MARKET ORIENTATION, COMPETITIVE ADVANTAGE AND BUSINESS PERFORMANCE: EXPLORING THE INDIRECT EFFECTS

Anita TALAJA, Dario MIOČEVIĆ, Nikša ALFIREVIĆ
Faculty of Economics, Split

Jurica PAVIČIĆ
Faculty of Economics and Business, Zagreb

In this paper, we address insufficiently explored indirect relationships between market orientation (MO), organizational strategic resources and business outcomes. Previous studies have identified MO as a key strategic asset that contributes to competitive advantage and ultimately to business performance. However, the extant research is at best partial in addressing the contingencies that might uphold these relationships. The goal of this study is to extend the existing knowledge by showing that MO complements with other strategic management processes that are relevant for business success. To address the research question, a conceptual model with three hypotheses was developed. Data was obtained with a survey questionnaire on a sample of 265 medium and large-sized firms from Croatia. The findings indicate that MO influences competitive advantage stronger at higher levels of VRIN resources. Also, findings suggest that competitive advantage mediates the relationship between MO and business performance. In the end, the theoretical and managerial implications are presented along with future research directions in light of the limitations of this study.

Keywords: resource-based view, market orientation, competitive advantage, business performance

✉ Anita Talaja, Faculty of Economics, Cvite Fiskovića 5, 21 000 Split, Croatia.
E-mail: anita.talaja@efst.hr

INTRODUCTION

Throughout the last two and a half decades, research on market orientation (MO) has gained abundant popularity in academia (e.g., Ellis, 2006; Jaworski & Kohli, 1993; Narver & Slater, 1990). Dominant literature has viewed MO as a key leverage for achieving competitive advantage, through understanding the needs of customers, competitive structure and the general business environment. While the majority of marketing literature considered MO as the backbone of successful marketing program implementation, Foley and Fahy (2009) have proposed a perspective that positioned MO in the domain of strategic intangible assets. In this line of reasoning, a substantial body of literature framed MO as a key intangible asset crucial for achieving sustainable competitive advantage (e.g., Lonial & Carter, 2015; Miocevic & Crnjak-Karanovic, 2011; Murray et al., 2011; Ngo & O'Cass, 2012; O'Cass et al., 2015).

A recent meta-analytical review suggests that MO was dominantly seen as an expression of marketing concept within organizations and a key platform for the successful management of lower-level marketing activities (Kirca, Jayachandran, & Bearden, 2005) without the ambition to reveal MO's key position in developing a firm's strategic posture. The first attempt to bring together the 'compatible' views of marketing and strategic management literature can be attributed to Hunt and Morgan (1995), who developed the *resource advantage (R-A) theory*. Their point of departure was based on the fact that the (neo)classical economic theories were not able to explain market innovation, or the diversity of firms and their strategies. In a further attempt, Srivastava, Fahey, and Christensen (2001) proposed that the process by which the market-based assets and capabilities are transformed into customer value/performance should be a research priority.

Recently, a number of studies have confirmed the strategic importance of MO. Theory sees resources and competencies as different ways of painting the canvas of strategy, which is being constantly re-arranged, as to fit the needs of customers and other stakeholders. In this stream of research, studies have shown that MO works in concert with other tangible and intangible resources in explaining a firm's superior competitive position and performance (Cacciolatti & Lee, 2016; O'Cass et al., 2015; Zhang & Zhu, 2016), thus confirming its strategic role.

By building on the arguments from the resource-based view (RBV) of the firm (Wernfelt, 1984; Barney, 1986), this study aims to contribute by extending the knowledge of MO literature in three ways. First, we will demonstrate that the relationship between MO and competitive advantage is mod-

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erated by the valuable, rare, inimitable and non-substitutable (VRIN) resource bundle that the firm possesses. Previous studies have partially investigated the interplay between MO and various organizational resources and a more comprehensive assessment of the firm's strategic resource needs to be integrated in this inquiry. By this means our study will contribute to the strategic marketing literature by outlining that the MO's ability to trigger competitive advantage is highly dependent on the firm's strategic resources. In other words, market-oriented behaviors need substantial resource support in order to transform a firm into a market leader. Secondly, the link between MO and business performance has been extensively researched in the literature (e.g., Ellis, 2006). However, very little is known how MO complements the firm's strategic management process. To this end, with our study we will show that MO's influence on business performance is highly mediated by the firm's ability to develop a competitive advantage. Thirdly, although most of the studies have been conducted in the context of developed, and some of them in emerging markets, little is said about MO's strategic role in the context of South-East and Central European transition market firms (i.e., Božić & Rajh, 2008; Snoj, Milfelner, & Gabrijan, 2007; Miocevic & Crnjak-Karanovic, 2011; Pecotich, Crnjak-Karanović, & Renko, 2007; Agić, Činjarević, Kurtović, & Čičić, 2016). By focusing on the unique dataset of Croatian companies, our study will contribute to a higher generalizability of findings with regard to how MO and VRIN resources enhance a firm's competitive advantage and business performance.

