MARKET ORIENTATION AND FIRM PERFORMANCE: THE CASE OF MANUFACTURING FIRMS IN GHANA

by

OSEI-ANIM, ISAAC

(PG 4137010)

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DECLARATION

I hereby declare that this submission is my own work towards the award of the Commonwealth Executive Masters in Business Administration (CEMBA) and that to the best of my knowledge, it contains no material previously published by another person or any material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

Isaac Osei-Anim PG 4137010 …….. ……

Student Name & ID **Signature** **Date**

Certified by:

Mr. Jonathan N. O.welbeck …….. ……

Supervisor Name **Signature** **Date**

Certified by:

Prof. I.K. Dontwi …….. ……

Dean, IDL **Signature** **Date**

DEDICATION

I dedicate this work to my Father, Mr. Francis Anim Otchere for his support and encouragement.

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Foremost, I am grateful to Almighty God for His care and protection throughout my University Education. He has been my banner as His Grace and Mercy has brought me this far and I am forever grateful.

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ABSTRACT

The study investigated the relationship between market orientation and Firm performance among manufacturing firms in Ghana. The research forms part of the effort to improve upon the performance of Ghanaian manufacturing firms in the midst of stiff competition faced in the global business environment. To achieve the research objectives, the study employed a semi structured questionnaire containing market orientation and performance related questions. A total of 100 questionnaires were administered to manufacturing firms in the Accra Metropolis out of which 72 valid responses were obtained for the study. The findings from the study revealed that customer Orientation has a positive influence on Firm performance in the manufacturing sector in Ghana. The results lend credence to literature that a business that increase its customer orientation will improve its market performance. Secondly, Interfunctional Coordination was found to have a direct relationship with Firm Performance. Thus, business organizations that ensure effective coordination of its marketing activities are more likely to achieve higher profit levels. It is recommended that manufacturing firms in Ghana should endeavour to achieve high levels of customer orientation by sufficiently understanding the needs of their buyers and creating superior values for them continuously. Besides, manufacturing firms should pay more attention to the issue of interfunctional Coordination so as to achieve high level of efficiency in its operation towards the ultimate goal of profit maximization.

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CHAPTER ONE

INTRODUCTION

1.2 Background of the study

Inspired by the crucial role of marketing towards business survival, there has been a plethora of studies from academics, complemented by practitioner interest, on the link between market orientation and firm performance. While academics have been attempting to establish empirical support for the marketing concepts, managers have concentrated more on the application of these theories to improve business performance (Narver and Slater, 1990). Traditionally, the literature concerning the marketing concept has assumed that the implementation of the market orientation would lead to superior organizational performance (Piercy et al, 2002). In their study, Kohli and Jaworski (1990) propose that the greater the market orientation of an organization, the greater would be the overall performance. The perceived positive relationship between market orientation and firm performance is often premised on the view that firms with superior market orientation have a greater understanding of customers' expressed wants and latent needs, competitor capabilities and strategies, channel requirements and developments, and the broader market environment than their rivals (Hult and Ketchen, 2001; Jaworski and Kohli, 1993).

However, empirical studies on the link between market orientation and firm performance has produced mixed results in developed and developing countries studies (Narver & Slater, 1990; Jaworski & Kohli, 1993; Perry & Shao, 2002 & Dwairi et al., 2007). While some studies undertaken

in the United States have demonstrated the positive effect of market orientation on performance, others in the UK and other developing countries (Beamish *et al.*, 1993; Pitt *et al*, 1996), have revealed mixed outcomes.

Despite the high research interest on the link between market orientation and firm performance in the developed and developing world, not much empirical attention have been given to the issue in Ghana. This development may affect policy formulation and implementation by business if not addressed. This study therefore seeks to address the research gap by investigating the link between the two concepts using data from manufacturing companies in Ghana. The choice of the manufacturing sector as sample for this study is motivated by fact that, the performance of the sector has been abysmal in recent times, coupled with the heightened interest to revamp the sector to create the necessary jobs for the teaming youth of unemployed graduates. To what extent are Ghanaian manufacturing companies applying market orientation principles to their businesses? Does the adoption of market orientation lead to improved business performance? The study attempts to answer the following questions among others.

