetical model, we used data previously collected for 2001, and by replicating the same questionnaire now collected data for 2011. Data was analyzed by hierarchical regression analysis on the two sets of data. Our findings reveal that Croatian organizations reached the level of moderate market orientation leaving space for improvement. Findings also reveal that higher level of market orientation correlates with higher business performance. Furthermore, with development of ICT, the model of market orientation modified in time in a way that in predicting successful market oriented reaction, specific information on consumer satisfaction gains importance, while general information from competitor and consumer databases lose importance. Despite the changes in the relationships among the elements of market orientation, the model itself similarly predicts performance today as it did ten years ago. Managers are advised to increase implementation of market orientation especially focusing on market responsiveness as such behaviour will lead to better performance.

Key words: Market orientation level, market responsiveness, change of the market orientation model, longitudinal research

JEL classification: C12, C21, M31, M14, L25.

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1. Introduction

In early 90's of the twentieth century, Republic of Croatia commenced a process of major political and socio-economic transformation with the final goal to become a democratic society and a market oriented economy. The stated goals being qualitative in nature are not finite, but represent an ongoing process of continuous improvement. This improvement is according to Springer (1995) achieved through changes in: the political environment (democratization, implementation of pluralistic party system), the legal environment (juridical and legal reforms based on EU laws); and the economic environment (transition to a market economy, privatization, development of marketing infrastructure).

It is the interest of this research to examine the dynamics of Croatian transformation from planned to market oriented. More precisely, the goal of this research is to examine whether, and to which extent Croatian business organizations adopted market orientation and to test whether the market orientation model created in developed market economies in the 90's, holds true in Croatia in 2001 and 2011. The research will further determine whether all the elements of market orientation predict performance of Croatian organizations equally well, and whether with time certain elements of market orientation gain or lose importance. Beside this, replicating the same research in the same environment in two ten years distant periods of time contributes to theoretical understanding of the model. That is, insights will be gain on whether the change of the model arises from the change in the socio-economic environment, or from better understanding of the market dynamics and appearance of superior models which replace the old ones. If the model, initially proposed during the research in 2001, in both studied periods has explanatory power, it will be proven that the *old* model of market orientation did not become invalid with the change in the environment, but today (simply) got substituted by new refined ones. From a point of view of the application of the model, the findings will show whether in order to achieve market success managers should behave in the same manner as ten years ago.

1.1. Market orientation

Market orientation, as the core of the marketing concept, can be defined as organizational culture focusing on consumer orientation, competitor orientation and inter-functional coordination that produces added value for consumers and superior performance for the organization (Narver and Slater, 1990, Day and Nedungadi, 1994; Slater and Narver, 1995; Slater and Narver, 2000). Market orientation can also be defined as behaviour that presumes superior performance of the organization to be based on implementation of the marketing concept; that is, implementation of a set of processes designed to satisfy consumer needs better than competitors. Such processes include market information generation, cross-functional sharing of

market information, and rapidly responding to opportunities and problems identified in that market information (Kohli and Jaworski, 1990; Jaworski and Kohli, 1993; Jaworski and Kohli, 1996; Wrenn, 1997; Deshpande and Farley, 1998). Because market orientation was simultaneously developed by two streams of research, two conceptually interlinked, but still distinct concepts with two distinct measurement scales: MKTOR (Narver and Slater, 1990) and MARKOR (Kohli et al., 1993) were developed. Since then many researchers (e.g. Codagan and Diamantopoulos, 1995; Alhakimi and Baharun, 2010) pointed out to the similarities and complementarities of the two models.

Irrespective of whether market orientation is viewed as a culture or a behaviour of an organization, many researchers have examined the link between market orientation and performance. According to meta-analysis conducted by Kirca, Jayachandran and Bearden (2005) till already 6 years ago as many as 214 research results that measured correlation between market orientation and organizational performance were published. In these studies correlation varied from -0.15 to $+0.79$, but most studies across a wide range of industries reported positive significant relationship between market orientation and performance measured as profitability, sales growth, consumer satisfaction and alike. Some of the most cited or most recent papers that prove this relationship are Jaworski and Kohli (1993), Slater and Narver (1994), Slater and Narver (2000), Wood, Bhuian and Kiecker (2000), Lings and Greenley (2009), Morgan, Vorhies and Mason (2009), Kumar et al. (2010), Mahmoud (2011) etc.. Other research has shown that the relationship between market orientation and performance can be moderated by other factors such as strategy (Matsuno and Mentzer, 2000), economic volatility (Homburg and Pflesser, 2000; Grewal and Tansuhaj, 2001), and innovative activities in the organization (Han, Kim and Srivastava, 1998). Martin and Grbac (2003a) found that individual elements of a market orientation differentially created flexible resources that organizations could use to enhance other strategic activities such as building strong supplier relationships. Shoham, (2000) and Sousa, Ruzo and Losada, (2010) have explored the role of market orientation, i.e. consumer responsiveness in export performance of an organization. Finally, Lonial and Raju (2001) and Cadogan Diamantopoulos and Siguaw (2002) suggest that organizations will develop market orientation as a resource that can help the organization manage more effectively in the face of environmental uncertainty.