The paper is therefore structured as follows. First, a conceptual framework along with literature review concerning the main inquiry is addressed. This is followed by the research hypotheses. The method section is then explained, along with the sampling procedures, measurement and operational definitions and the analytical tools that will be used. The method section is followed by the results with respect to measurement properties and the structural model. The discussion of findings is considered in terms of theoretical and managerial implications. Towards the end, limitations and suggestions for further research are presented.

CONCEPTUAL FRAMEWORK

Our study's conceptual model is framed around the arguments from the RBV of the firm. During the last two decades researchers started appreciating intangible assets as a means of achieving sustainable competitive advantage. The seminal work of Teece, Pisano, and Shuen (1997) has positioned capabili-

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ties and competencies as an inevitable source of the firm's competitiveness because of difficulties in acquiring and imitating them. Strategic competencies have been defined in terms of activating and using strategic resources to address the environmental challenges (Amit & Shoemaker, 1993). They coordinate the usage of strategic resources (Grant, 1991) and help organizations adapt to environmental dynamics, as well as assist in discovering/implementing resource-based strategies (Collis, 1994).

Strategic marketing literature has widely embraced RBV for explaining market-related organizational behavior. Day (1994) recognized capabilities and competencies as the key organizational assets that enable firms to better connect with customers. In their influential study, Kohli and Jaworski (1990) examined the state of knowledge related to the implementation of the marketing concept and referred to the managerial framework, used for its implementation, in terms of 'market orientation' (MO), based on the organizational flow of market-related information. Desphande, Farley and Webster (1993) offered another conceptualization of MO that focuses on organizational culture. According to this perspective, MO distinguishes organizations with different levels of 'customer orientation'. Firms with higher levels of customer orientation prioritize customers' interests and this results in long-term profitability. Narver and Slater (1990) enriched the MO conceptualization by adding the 'competitor orientation' dimension that is related to understanding competitive market offerings.

However, because of insufficient strategic perspective, the mainstream MO literature suffered a lot of criticism (Connor, 2007). Though Ketchen, Hult, and Slater (2007) emphasized the usefulness of RBV lens to investigate the organization--wide influence of MO. They also indicated that future research should analyze the strategic resources – strategic action – competitive advantage – performance linkages. Most recently researchers have started to appreciate the strategic role of MO in organizations. A plethora of strategic marketing studies showed that MO is an inevitable asset in building a firm's ability to sustain competitive advantage long-term, thus indicating its strategic importance (Foley & Fahy, 2009; Morgan, Slotegraaf, & Vorhies, 2009; Morgan, Vorhies, & Mason, 2009; O'Cass & Sok, 2014). As a result, the significant stream of research has labeled market-oriented behaviors as a key strategic asset that leads to competitive advantage. Studies in this area have shown that market-oriented behaviors of intelligence generation, dissemination and responsiveness enable firms to create value-added offerings for customers that result in a superior competitive position in the marketplace (Cacciolatti & Lee, 2016; Murray et al., 2011; Ngo & O'Cass, 2012; Rakthin, Calantone, & Wang, 2016).

The importance of resources for market-based strategy has been widely discussed in the strategic management literature. Barney's (1986) study, concentrating on the market availability of resources required for implementation of strategies, is considered as a cornerstone of a new approach to explaining competitive advantage of the firm. Through the RBV lens, Barney (1991) and Grant (1991) suggested that resources which are valuable, rare, imperfectly imitable and non-substitutable can lead to sustainable competitive advantage. By drawing on these ideas, we posit that the firm's MO will enhance competitive advantage more strongly when the deployed resources satisfy the VRIN criteria.

The issue of identifying the presence of competitive advantage, as a result of adequate patterns of resource/competence utilization and complementarity, has been widely debated. In their review, Ketchen et al. (2007) warn that MO should be assessed in a greater nomological network of strategic management processes. The capability-based view places MO as a key strategic asset that is indispensable in enhancing the firm's business performance (Foley & Fahy, 2009). However, in line with strategic management literature, the successful creation of competitive advantage is an inevitable step that explains the process of how the firm's MO increases business performance.