1.2 Problem Statement

Despite the numerous studies that showed the importance of market orientation to improved business performance (Jaworski and Kohli, 1993; Perry & Shao, 2002), virtually no empirical attention has been paid to the concept in Ghana. In the midst of the abysmal performance of Ghana's manufacturing firms leading to loss of jobs and tax revenue among others, there is the need to explore the use of market orientation principles by these firms and its impact on business

performance. One reason which is often cited in business circles and the media as the cause of declining manufacturing sector is the stiff competition faced by manufacturing products through the influx of cheap imported products. Little or no attention is paid to the marketing strategies of these firms. However, Jaworski and Kohli, (1993) noted that customer needs and expectations evolve over time and delivering consistently high quality products and services and responsiveness to changing market place is crucial for the success of firms. Are Ghanaian manufacturing firms using market oriented policies to remain competitive? This study contributes to literature on the relationship between market orientation and firm performance in the manufacturing sector.

1.3 Objectives of the Study

The general objective of the study is to investigate the effect of market orientation on Firm performance among manufacturing companies in Ghana. The specific objectives of the study are:

1. To explore the relationship between market orientation and firm performance in Ghana
2. To determine the level of practice of market orientation among Ghanaian manufacturing companies

1.4 Research Questions

The study intends to answer the following research questions:

1. What is the relationship between market orientation and firm performance in Ghana?
2. What is the level of practice of market orientation among Ghanaian manufacturing firms?

1.5 Significance of the study

It is a long held believe by both academicians and marketing managers that a business that increases its market orientation will improve its market performance (Narver and Slater, 1990). To this effect, plethora of studies has emerged around the globe in an attempt to develop an empirically robust model between market orientation and firm performance. The findings from these studies have so far produced mixed results and literature on the perceived relationship between the two variables remains inconclusive. There is a dearth of literature on the issue within the Ghanaian context, as such, this study aims at covering the literature gap by exploring the link between market orientation and firm performance using cross-sectional data from the manufacturing sector. The study would be of immense benefit to marketing managers, senior management of business organizations as well as academicians in the field of marketing.

1.6 Scope and Limitation of the Study

The researcher would have wished to extend this study to cover the services sector of the economy. However, due to time constraints, materials and financial resources, the study was limited to Ghanaian manufacturing companies. Also, because of the distinctive nature of market orientation, the researcher concentrated on how market orientation is being practiced by Ghanaian companies in the bid to become more competitive.

1.7 Brief Methodology

The study used Pearson correlation coefficient and multiple regression technique to model the relationship between market orientation and firm performance among manufacturing companies in Ghana. Detailed methodology is provided in chapter three.

1.8 Organization of the Study

The study is in five chapters. This current chapter discussed the background, statement of the problem, research objectives, and research questions, significance of the study and brief research methodology of the study. Chapter two presents survey of the existing theoretical and empirical literature market orientation and firm performance. Chapter three deliberates on the methodology used for the study. Chapter four presents the empirical results obtained during the study and lastly, chapter five is devoted to the summary of the various findings of the study and their implications. It also highlights the limitations of the study and makes recommendations for future research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Strategic management (Augusto & Coelho 2007; Laforet, 2008) and marketing (e.g., Jaworski and Kohli, 1993) researchers posit that a market orientation (MO) provides firms with a source of competitive advantage while academics have been attempting to establish empirical support for this marketing concept (Deshpande and Webster, 1993; Kotler, 1984; Levitt, 1960; Webster, 1988). Meanwhile, managers have been facing a complementary challenge: how to implement this cornerstone of marketing theory. This implies that all groups appear to have had limited success in their respective endeavors. Part of the problem may lie in a failure to establish a generalizable model of market orientation and also the lack of a parsimonious measure of market orientation which managers can use to identify organizational short-comings.