To understand how a strong market orientation improves the performance of the organization, market orientation should be viewed as a process of elements rather than as a single construct with multiple dimensions as was often observed in studies on market orientation (McShane, 2010). In market oriented organizations, the increased market knowledge combined with a shared value for the consumer as the top priority of the organization produce an organization that is capable of efficiently responding to opportunities and problems as they arise (Homburg and Pflesser,

2000). Because of a rapid response to consumer needs and complaints and response to anticipated changing market trends, market orientation produces competitive advantages. As Yu (2007) claims, the impact of overall consumer satisfaction can largely be attributed to the impact of the responsiveness dimension. Consumer satisfaction should further form the foundation for growth in consumers and sales and yield increased profitability. Although Yu (2007) did not find support for the last step of this logical chain, Gessner and Volonino (2005) found out that relationship between responsiveness and profitability exists and is not only indirect, but also direct. According to them, quickly responding with an appropriate consumer-specific offer or intervention determines whether the consumer reacts positively, and so directly contributes to increased corporate profitability.

It is necessary to point out that apart from described responsiveness to consumer needs, previous studies also researched the role which responsiveness to competitors has on performance of an organization. Jaworski and Kohli (1993) and Slater and Narver (1994; 2000) suggest that anticipating competitors' actions (e.g., price cuts or marketing campaigns targeted at the consumers) and responding to those actions can reduce the impact of a competitor's actions on the consumers. On the other hand, Armstrong and Collopy (1996) found that organizations with an extreme level of competitor orientation, in which the organization continuously responds to competitors in an effort to hurt them, tended to have lower levels of return on investment than other organizations. These mixed results imply that mere responsiveness to actions of competitors while neglecting needs and problems of consumers leads to organization's deterioration. On the other hand entirely neglecting information on competitors could be equally dangers. Therefore, it can be concluded that reaction named market responsiveness should be primarily focused on consumers while information on competitors should serve to fine-tune responsiveness based on consumer needs. From this argumentation, hypothesis 1 is proposed.

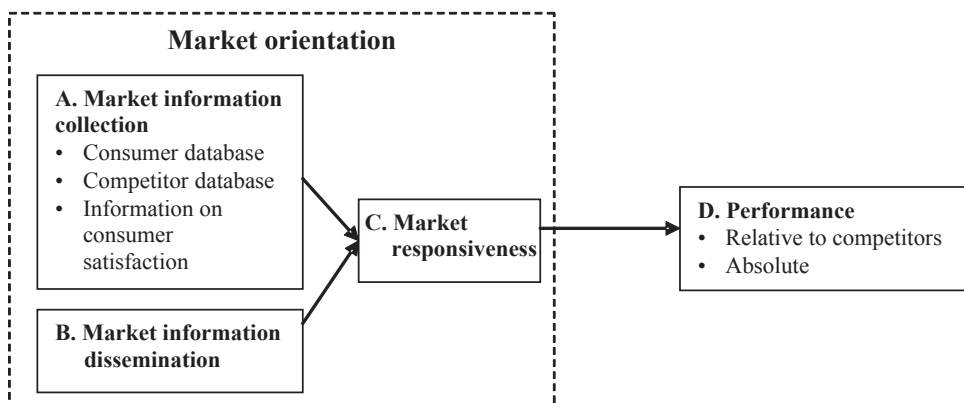
Hypothesis 1: Market responsiveness is positively and directly related to performance of the organization (in Fig. 1: C->D).

As Day and Nedungadi (1994) and Li and Calantone (1998) point out, to accomplish increase in performance from an increase in responsiveness, the organization must focus its efforts on collecting, maintaining, and using exceptional levels of consumer and competitor knowledge. To gain market knowledge on consumers and competitors, organizations create marketing information systems (Cox and Good, 1967). A methodical and orderly marketing information system collects and analyses existing information from all corporate departments in order to gain valuable insight for decision making. Apart from internal information, such marketing information system often expands and refines its data by conducting purposeful focused market surveys to collect specific primary information. Kobylanski and Szulc (2011) in the structured interview on market orientation with

80 organizations, identified six channels for information gathering which organizations use more often (questionnaires, competition analysis and secondary data analysis) or less often (observation, interview with consumers and interview with supply chain members). Chatzipanagiotou, Vassilikopoulou, and Siomkos (2008) proved that market orientation is related to effectiveness of marketing information system so that the more efficient the information flow and information analysis and preparation for decision making, the more ready the organization for responding to consumer needs. It is therefore the second hypothesis of this research:

Hypothesis 2: Market information collection is positively and directly related to market responsiveness and indirectly to performance of the organization (in Fig. 1: A->C).