Our conceptual framework envisioned through RBV theory suggests that MO improves competitive advantage, which eventually increases the business performance of a firm. The MO orchestrates the organizational activities that shape the emergence of competitive advantage (due to the alignment of operational activities with market requirements), as well as business performance. The graphical depiction of our model is presented in Figure 1 and the discussion of research hypotheses follows.

➲ FIGURE 1
Conceptual model

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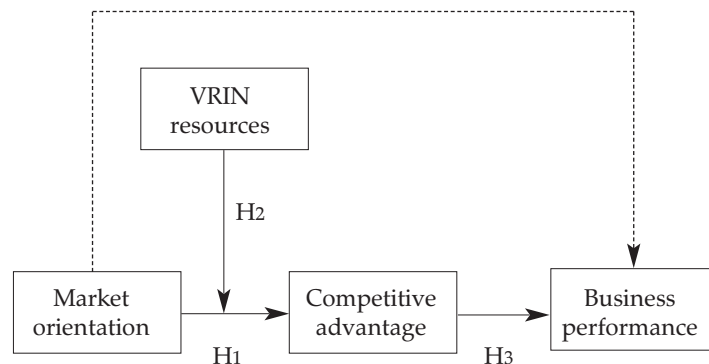
RESEARCH HYPOTHESES

Market orientation and competitive advantage

Kohli and Jaworski's (1990) and Narver and Slater's (1990) seminal works have been widely used to denote the importance of a firm's market-oriented behaviors in sustaining competitive advantage. MO is understood as a 'philosophy', serving as a foundation in explaining the strategic management process within the firm (Ketchen et al., 2007). This theoretical approach is especially relevant for the purpose of this paper, which brings together constructs from both the strategic marketing and strategic management fields. In their paper, Hult, Ketchen, and Slater (2005) tried to integrate cultural framework with the market-based information perspective. They hypothesized the existence of relationships between MO and organizational responsiveness, as well as between responsiveness and performance. In this context, MO is beheld as a *strategic marketing asset* (in line with the RBV view) and it is concluded that MO represents a significant antecedent of the firm's competitive position.

The MO-competitive advantage relationship is a significant part of strategic marketing research. More recently, researchers have extended the knowledge of MO's indispensable role in attaining sustainable competitive advantage in various areas (Kumar, Jones, Venkatesan, & Leone, 2011; Lonial & Carter, 2015; Miocevic & Crnjak-Karanovic, 2011; Murray et al., 2011; Ngo & O'Cass, 2012; O'Cass et al., 2015). Hence, we hypothesize the following:

H1: Market orientation has a positive and significant influence on a firm's competitive advantage.

Moderating role of the VRIN resources on the relationship between market orientation and competitive advantage

Hunt and Morgan (1995) argued that MO represents an "organizing framework", which can become "culturally embedded in an organization" (p. 11). It is discussed that MO can lead to sustainable competitive advantage, by supplementing the marketing concept itself and providing relevant information for strategy selection. In this process, the MO is expected to deliver the relevant information about customers and competitors and contribute to the selection of a strategy leading to competitive advantage. However, in this process, the firm needs substantial resource background to fulfill its strategic marketing intents manifested through MO.

Day (1994) espoused that strategic market assets and capabilities have a key role in creating market-oriented organizations. The marketing capability framework follows the RBV prescription of MO being a strategic competency that needs a

resource platform in order for the firm to reach market success (Foley & Fahy, 2009). Recent literature offers unequivocal empirical evidence as to how MO works in concert with other tangible and intangible resources in explaining the firm's competitive edge. In their study, Gaur, Vasudevan, and Gaur (2011) revealed that the MO's link with superior performance is orchestrated by the firm's resources. O'Cass, Ngo, and Siathiri (2015) have found that marketing resources have a significant role in enhancing the relationship between MO and performance outcomes. Zhang and Zhu (2016) found that MO improves a firm's strategic position measured through new product performance. Preceding studies in the field show indirect effects of how MO improves, through the enabling role of strategic resources, different aspects of competitive advantage. Based on this discussion we hypothesize the following:

H2: The relationship between market orientation and a company's competitive advantage is moderated by valuable, rare, inimitable and non-substitutable resources.