2.2 Defining Market Orientation

Although there is no consensus on what a market orientation is, the definitions propounded through studies by two groups of US researchers working in parallel on the relationship between market orientation and performance (Jaworski and Kohli, 1993; Kohli and Jaworski, 1990; Narver and Slater, 1990; Slater and Narver,1994 appear to be gaining wide acceptance. The Kohli and Jaworski,(1990) definition encompasses three broad business activities: *the generation of market*

intelligence, the dissemination of this intelligence and *organization-wide responsiveness* related to current and future customer needs and preferences.

The Narver and Slater (1990) definition complements this, with three behavioral components (customer orientation, competitor orientation, interfunctional co-ordination) and two decision criteria (long-term focus, profit objective).

Marketing orientation is essentially a business *philosophy (concept),* a policy statement or an idea (Barksdale and Darden 1971; McNamara, 1972). This business philosophy can be contrasted with its *implementation* reflected in the activities, operations and behaviors of an organization. An attempt by Deng and Dart (1994), to synthesize the models of Kohli and Jaworski (1990) and Narver and Slater (1990), resulted in the definition of market orientation as the implementation of a particular business philosophy, the marketing concept:

• *Market orientation* – the generation of appropriate market intelligence pertaining to current and future customer needs and the relative abilities of competitive entities to satisfy these needs; the integration and dissemination of such intelligence across departments; and the coordinated design and execution of the organization's strategic response to market opportunities.

• *Marketing concept* – a business philosophy that holds that long-term profitability is best achieved by focusing the co-ordinated activities of the organization toward satisfying the needs of particular market segment(s).

Many streams of marketing research have tended to focus on one or other of these concepts. Marketing orientation studies, in line with the marketing concept, often investigate differences between a production, selling and marketing philosophy. Market orientation studies, on the other

hand, tend to focus more on awareness of and responsiveness to environmental influences on marketing decision-making and implementation. Hence, a market-oriented organization is one whose actions are consistent with the marketing concept.

2.2.1 Behavioral Components of Market Orientation

The three inferences about the behavioral contents of market orientation by Narver and Slatter, 1994 were found to be consistent with the findings of Kohli and Jaworski, 1993.

Customer orientation is the sufficient understanding of one's buyer to be able to create superior value for the buyer continuously (or, per Levitt 1980, to create continuously an "augmented product". A customer orientation requires that a buyer understand a buyer's value chain (Day and Wensley 1988), not only as it is but also as it will evolve over time subject to internal and market dynamics.

A seller can create value for a buyer in two ways: by increasing benefits in relation to the buyer's cost and by decreasing cost in relation to the buyer's benefit. The seller must understand the cost and revenue dynamics not only of the buyer but also the buyer's (who may be a firm) buyer whose demand result in the demand of the immediate market. Hence a seller must comprehend the economic and political constraints in all dimensions, by so doing a seller with such a comprehensive framework can identify who its potential customers are at present as well as who they may be in future, what their current and future wants are as well as what their future perceptions will consider as relevant satisfiers of their wants and desires.

Competitor orientation means that a seller understands the short-term strengths and weaknesses and long-term capabilities and strategies of both the key current and the key potential competitors (Aaker 1988; Day and Wensley 1988; Porter, 1985). As in the case of customer analysis, the analysis of current and potential competitors must focus on the whole set of technology capable to satisfy the immediate and expected needs of the seller's target buyers (Levitt, 1960).

The third of the three behavioral components is *interfunctional coordination*: the coordination of a firm's resources to create superior value for its target customers. Any individual or department in many functions in a seller firm can potentially contribute to the creation of values for buyers (Porter, 1985). Creating value for buyers is much more than a marketing function, rather a seller creation of value for buyers is analogous to a symphony orchestra in which the contribution of each subgroup is tailored and integrated by a conductor- with a synergistic effect. A seller must draw upon and integrate effectively, as well as adapt as necessary, its entire human and other resources in its continuous effort to create superior value for buyers. Hence, that effort is the right focus of the entire organization and not merely of a single department in it (Webster, 1988).

The coordinated integration of the business' resources in creating value for buyers obviously is tied closely to both customer and competitor orientation. Creating superior value is multidimensional in nature as such marketing interdependencies with other business functions must be systematically incorporated in business marketing strategies (Wind and Robertson, 1983).