Figure 1: Relationship between elements of market orientation and performance of organization



Source: Authors

An organization that is market oriented views marketing as a business orientation and a mode of business conduct and not merely as a business function embodied and restricted to marketing department. Cross-functional sharing of information and coordination of activities disbursts market information throughout the organization. Market information dissemination also communicates organization's central focus on adapting to and satisfying the market's needs (Slater and Narver 2000). Market information dissemination can be the result of either cognitive (i.e. structured, formal, technology supported information processing) or affective (culture of information sharing) organizational system (Homburg, Grozdanovic and Klarmann, 2007). Despite the environment in which market information dissemination occurs, it educates all areas in the organization regarding the market's needs and competitors' activities so that as opportunities, problems, or threats arise, the organization is primed to respond. Thus:

Hypothesis 3: Market information dissemination is positively and directly related to market responsiveness and indirectly to performance of the organization (in Fig. 1: B->C).

1.2. Development of market orientation

Because market orientation research, as scientific research in any area, continuously tests new models, introduces new concepts that predict mediate or moderate existing relationships, or launches new measurements for the existing concepts, there is a lack of understanding whether originally proposed relationships among elements of market orientation model hold true. Generally, new models are improved and better capture the reality than those previously proposed, but are the old models rusty and less precise but still valid, or have they become invalid? Despite the lack of such studies, based on the development of market orientation research, as well as the development of information and communication technology, certain conclusions on the development of the market orientation model can be reached.

While literature on market orientation in the 90's was still divided on whether market orientation is a behavior or a culture, the research in 00' became more decisive in taking the stance of Narver and Slater (1990) and conceptualizing market orientation as an organizational culture. Gebhardt, Carpenter, and Sherry (2006) are particularly decisive in that regards. Furthermore, Homburg and Pfiesser observe market orientation as culture whose portion is market orientated behaviour. In another research Alhakimi and Baharun, (2010) in an attempt to bridge the gap between the two understandings of market orientation, define cultural aspect of market orientation as predictor of behavioural aspect, and so give more weight to the former as well. What is specific for cultural view of market orientation, as originally defined by Narver and Slater (1990), is that information collection aspect of market orientation is not given explicit importance as is in the behavioural aspect of market orientation, which according to Kohli and Jaworski (1990) has been proposed in this research (figure 1). Bending development of the market orientation model towards neglecting the importance of market information generation might be ascribed to general improvement of information technology and ease of information access over the last decades. Omnipresence of information could lead to neutralization of the effect of information collection on market responsiveness and consequently performance. This will be especially true for general, database type of information and not so much for information on consumer satisfaction with products and services gathered in purposeful communication with consumers. From all the elaborated, the following hypothesis can be proposed:

Hypothesis 4: Broadness of information on consumers and competitors in information databases is less important predictor of market responsiveness today

than ten years ago. Information about consumer satisfaction is equally important predictor of market responsiveness today as was ten years ago.

The subsequent text presents variable operationalization, and sampling and data collection procedures (chapter 2). Then, presentation interpretation and discussion of the research results are presented (chapter 3), and finally the model is evaluated and base on that, scientific and practical implications are proposed (chapter 4).

2. Methodology

2.1. Variables and measurements

Mesurements for this research were broadly determined in 2001, when within an extensive research on market orientation the first set of data was gathered. Part of the results of the mentioned research was published in Martin and Grbac (2003b). Taking the goals of the current research into consideration, in 2011 identical questions were used to gather data for the indicators that according to the authors best present variables studied in this research, i.e. for indicators which represent final measurement instrument elaborate in continuation. Since measurements were originally developed in English, the back translate method was applied to translate the questionnaire to Croatian. This method assures that the Croatian version of the questionnaire matches the desired meaning of the questions (Craig and Douglas 2000).

Initially measurements for all three market orientation concepts included a combination of scaled items from Kohli, Jaworski and Kumar (1993) and Narver and Slater (1990) which capture the degree to which the respondents' organizations engage in each of the behaviours in question. However, during the pilot study, the format of the market information collection questions was changed because managers had difficulties with rating scales and proposed a categorical yes or no type of questions. The same problem was discovered among Russian managers by Kraaijenbrink, Roersen, and Groen (2009), who ascribed the problem to transition market's unfamiliarity with marketing specifics and a high degree of unconscious unfamiliarity with market principles.

Market information collection in our study was measured by three variables: a) *consumer database* which measures whether organization possesses consumer database and what is the scope of information in it, b) *competitor database* which measures whether organization possesses competitor database and what is the scope of information in it, and c) *information on consumer satisfaction* which measures the frequency of consumer satisfaction surveys. Variables a) and b) were computed as a sum of information presented in table 1. For consumer database score for final consumer information, intermediate consumer information or an average of both was taken depending on which consumers dominate particular organization's

activities (final, intermediate, or both). Variable c) measured frequency of consumer satisfaction surveys and the following options were offered to respondents: never, less than yearly, yearly, more than yearly. This variable also presented either information on intermediate consumers, final consumers or the average of the two depending on which consumers dominate activities of an organization.