Mediating role of competitive advantage in market orientation-business performance relationship

In strategic management literature, there is an everlasting debate about how performance outcomes should be identified and specified (Day & Wensley, 1988) and whether the indicators of business performance and competitive advantage should be used interchangeably (Hao Ma, 2000). Newbert's (2007) study showed that researchers usually do not seem to be concerned with these issues, with 76% of empirical studies investigating resource/competence – performance interface implying equal status of performance and competitive advantage constructs (Newbert, 2007). In his influential article, Powell (2001) states that sustained superior performance is a dependent variable in strategy research, while the competitive advantage construct should be used only if it provides an adequate understanding of how performance is achieved. Obviously, financial measures cannot be used to indicate the existence of a 'realistic' market advantage. Recent studies argue that competitive advantage is an antecedent to superior performance, suggesting that performance and competitive advantage should be empirically tested as related, but separate constructs (Navarro, Losada, Ruzo, & Diez, 2010; Spanos & Lioukas, 2001). This is in line with the view that MO has an intrinsic value for a firm's strategic management processes by enhancing business performance through the creation of competitive advantage (Hult et al., 2005; Ketchen et al., 2007). Therefore, we propose the following hypothesis:

H3: The relationship between MO and business performance is mediated by competitive advantage.

METHOD

Data collection

For the purpose of this study a survey was conducted. Primary data was collected from medium and large-sized Croatian firms. The sampling frame was drawn from the Croatian Chamber of Economy and resulted in a population of 1017 firms. The sampling frame comprised active firms from a wide range of industries defined by the Croatian National Industrial Classification System. According to the Croatian Accounting Law, medium and large-sized firms have: (1) more than 250 employees, (2) yearly turnover that exceeds 260 million kuna (Croatia's national currency) and, (3) assets that exceed 130 million kuna.

A self-administered questionnaire was developed and questionnaire items were translated into Croatian. For the purpose of data collection, online and mail surveys were sent to the address of the chief executive officer (CEO) simultaneously in order to increase the response rate. In the end, a total of 265 usable surveys were returned resulting in a response rate of 26.06%, which is deemed acceptable for this type of research (Protogerou, Caloghirou, & Lioukas, 2008). Out of 265 usable questionnaires, 144 (54.3%) were collected through a mail survey, while 121 (45.7%) questionnaires were collected via an online survey. To secure the validity of the data collection process, t-tests were performed to determine if the different modes of response were an issue. The results revealed no statistically significant differences in terms of these two types of responses to the survey ($p > 0.05$). Eventually there were 108 (40.8%) large, and 157 (59.2%) medium-sized firms in the sample, of which 46 (17.4%) firms are in foreign and 219 (82.6%) in domestic ownership.

Measurement operationalization

MO was measured by the adopted MARKOR scale, with items related to intelligence generation, intelligence dissemination and responsiveness (Jaworski & Kohli, 1993; Kohli, Jaworski, & Kumar, 1993).

VRIN resources were operationalized according to the theoretical recommendations provided by Makadok (2001) and Newbert (2007, 2008). Barney's (1995) original classification of resources was adopted and complemented with Newbert's (2008) category of intellectual resources. Thus, value, rareness, inimitability and non-substitutability (VRIN characteristics) of physical (PH), human (HU), organizational (OR), intellectual (IN) and financial (FI) resources were assessed. PH/HU/OR/IN/FI resources were measured by multiple items, describing each

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of the VRIN characteristics. The value aspect was measured by asking respondents "to what extent do the PH/HU/OR/IN/FI resources enable your firm to neutralize threats originating from the business environment?" The rareness aspect was measured by asking respondents "to what extent are the PH/HU/OR/IN/FI resources unique for your firm?" The inimitability aspect was measured by asking respondents "to what extent can competitors replicate PH/HU/OR/IN/FI resources of your firm?" The non-substitutability aspect was measured by asking respondents "to what extent is it possible to achieve the same effects of PH/HU/OR/IN/FI resources in a different way?" The five-point measurement scale was used with anchors 1 = *not at all* and 5 = *entirely*. For the convenience of the analysis, all of the VRIN aspects were mean-centered and consolidated into the composite measures for each type of resources.

Competitive advantage was measured by asking respondents' to assess the firm's success in comparison to major competitors, along the following aspects (Peteraf & Barney, 2003): a general advantage (or disadvantage) over competitors (CA1); sustainability of acquired advantage (CA2); the product/service quality and image (CA3); price of products/services (CA4); the production cost of product or cost of service delivery (CA5) and customer satisfaction with product/service (CA6).