2.2.2 Decision Criteria for Market Orientation

Literature suggests that a market orientation has primarily a long-term focus both in relation to profit and in implementing each of the three behavioral components of market orientation (e.g., Kohli and Jaworski, 1993). In order to survive long in the presence of competition, a business cannot avoid a long run perspective. To ensure that its competitors don't overcome whatever buyer-value superiority it has created or acquired by virtue of its competitive advantage, a business must constantly discover and implement additional value for its customers, which gives rise to a range of appropriate tactics and investments.

Literature also suggests that for businesses, the overriding objective in a market orientation is the profitability (or economic wealth). In their literature review kohli and Jaworski found as Narver and Slatter did that profits are perceived as a component of market orientation: however in their field data they found that profitability is viewed a consequence of market orientation. Narver and slatter took a compromised position and hold that profitability, though conceptual closely related to market orientation is appropriately perceived as an objective of a business. Thus both profitability and long-term focus are separated from what is seen to be the three behavioral components of market orientation. For non-profit organizations, the objective synonymous to profitability is survival, which means earning revenues to cover long-run expenses and /or otherwise satisfying all key constituencies in the long-run.

2.3 Firm Performance

This section looks at firm performance and documents various aspects of firm performance. Firm performance is viewed from different perspectives based on interests; investor; customers; employees; and suppliers (Soderblom & Teal, 2002).

Investors, by definition, expect a return on their investment through interest payments or via a share of the profits and/or, where applicable, via share price appreciation. Reward though is not without risk – investors reasonably need to know just how viable their investment is now. In terms of profitability, as measured by pre-tax return on sales turnover and by return on capital employed, the high performance companies are a lot profitable than low performers.

Another risk related measure that investors commonly apply to test financial strength is the level of interest cover. This relates a company's pre-tax profits to the amount of interest it has to pay on its total borrowings. This provides a view of a company's ability to withstand setbacks. Other researches also show that few successful companies operate at a value of less than 3 times. Yet 50% of small business manufacturing companies operate below this level. High performing companies, however, achieve an impressive interest cover.

Customers pay the bills. If SMEs don't generate sufficient Free Cash Flow they will soon be wound up by the administrators. A loyal core of regular customers is often the antidote to such drastic action. But research has shown that only those customers that describe themselves as 'very satisfied' are likely to show loyalty characteristics by placing repeat orders. Those that are merely 'satisfied'

tend to be relatively promiscuous in their choice of suppliers. In the last decade or so, getting to know what your customers think of you has been, and continues to be, one the essential mantras of business thinking. A vital business measure, therefore, is customer satisfaction. The starting point for this – and it must be stressed that it is only a start – is to measure customer complaints, delivery to promise and levels of warranty problems.

The cost to the poorly performing companies of resolving quality problems and expediting late deliveries must inevitably have a negative impact on their profitability. But everyone can improve; getting complaints about 1 in 150 customer orders and delivering over 2% of orders late isn't going to impress the most demanding of manufacturing customers much.

Companies should be aware that research has also shown that only a small proportion of customers bother to complain – the majority just takes their business elsewhere. Best practice organizations have evolved more sophisticated ways to monitor customer satisfaction with the products and services it provides than these rather internally focused performance measures, which do not essentially capture the customer point of view of their transactions with the company. Independent customer surveys will usually provide, when well executed, the necessary insights into customer perceptions.

- ***Employees***: The 'war for talent' is joined. Whatever their business, firms need a range of skills in sufficient quantity in order to plan and manage the business, create new products, generate demand for them, and to fulfill customer orders and enquiries. However, if employees are dissatisfied with their employer's people policies and practices or their working environment, they will leave. And it is usually the best people that go first too (Tybout,2000)

Symptoms are the levels of employee attrition and, epidemics apart, the absenteeism rate. While some manufacturing businesses are inherently more dangerous than others (e.g. where hazardous chemicals are involved), companies that care for their employees apply rigorous health and safety procedures in order to minimize the number of accidents at work. Firms that adopt a cavalier attitude towards their workers' welfare simply won't attract and retain the best people (Hall & Jones, 1999).