Variable *Market information dissemination* defines which persons in an organization get information on consumers and competitors. Answer options were: CEO only, those directly involved in decision making, several managers including those not involved in decision making, many employees.

Table 1: Database information on consumers and competitors

Information	Databases		
	Database on intermediate consumer	Database on final consumer	Database on competitors
Contact information	x	x	x
Descriptive information (e.g., organization size, income, etc.)	x	x	
Purchasing history	x	x	
Profitability of the purchases by the consumer	x	x	
Products and services offered			x
Business strategies and tactics	x		x
Evaluation of quality of products or services			x
Strengths and weaknesses	x		x
Responsiveness to our business activities			x
Production or service delivery process and applied technology			x

Source: Authors according to Martin and Grbac (2003b)

Market responsiveness was measured using seven scaled items (table 2) similar to those used by Kohli, Jaworski and Kumar (1993). This scale assessed the extent to which, the speed with which, and the way in which respondents use market information in their decision making. Cronbach's alphas for both data sets (2001 and 2011) were slightly below the critical value of .7, but deletion of any of the items was not improving the overall reliability. Factor analyses showed that these items loaded on 2 factors, but the structure of the two factors in the two data sets were not the same. Therefore, in order to be able to compare results of the two data sets, the best option was to use all 7 items as a single measurement of market responsiveness.

We initially planned to use two variables for performance: *performance relative to competitors* and *absolute performance*. To measurement *performance relative to competitors* we used two scaled items as shown in table 2. Since Cronbach's alphas were quite lower than critical value of .7 for both studied periods, we decided to use two separate indicators. One indicates *consumer satisfaction compared to competitors* and the other one *profitability compared to competitors*. To measure *absolute performance* we used self-reported average percent profit growth/fall over the past 3 years.

Table 2: Items included in market responsiveness and relative performance

Items (do not agree at all, do not entirely agree, agree and disagree, agree partially, agree absolutely)	Cronbach's alpha	
	2001	2011
Market responsiveness <ul style="list-style-type: none"> • We use a system for collecting and tracking consumer complaints to correct potential problems with our products or services • Consumer satisfaction measures are used to evaluate managers' performance • Consumer satisfaction is used to modify our products or services • We establish specific and quantifiable consumer satisfaction goals in each planning period • Our managers frequently make changes in products or services in anticipation of changing consumer needs • When our consumer market changes what it needs, we are likely to be the first in the market to change what we offer to meet those changing needs • Our pricing, advertising, and product design decisions rely heavily on information from consumer surveys 	.643	.695
Relative performance <ul style="list-style-type: none"> • We are probably more profitable than our competitors • Compared to our competitors, our consumer satisfaction is very high 	.576	.416

Source: Authors according to Martin and Grbac (2003b)

2.2. Population, sampling and data collection procedure

According to the data of Croatian Chamber of Commerce (2011), total number of business organizations in Croatia in the past 20 years has increased from approximately 16,500 in 1991 to approximately 76,000 in 2001; and 161,000 in 2011. Most of this growth has been in the small enterprises sector that jumped from approximately 14% of all business organizations in 1980 to approximately 98.5% in 2011. Today, most of Croatia business organizations concentrate within 4 industries: 31% retail and wholesale industry, 12% civil engineering, further 12% professional, scientific and technical services and 11% manufacturing.

In very small organizations, business dynamics in general and market orientation specifically, demonstrate distinctive patterns as compared to other organizations. Therefore, organizations smaller than 10 employees, which are according to number

of employees classified as micro-organizations (NN 29/02, 63/07) were excluded from the studied population. Because one research goal was to capture the level of achieved market orientation, and the other one to understand the development of market orientation over the past 20 years, it was necessary to collect data relevant for today's business environment, but in the same time data comparable in 2001 and 2011. Because the primary goal of data collection in 2001 was slightly different than the main goal of the present study, the sample in 2001 was based on 1,000 mainly manufacturing Croatian organizations, and not on a representative sample. The authors of this research were thus forced to make a trade-off between a) choosing a sample which represents Croatian economy and determining the real current level of market orientation, but sacrificing absolute longitudinal data comparability, or b) replicating the same type of sample obtaining the comparable data, but sacrificing insight into the real current situation. Because of the main goal of this research (understanding the real current state), the former alternative was chosen. In the same time, this methodological limitation was taken into account when interpreting data. Hence, it was not the market orientation which was compared in the two periods, but rather the relationships among the studied variables. Among 12,432 active business organizations with more than ten employees, 1,100 were sampled from Registry of business organisations (Croatian Chamber of Commerce, 2011) using simple random sample method. That method ensures that sample is representative of the overall Croatian economy.