Given that the perceptual measures of performance correlate with objective measures (Powell, 2001), business performance was measured through managers' perceptions of sales (PERF1), sales growth (PERF2), profitability (PERF3), market share (PERF4), increase in market share (PERF5) and sustainability of achieved performance levels (PERF6). Competitive advantage and business performance were assessed on a five-point Likert-type scales ranging from 1 = *much worse than competitors* to 5 = *much better than competitors*. Measurement scales and their responding items can be found in Appendix 1.

Common method bias

Because all data were self-reported and collected with the same instrument in cross-sectional research design, common method variance (CMV) could have become a source of systematic measurement error and further biased the estimates of the relationships among theoretical constructs (Podsakoff, Mckenzie, Lee, & Podsakoff, 2003). To determine whether common method bias was an issue, two specific *post hoc* statistical remedies were employed. First, Harman's one-factor test was conducted. After all the 31 variables were entered into factor analysis, the presence of 11 distinct factors with eigenvalue greater than one was revealed. These 11 factors together ac-

counted for 64.85% of the total variance, while the first (largest) factor did not account for the majority of the variance (10.54%). Second, we obtained data on the firm's sales revenues and profitability indicators for the sample firms. The correlation analysis showed a significant relationship between subjective (survey), and objective sales revenues and profitability indicators ($p < 0.05$). Thus, we conclude that no common factor underlies our study's inquiry.

Analytical strategy

Because of the moderate sample size and sufficiently developed theoretical background, we used a partial least squares (PLS) analysis. PLS is a general technique for estimating path models involving latent constructs that are indirectly observed by multiple indicators. It was developed by Wold (1980) in order to avoid the necessity of large sample sizes. PLS enables the simultaneous analysis of the outer (measurement) and inner (path) models. Reinartz, Haenlain, and Henseler (2009) suggested that PLS be used to estimate model prediction when the sample size is small (but larger than 100). More recently, PLS modeling has been used as an analytical strategy in strategic marketing studies (e.g., Ngo & O'Cass, 2012; O'Cass et al., 2015; Rakthin et al., 2016).

FINDINGS

Measurement model

In order to test the properties of the measurement model, the estimates for the relationships between the reflective latent variables and their indicators, outer model loadings were examined. The loadings of all reflective indicators were examined to assess the indicator reliability. Indicator reliability specifies which part of an indicator's variance can be explained by the underlying latent variable (Götz, Liehr-Gobbers, & Krafft, 2010). From Table 1, it is evident that outer model loadings are above critical level of 0.6 except for the following items: MO6, CA4, VRIN4 and VRIN5, which had lower loadings on their respective constructs and were excluded from further analysis. Eventually, to further check the unidimensionality of our measures we explored the possible cross-loadings. We found no substantial cross-loadings among the constructs of interest.

Construct reliability indicates whether all the construct's indicators jointly measure the construct adequately (Götz et al., 2010). According to Bagozzi and Yi (1988), composite reliabilities (CR) larger than 0.6 are considered as acceptable. The findings from Table 1 indicate that CR of all respective con-

structs is above the cut-off value, suggesting that measures demonstrate high levels of internal consistency.

Constructs	Factor loading	Cronbach α	CR	AVE
MO – Intelligence generation		0.84	0.89	0.62
MO1	0.74			
MO2	0.77			
MO3	0.86			
MO4	0.84			
MO5	0.71			
MO – Intelligence dissemination		0.71	0.81	0.52
MO6	0.57			
MO7	0.78			
MO8	0.81			
MO9	0.69			
MO – Responsiveness		0.84	0.89	0.62
MO10	0.75			
MO11	0.81			
MO12	0.74			
MO13	0.80			
MO14	0.81			
Competitive advantage		0.78	0.85	0.55
CA1	0.77			
CA2	0.82			
CA3	0.73			
CA4	0.51			
CA5	0.64			
CA6	0.67			
VRIN resources				
VRIN1	0.70	0.68	0.79	0.53
VRIN2	0.63			
VRIN3	0.65			
VRIN4	0.48			
VRIN5	0.52			
Business performance		0.87	0.90	0.62
Perf1	0.80			
Perf2	0.79			
Perf3	0.78			
Perf4	0.76			
Perf5	0.83			
Perf6	0.72			

The other important construct reliability measure is Cronbach's Alpha, which quantifies how well a set of indicators measures the unidimensional latent construct (Götz et al., 2010). Cronbach α values larger than 0.6 are considered acceptable (Hair, Black, Babin, & Anderson, 2010). From Table 1 it is transparent that all Cronbach's α indicators are above the cut-off value.

Convergent validity refers to the extent to which blocks of items strongly agree or converge in their representation of the underlying constructs they were supposed to measure. The convergent validity has been assessed via average variance extracted (AVE) value. In this model, the AVE values of all respective constructs are above the cut-off rate of 0.50. Thus we conclude that our measures exhibit a satisfactory level of convergent validity.

To inspect the discriminant validity we followed the procedure introduced by Fornell and Larcker (1981) (see Table 2). According to the Fornell-Larcker criterion, the square root of the AVE of each latent construct should be higher than the construct's highest correlation with any other latent construct. Table 2 displays the results in regard to the Fornell-Larcker criterion. The square root of AVE is on the diagonal and the correlations between the constructs are in the lower left triangle of Table 2.

↻ TABLE 2
Intercorrelation matrix and discriminant validity test

		1	2	3	4	5	6
1	Competitive advantage	*0.70*					
2	Intelligence generation	0.45	*0.72*				
3	Intelligence dissemination	0.53	0.68	*0.79*			
4	Business performance	0.69	0.40	0.43	*0.78*		
5	Responsiveness	0.56	0.64	0.69	0.45	*0.78*	
6	VRIN resources	0.21	0.06	0.13	0.08	0.18	*0.46*

The square roots of the AVEs of all constructs are higher than the correlations of these constructs with other latent variables. Therefore, we conclude that the discriminant validity of measures has been established.

To measure the PLS path model fit, literature suggests using global goodness of fit (GoF) measure (Wetzels, Odekerken-Schröder, & van Oppen, 2009). Global GoF can be calculated as the geometric mean of the average communality (AVE) and average R^2 for endogenous constructs in the model (competitive advantage and business performance). According to the obtained results, global GoF of our PLS path model is 0.497, which exceeds the cut-off value of 0.36 for large effect size of R^2. Therefore, we conclude that our PLS path model is satisfactory according to the established standards.

Structural model

After assessing the dimensionality, reliability and validity of the used measures, the structural model was estimated. In this regard, the path coefficients and significance levels, as well as endogenous variables' determination coefficient (R^2) were evaluated (Götz et al., 2010). Since PLS does not assume

that data is normally distributed, parametric significance tests used in regression analyses cannot be applied to test if outer model loadings are significant. Instead, to estimate the statistical significance of the PLS path model coefficients, PLS relies on a nonparametric bootstrap procedure (Chin, 2010).

H1, which asserts that MO positively affects competitive advantage, was supported ($\beta = 0.59$, $p < 0.01$). From the results, it can be seen that MO has a strong direct effect on CA and consequently explains 34.8% of the variance in the CA construct ($R^2 = 0.348$). In order to test the moderating effect of VRIN resources in the relationship between MO and business performance (H2), an interaction effects test was employed (Chin, Marcolin, & Newsted, 2003). The interaction effects method is appropriate in the case when moderator construct has at least two indicators. The relationship between MO and competitive advantage (direct effect) was found to be positive and significant as posited in H1 ($\beta = 0.59$, $p < 0.01$). After including the VRIN resources as moderator in the relationship between MO and competitive advantage, the model R^2 rose to 0.366 ($\Delta R^2 = 0.018$; ΔF-statistic = 0.009) and the interaction term was found to be positive and significant ($\beta = 0.13$, $p < 0.01$). To better present this finding, we plotted the moderating effects in Figure 2. Eventually we found substantial evidence to accept H2.

⮌ FIGURE 2
Moderating effect of VRIN resources in the MO-competitive advantage relationship
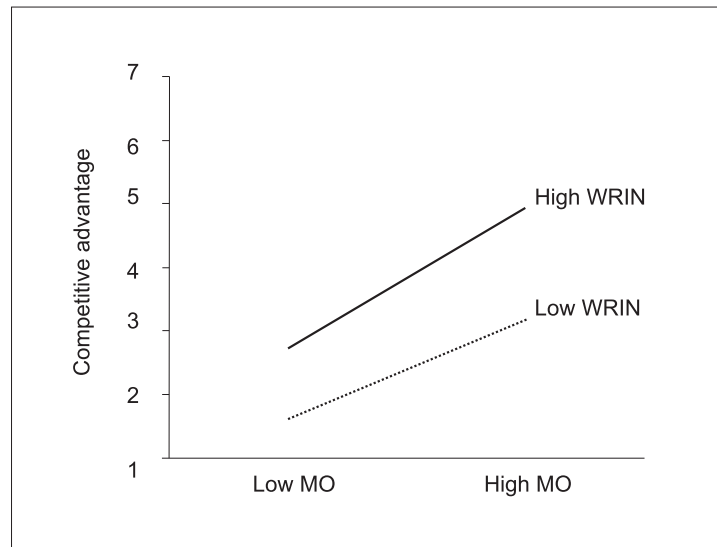
To test for the mediating effect of competitive advantage in the relationship between MO and business performance (H3), we followed the procedure by Baron and Kenny (1986). First, the impact of MO on business performance, without the mediator was examined. The direct relationship between MO