Data were collected by a questionnaire sent to CEO's of the chosen organization. While the questionnaire in 2001 was sent by snail mail, the one in 2011 was sent and a month later resent by e-mail. To increase response rates, in both studied periods, respondents were reminded of the questionnaire by a phone call. All of the described in 2001 resulted with 326 usable responses for an effective response rate of 33% and in 2011 with 133 usable responses for an effective response rate of 12%. Higher response rate in 2001 is attributable to less frequent conduct of questionnaire type surveys in 2001 than today and consequently organization's higher willingness to cooperate.

3. Results and discussion

Table 3 displays the mean, minimum and maximum values, the standard deviations, and the correlations among the variables depicted in figure 1. The 2011 data set shows the level of market orientation in today's average Croatian organization. On a scales 0-10 average score for *consumer database* was $m = 5.25$ ($sd = 2.77$) and on a scales 0-7 average score for *competitor database* was $m = 2.6$ ($sd = 2.18$). This indicates that from 10 and 7 types of information, companies on average collect 5.25 and 2.6 respectively. The score is of a medium level for consumer information

and rather low for competitor information. As for the type of information, for intermediate consumers, most organizations collect: contact information (83%), information on past sales (61%) and information on profitability per consumer (48%); for final consumers: contact information (86%) and past sales information (66%); and for competitors: information on products and services (61%) and contact information (57%). Average scores for *information on consumer satisfaction* ($m = 2.70$; $sd = 1.17$ on a scale 1-4), *market information dissemination* ($m = 2.71$; $sd = .95$ on a scale 1-4) and *market responsiveness* ($m = 3.86$; $sd = .61$ on a scale 1-5) represent medium value scores. All presented results indicate that Croatian organizations still have potential for improving their market orientation.

Table 3: Mean, standard deviation, and Spearman correlations among variables

2001	Mean	SD	Min	Max	2	3	4	5	6	7	8
1. Consumer database	4.86	2.82	0	10	.573**	.242**	.011	.151*	.126*	.081	.016
2. Competitor database	2.37	2.33	0	7		.329**	.041	.355**	.119*	.128*	.117*
3. Information on consumer satisfaction	2.77	1.18	1	4			.034	.211**	.060	.045	.063
4. Market information dissemination	2.55	.97	1	4				-.009	.061	.055	.069
5. Market responsiveness	3.48	.66	1.57	5					.452**	.250**	.232**
6. Consumer satisfaction compared to competitors	3.03	1.14	1	5						.403**	.208**
7. Profitability compared to competitors	2.56	1.27	1	5							.416**
8. Absolute performance (profit growth)	2.36	1.46	1	7							
2011	Mean	SD	Min	Max	2	3	4	5	6	7	8
1. Consumer database	5.25	2.77	0	10	.606**	.340**	-.005	.260**	.135	-.006	.107
2. Competitor database	2.60	2.18	0	7		.423*	-.105	.208*	.177*	.105	.154
3. Information on consumer satisfaction	2.70	1.17	1	4			.125	.436**	.189*	.066	.108
4. Market information dissemination	2.71	.95	1	4				-.021	.022	.088	.044
5. Market responsiveness	3.86	.61	1.71	4.86					.440**	.276**	.152
6. Consumer satisfaction compared to competitors	4.01	.80	2	5						.332**	.049
7. Profitability compared to competitors	3.31	1.03	1	5							.163
8. Absolute performance (profit growth)	-55	2.63	-5	5							

** $p < .01$ (2-tailed); * $p < .05$ (2-tailed)

Source: Authors

Table 3 also shows that data follow a pattern of correlations that supports the pursuit of the mediator regression analysis according to the guidelines of Zhao, Lynch and Chen (2010). To test for the mediation effects depicted in figure 1, several hierarchical regression analyses were conducted. Firstly three performance variables served as dependent variable in each of the regression analysis. In model 1 independent variables measuring *market information collection* and *market information dissemination* were included in the model, while in model 2, apart from variables in model 1, *market responsiveness* was also included. Secondly, to test for

the mediation of the independent variables, *market responsiveness* was used as a dependent variable and *market information collection* and *market information dissemination* as independent variables.

Table 4 presents the results of hierarchical analyses for the 2001 data set, while table 5 represents results of hierarchical analyses for 2011 data set. Because the results for both data sets are comparable, they will be explained simultaneously for each dependent variable. Only coefficients significant at .1 level are presented, whereas for other non significant results an *ns* (not significant) label is entered.