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and business performance was statistically significant ($\beta = 0.49$, $p < 0.01$), with R^2 of 0.245. Next, we included the CA construct acting as a mediator in the proposed relationship and there was a significant decrease in the path coefficient on the relationship between MO and business performance ($\Delta\beta = -0.36$), and the explained variance of the endogenous construct (business performance) rose to 0.481 ($\Delta R^2 = 0.236$). The total effect of MO on business performance was 0.491. Based on these findings we conclude that competitive advantage is a partial mediator in the relationship between MO and business performance, which leads to the acceptance of H3.

CONCLUSION

Based on the tenets of the RBV of the firm, this study has investigated the indirect effects that underlie the relationships among MO, competitive advantage and business performance. This study offers novel insights and suggests that: 1) MO has a more significant impact on competitive advantage when the firm has highly developed VRIN resources, and 2) competitive advantage mediates the relationship between MO and business performance. This study has tested three hypotheses. The findings of this study contribute both to the strategic marketing and strategic management literatures.

Drawing on the research that investigated the intersection of MO and RBV, in this study we explored how market--oriented behaviors increase competitive advantage and business performance through the intervening role of VRIN resources. Previous studies have addressed the indirect effects of MO on a firm's competitiveness through various resources and capabilities (e.g., Ngo & O'Cass, 2012). However, extant literature is at best partial in explaining the interplay MO has with other strategic resources and capabilities. This study is first to investigate the interplay between MO and VRIN resources that represent the most comprehensive framework in valorising a firm's strategic resources (Barney, 1986). In our study we offer arguments that MO represents a strategic competence which enhances the better utilization of market--based assets/resources. In this context, we follow Hunt and Morgan's (1995) proposition of MO as a comprehensive "organizing framework", but being applicable to development of all strategically relevant (i.e. VRIN) resources and capabilities. We argue that market-oriented behaviors need substantial support in the form of VRIN resources in order to produce competitive advantage that is sustainable in the long run. The findings from our study show that MO directly and indirectly (through VRIN resources) increases competitive advantage and that competitive advantage leads to higher levels of a firm's performance.

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An abundant body of strategic marketing literature has found positive and direct effects of MO on firm performance outcomes (Ellis, 2006; Jaworski & Kohli, 1993; Kirca, Jayachandran, & Bearden, 2005; Narver & Slater, 1990), whereas strategic management literature viewed MO as one of the four strategic orientations (along with entrepreneurship, innovativeness and organizational learning), which build the firm's positional advantage (Hult & Ketchen, 2001). In this paper we challenge these ideas and offer theoretical arguments along with the empirical evidence that: 1) MO is a central "organizing framework" (Hunt & Morgan, 1995) and strategic capability (Foley & Fahy, 2009) that increases competitive advantage and 2) the competitive advantage is a missing link that comprehensively explains the value-added impact of MO on business performance.

Our study offers some specific guidelines for managers. As advocated by the study's findings, MO significantly improves a firm's competitiveness and business performance. MO represents a capability that enables a firm to gather and utilize market intelligence with the goal of better connecting to its customer base. However, managing market information is a resource consuming activity suggesting that firms need to deploy a significant amount of strategic VRIN resources. In this way, market-oriented behaviors pay off in terms of leveraging the competitive advantage that enhances business performance.

Although our study contributes to MO literature with some novel ideas, several limitations and potential avenues for further research must be acknowledged. This study was based on a nationwide survey conducted among medium and large-sized firms in the Republic of Croatia. Therefore, the findings must be interpreted with caution, as they may vary with respect to other national contexts. Hence, future studies may reveal contextual differences by examining how MO influences specific aspects of competitive advantage and business performance in different industrial settings (e.g., manufacturing industry vs. service provider firms).

Future studies could also reveal other possible avenues for studying MO's influence on organizational outcomes by employing different methodological approaches. Nowadays, strategic marketing scholars are increasingly relying on qualitative inquiry (e.g., Cauzo Bottala & Revilla Camacho, 2013). The in-depth interpretive approach could be fruitful for exploring and discovering new dimensions of MO as well as its relationship with organizational processes other than ones investigated in this study.

This study's inquiry was developed in light of certain gaps that exist in the MO literature. However, future studies

should focus on a more robust nomological network by including other than financial metrics. An extension of the nomological network would provide clearer evidence of the consequences of MO practices on key metrics that are of great importance to contemporary strategic marketing research.

APPENDIX 1

Measurement scales

Market orientation

Intelligence generation

MO1   In our company we do a lot of in-house market research.

MO2   In our company we collect industry information by formal and informal means.

MO3   In our company, we are slow to detect changes in our customers' product references. (R)

MO4   In our company we are slow to detect fundamental shifts in our industry (eg. competition, technology, regulation). (R)

MO5   We periodically review the likely effect of changes in our business environment (e.g., regulation) on customers.

Intelligence dissemination

MO6   A lot of informal "hall talk" in this business unit concerns our competitors' tactics or strategies.

MO7   Marketing personnel in our business unit spend time discussing customers' future needs with other functional departments.

MO8   When something important happens to a customer, competitor or industry, the whole business unit knows about it within a short period.

MO9   Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis.

Responsiveness to intelligence

MO10   We are quick to respond to significant changes in our competitors' pricing structures.

MO11   If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.

MO12   Principles of market segmentation drive new product development efforts in this business unit.

MO13   We periodically review our product development efforts to ensure that they are in line with what customers want.

MO14   For one reason or another we tend to ignore changes in our customer's product or service needs. (R)

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VRIN Resources

PHY_RES	Physical resources (i.e., technology, land, plant and equipment, raw materials, etc.)
HUM_RES	The human resources (i.e., education, experience, relations between employees)
ORG_RES	Organizational resources (i.e., relationships with other firms, distribution and selling channels)
INT_RES	Intellectual resources (i.e., patents, copyrights, etc.)
FIN_RES	Financial resources (i.e., capital, cash, shares, earnings, etc.)

Competitive advantage

CA1	General advantage over competitors.
CA2	Sustainability of acquired competitive advantage.
CA3	Quality and image of the products/services.
CA4	Price of the products/services.
CA5	Production costs of products/Delivery costs of services.
CA6	Customer satisfaction with products/services.

Business performance

PERF1	Sales revenues.
PERF2	Sales growth.
PERF3	Profitability.
PERF4	Market share.
PERF5	Market share growth.
PERF6	Performance sustainability.

(R) – reversely coded

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Tržišna orijentacija, konkurentska prednost i poslovni rezultati: istraživanje neizravnih učinaka

Anita TALAJA, Dario MIOČEVIĆ, Nikša ALFIREVIĆ
Ekonomski fakultet, Split

Jurica PAVIČIĆ
Ekonomski fakultet, Zagreb

U ovom se radu ispituju nedovoljno istraženi indirektni odnosi između tržišne orijentacije, strateških resursa i poslovnih rezultata. Prethodna istraživanja identificirala su tržišnu orijentaciju kao ključnu stratešku imovinu poduzeća koja pridonosi stvaranju konkurentske prednosti i ostvarenju poslovnog uspjeha. Međutim, današnje spoznaje u najboljem slučaju djelomično objašnjavaju međuodnos između navedenih koncepata. Cilj je ovog istraživanja proširenje sadašnjih spoznaja, upozoravajući na to kako se tržišna orijentacija dopunjuje s drugim procesima strateškog upravljanja koji su važni za poslovni uspjeh. Da bi se odgovorilo na istraživačka pitanja, u radu je razvijen konceptualni model sa tri hipoteze. Primarni podatci prikupljeni su upitnikom na uzorku od 265 srednjih i velikih poduzeća iz Republike Hrvatske. Nalazi istraživanja pokazuju da tržišna orijentacija povećava konkurentsku prednost na višim razinama strateških resursa. Nalazi također sugeriraju da konkurentska prednost posreduje u odnosu između tržišne orijentacije i uspješnosti poslovanja. Na kraju rada predstavljaju se teorijske i menadžerske implikacije sa smjernicama za buduća istraživanja.

Ključne riječi: resursni pristup, tržišna orijentacija, konkurentska prednost, poslovni rezultati