The final regression equation with *consumer satisfaction compared to competitors* as the dependent variable is significant for 2001 ($F = 17.28$, $p < .01$, $R^2 = .257$) and 2011 ($F = 5.299$, $p < .01$, $R^2 = .191$). The only significant variable within the first model is *consumer database* ($\beta = .132$, $p < .1$) although only in 2001 and only with liberal p value. Within the second model, *market responsiveness* was a significant predictor for 2001 ($\beta = .511$, $p < .01$) and 2011 ($\beta = .393$, $p < .01$), whereas *consumer database* remained a significant predictor for 2001 at lower p value (.169, $p < .05$). These results indicate that from the three types of market information collection and market information dissemination, only consumer database and only in 2001 has a direct influence on relative performance in terms of consumer satisfaction. Besides that, market responsiveness in both years has a direct influence on consumer satisfaction.

Table 4: Overall hierarchical regression analysis for 2001 data set

	Model 1	Model 2
Dependent: Customer satisfaction compared to competitors		
Consumer database	.132 (.086)	.169 (.013)
Competitor database	ns	ns
Information on consumer satisfaction	ns	ns
Market information dissemination	ns	ns
Market responsiveness	-	.511 (.000)
R ²	.033	.257
R ² change	.033	.224
F (p level)	2.163 (.074)	17.288 (.000)
F change (p level)	2.163 (.074)	75.229 (.000)
Dependent: Profitability compared to competitors		
Consumer database	ns	ns
Competitor database	ns	ns
Information on consumer satisfaction	ns	ns
Market information dissemination	ns	ns
Market responsiveness	-	.237 (.000)
R ²	.023	.071

	Model 1	Model 2
R ² change	.023	.048
F (p level)	1.478 (ns)	3.820 (.002)
F change (p level)	1.478 (ns)	12.907 (.000)
Dependent: Absolute performance (profit growth)		
Consumer database	ns	ns
Competitor database	.147 (.081)	ns
Information on consumer satisfaction	ns	ns
Market information dissemination	ns	ns
Market responsiveness	-	.173 (.016)
R ²	.020	.045
R ² change	.020	.025
F (p level)	1.142 (ns)	2.121 (.064)
F change (p level)	1.142 (ns)	5.935 (.016)
Dependent: Market responsiveness		
Consumer database	ns	
Competitor database	.345 (.000)	
Information on consumer satisfaction	.138 (.026)	
Market information dissemination	ns	
R ²	.143	
R ² change	.143	
F (p level)	10.584 (.000)	
F change (p level)	10.584 (.000)	

Source: Authors

The final regression equation with *profitability compared to competitors* as the dependent variable is significant for 2001 ($F = 3.820, p < .01, R^2 = .071$) and 2011 ($F = 2.496, p < .05, R^2 = .099$). The first model's variables in this analysis were not significant for 2001, nor 2011. Within the second model *market responsiveness* for 2001 ($\beta = .237, p < .01$) and 2011 ($\beta = .290, p < .01$) was a significant predictor. This indicates that market information collection and dissemination do not have a direct influence on relative performance in terms of profit, but market responsiveness does.

Table 5: Overall hierarchical regression analysis for 2011 data set

		Model 1	Model 2
Dependent: Customer satisfaction compared to competitors			
	Consumer database	ns	ns
	Competitor database	ns	ns
	Information on consumer satisfaction	ns	ns
	Market information dissemination	ns	ns
	Market responsiveness	-	.393 (.000)
R ²		.066	.191
R ² change		.066	.124
F (p level)		2.053 (ns)	5.299 (.000)
F change (p level)		2.053 (ns)	17.122 (.000)
Dependent: Profitability compared to competitors			
	Consumer database	ns	ns
	Competitor database	ns	ns
	Information on consumer satisfaction	ns	ns
	Market information dissemination	ns	ns
	Market responsiveness	-	.290 (.004)
R ²		.032	.099
R ² change		.032	.068
F (p level)		.941 (ns)	2.496 (.035)
F change (p level)		.941 (.ns)	8.473 (.004)
Dependent: Absolute performance (profit growth)			
	Consumer database	ns	ns
	Competitor database	ns	ns
	Information on consumer satisfaction	ns	ns
	Market information dissemination	ns	ns
	Market responsiveness	-	ns
R ²		.026	.033
R ² change		.026	.007
F (p level)		.745 (ns)	.761 (ns)
F change (p level)		.745 (ns)	.829 (ns)
Dependent: Market responsiveness			
	Consumer database	ns	
	Competitor database	ns	
	Information on consumer satisfaction	.385 (.000)	
	Market information dissemination	ns	
R ²		.202	
R ² change		.202	
F (p level)		7.258 (.000)	
F change (p level)		7.258 (.000)	

Source: Authors

The final regression equation with *absolute performance* as the dependent variable is significant for 2001 although only at $p = .064$ ($F = 2.121$, $p < .1$, $R^2 = .045$), but not for 2011. The first model's variables entered in this analysis were not significant. Within the second model, *market responsiveness* for 2001 ($\beta = .173$, $p < .05$) was significant. These results indicate that market information collection and dissemination do not have a direct influence on absolute performance, and that in 2001 market responsiveness has a direct influence on absolute performance.

The final regression equation with *market responsiveness* as the dependent variable is significant for 2001 ($F = 10.584$, $p < .01$, $R^2 = .143$) and 2011 ($F = 7.258$, $p < .01$, $R^2 = .202$). Among independent variables in the model in 2001, *competitor database* ($\beta = .345$, $p < .01$) and *information on consumer satisfaction* are significant ($\beta = .138$, $p < .05$) predictors of *market responsiveness*. In 2011 *information on consumer satisfaction* ($\beta = .402$, $p < .01$) remained significant predictors of *market responsiveness*. Generally speaking, according to instruction that Zhao, Lynch and Chen (2010) gave on determining mediation effect, overall hierarchical regressions results indicate that *market responsiveness* acts as a mediator between *competitor database* (in 2001) and *information on consumer satisfaction* (in 2001 and 2011) on one side, and *consumer satisfaction compared to competitors* (in 2001 and 2011), *profitability compared to competitors* (in 2001 and 2011), and *absolute performance* (in 2001) on the other side. Described mediation indicates that quantity of information in competitor database and frequency of collection of information on consumer satisfaction mainly do not have direct influence on organizational performance, but directly influence organization's market responsiveness which further directly influences performance of the organization.

Overall findings of the paper in regards to hypotheses testing will be presented in conclusion. Before that the unexpected results will be given a possible explanation. There are two unexpected results. The first one implies that better market information dissemination in the organization does not influence market responsiveness, and consequently not even organizational performance. This is contrary to previous research elaborated in the first chapter. The possible explanation of such result lies in the measurement tool we used for market information dissemination. Some recent (e.g. Homburg, Grozdanovic and Klarmann, 2007; Hoe and McShane, 2010) research in the field of market orientation stress the importance of informal, so called affective information dissemination. That type of information dissemination the measurement tool from 2001 that we used in this research did not capture too well. Measurement tool of this research implicitly led respondents to evaluate only formal information dissemination. Should we measured affective type of information dissemination as well, we believe, results would indicate the importance of information dissemination in organization's market orientation.

The second unexpected result was that market responsiveness does not influence profit growth in 2011. Although many researchers found proof for this relationship, Yu's (2007) results resemble ours. In Yu's research relationship between market responsiveness and consumer satisfaction was found, but there was no significant relation between consumer satisfaction and consumer profitability. According to Yu (2007) this is because increased satisfaction implies higher revenues, but also requires higher costs, so profitability remains unchanged. We find another possible explanation for unrelatedness of market responsiveness and profit growth. Extremely turbulent business environment over the past 3 years forced many companies to turn red. This argument may seem illogical because it can be argued that even though profits generally fall, if market orientation is predictor of profit growth, the relationship should still be valid in crisis and those who implement market orientation, would be expected to have fallen less than those who do not implement it. However, we believe that the crisis effect is not as straightforward. That is, market oriented companies, being aware of the importance of investing in marketing and being responsive to consumer needs, could have continued the practice of investing even during the downturn times preparing for the future superior results, but impeding the present ones. Kumar et al. (2011) based on a longitudinal study explain that although adopting a market orientation used to be a source of unique competitive advantage and a success provider, with time it became widely accepted and hence its implementation is no longer a guarantee of success, but just a failure preventer.

4. Conclusion

The goal of this paper was to investigate the level of market orientation in Croatia and examine whether model of market orientation and its influence on corporate performance changes over time. As for the first goal, results give support for conclusion that market orientation in Croatian organizations is incompletely implemented. Croatian business organizations are aware of the importance of market orientation implementation and tend to implement it, but still leave room for further improvements. Similar findings were found by Bodlaj and Rojšek (2010) in a research of Slovenian organizations' market orientation.

To reach the second goal of the research a set of hypotheses was tested. Hypothesis 1 which claims that market responsiveness will be positively and directly related to performance of the organization was mainly supported. Strong evidence was found for confirming the influence that market responsiveness has on relative performance, but only partial for influence on absolute performance. Hypothesis 2 proposes that market information collection is positively and directly related to market responsiveness and indirectly to performance of the organization. This hypothesis was partly supported. From three measurements of information collection, two (competitor database in one and information on consumer satisfaction in both

studied periods) have the predicted positive, direct relationship to market responsiveness. Furthermore, as established in the previous hypothesis, because market responsiveness has a mainly positive, direct influence on performance of the organization, it is proved that the two mentioned market information collection measurements have indirect influence on performance. However, the third measurement of market information collection (consumer database) is not related to organization's market responsiveness. Nevertheless, it must be stressed that this measurement has a weak direct influence on performance (but only in 2001 and only for one of three performance measurements). Hypothesis 3, which predicts market information dissemination within organization to be positively and directly related to market responsiveness and indirectly to performance of the organization, was not supported. Market information dissemination was found completely insignificant in all the tested models. Hypothesis 4 proposes that existence and broadness of information in consumer and competitor database is less important predictor of organization's market responsiveness today than it was ten years ago. This hypothesis further proposes that information on consumer satisfaction remained significant predictor of organization's market responsiveness. Hypothesis 4 is confirmed. Results not only indicate that specific information on consumer satisfaction remains equally important in predicting organization's market responsiveness as ten years ago, but became even more important.

Overall, the first contribution of our research is a discovery that market responsiveness presents a key construct within market orientation, which leads to organization's improved performance. The second contribution of the research is identification of model change over time and identified need for change of the measurement instrument of the market orientation elements. In today's information saturated environment, market responsiveness relies less on general database type of information and more on specific information on consumer satisfaction gathered by frequent communication with consumers. Such communication is often based on informal type of communication (e.g. social networks and similar). This points out to the need to adjust the measurement instrument for market information collection. Also with the raise of informal and spontaneous communication within an organization, it is also necessary to adjust the measurement tool for information dissemination within an organization. Nevertheless, although certain predictors' influence changes over time, predictive power of the entire model does not change much. As shown in tables 4 and 5, for some performance measurements, market orientation was stronger predictor ten years ago and for some it is today. Therefore the model cannot be regarded as invalid.

Managers are advised to implement market orientation and especially focus on its last stage, i.e. market responsiveness. This can be realized by meeting and even anticipating (cf. Narver, Slater and MacLachlan, 2004) changing market needs, by making decisions in regards to marketing mix relying on market information, using a system for collecting and tracking consumer comments and complaints to correct

potential problems with products and services etc. A possible step forward in implementation of market orientation could be evaluating and remunerating managers according to consumer satisfaction and not according to sales as is usually done.

There are several limitations to this research which might serve as indications for future research. In terms of data collection, a sample was relatively small and although the questionnaire was addressed to CEOs, the actual respondents and their knowledge of the organization remain unknown. Furthermore, as stated previously, information on organization performance was self-reported and estimated by the same respondent who estimated market orientation. This, according to Podsakoff et al. (2003) raises a problem of common method bias which should in the future research be avoided. As shown in studies by Kirca Jayachandran and Beardena (2005) and Morgan, Vorhies and Mason (2009) objective and subjective performance measurements are not equally related to market orientation; hence objective data and multiple data sources, although challenging to collect, would provide better insights in the studied problem. Finally, because Croatian economy is very turbulent and characterized by creation of many small start-ups and destruction of big manufacturing organizations, in 2011, it was impossible and as above elaborated in the same time undesirable to collect responses from the same sample as in 2001. Nevertheless, we believe that repeating the research on the same type of sample would yield somewhat different and more precise results on (non)changing nature of the tested model. Apart from tackling limitations of this research, future research should determine how organizations can better align their market responses to market demands. Current research proposes predictors of market orientation in general (e.g. Tomaskova, 2007; Berács and Nagy, 2010), but results of this research draw attention on the importance of predictors of one of the elements of market orientation, i.e. organization's market responsiveness.

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Dinamika tržišne orijentacije hrvatskog gospodarstva¹

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Sažetak

Cilj ovog rada je bio ispitati dinamiku transformacije hrvatskog gospodarstva prema tržišnoj orijentaciji, te ispitati mijenja li se s vremenom model tržišne orijentacije slijedeći promjene u poslovnom okruženju. Analizom literature predložen je hipotetski model koji se oslanja na bihevioristički pristup u razumijevanju tržišne orijentacije. Kako bi se hipotetski model empirijski dokazao, korišteni su podaci prethodno prikupljeni 2001. godine, te su repliciranjem istog upitnika, u 2011. godinu prikupljeni novi podaci. Podaci su obrađeni korištenjem hijerarhijskih regresijskih analiza na dva seta podataka. Rezultati ukazuju da su hrvatski poslovni subjekti dosegli stupanj umjerene tržišne orijentacije, te stoga imaju prostora za poboljšanje, a da viši stupanj tržišna orijentacija korelira s većim poslovnim uspjehom. Nadalje, uslijed razvoja informacijske i komunikacijske tehnologije model tržišne orijentacije modificira se kroz vrijeme na način da u predviđanju uspješne tržišne orijentirane reakcije, specifične informacije o zadovoljstvu potrošača dobivaju značaj, dok opće informacije iz baza podataka o konkurentima i potrošačima gube značaj. Unatoč promjenama u odnosima elemenata modela tržišne orijentacije, sam model u podjednako mjeri predviđa uspjeh poslovnog subjekta kao i prije deset godina. Menadžerima se savjetuje da u što većoj mjeri implementiraju tržišnu orijentaciju posebice se pri tom fokusirajući na tržišno orijentiranu reakciju obzirom da će tako ostvariti veći tržišni uspjeh.

Gljučne riječi: razina tržišne orijentacije, tržišno orijentirana reakcija, promjena modela tržišne reakcije, longitudinalno istraživanje

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