Absenteeism in high performing organizations is relatively lower than in lower performing organizations or maybe they took more time off because they had received an injury at work? The level of accidents per employee is more than five times better in higher performing companies than in lower performing ones. Employees in median firms are half more likely to be involved in an accident at work than their counterparts employed by lower performing companies – a good question for confident job interviewees to ask perhaps?

In practice, however, companies need to have a better handle on employee satisfaction than just the 'lagging' measures of attrition and absenteeism. They need to find a way to monitor and capture employee morale because it has a positive impact on customer satisfaction (Bigsten et al 2002)

- ***Supplier***s: Traditional arm's-length relationships with suppliers are still commonplace within many industries today. But, increasingly, companies are realizing the benefits of building closer reciprocal relationships with their major suppliers. The results are better quality goods and services, more reliable deliveries\and lower levels of inventory.

For most manufacturing companies, bought goods and services represented their largest single cost item and therefore, one of the most lucrative areas for seeking cost savings in downturn. Companies at that time reduced the number of suppliers they buy from, negotiating better unit prices by

spending more with fewer vendors while at the same time lowering the ongoing administrative costs in their purchasing and accounts payable departments caused by supplier proliferation. Unit price was by no means the only purchasing decision, levels of quality and service were key considerations too because of their hidden downstream impact costs (Collier, 2000)

Upper performing companies enjoy higher quality supplies to the tune of six times better than that experienced by lower performing companies. They also receive 95% of supplier deliveries on-time compared with just over 60% by lower performing firms and over 85% for the median companies.

Confidence in their suppliers' ability to provide quality goods that are delivered on-time allows upper performing companies to hold three times less raw materials inventory than their lower performing counterparts (Bigsten et al 2002)

Median companies are nearly twice as efficient as the lower performing in this respect. Care needs to be taken to compare oranges-with-oranges, since some companies may purchase inherently more expensive raw materials (precious metals, for example) than others. Nevertheless, with their smaller – but carefully selected – band of suppliers, the upper performing companies on average spend more than twelve times the amount per supplier than lower performing firms do. The median companies spend just three times more (Fafchamps et al 2000).

2.4 Performance of the Manufacturing Industry in the UK

Most products have a limited lifecycle. In order to create medium to longer term growth for their investors and keep customers loyal, companies need to have a continuous stream of new products, business processes, organizational capabilities and/or drivers of superior business performance. The

rate at which firms can develop these and bring them to their markets successfully is often a critical factor that distinguishes a company from its competitors.

The United Kingdom has one of the thriving economies that have attracted most attention for market orientation yielding performance in their manufacturing sector (Neely 2011). A research carried out in East Midland Coatings revealed that having good communication both with the people within and outside the organization and being responsive to their needs increased their performance thus reflected in their profits. Since it was founded in 1984, East Midland Coatings has been based in Hinckley Leicestershire. It applies low friction, non-stick, corrosion protective coatings to products as diverse as baby bottle warmers and the collapsible elements in steering columns for cars such as the Ford Mondeo, Mini and Jaguar X-type. The automotive industry accounts for sixty percent of its work. Eleven staff work in production, applying the thermoplastic and fluoro plastic surfaces by dipping or coating, while five deal with sales, administration and management. As a second-tier supplier, it was found to have increased sales by 28% and improved profitability at his company by 80% over 18 months "Focusing on the key issues has been critical," (Nind, 2011).

The company embarked on a programme of continuous improvement with its suppliers and quickly signed up for the Investors in People initiative, which proved "highly worthwhile" in identifying where training was required. Better communication with staff quickly revealed changes that were required to the layout of the factory. Personnel were encouraged to attach red tags to anything that was in need of improvement and began to film each other's work to identify where efficiency could be increased. "We invested more on changing the factory in the last 18 months than we had in the

previous eight years," says Nind "including building an extension to the factory. The secret was to encourage frank criticism and be prepared to listen."

2.4.1 Strategies for Growth

While the level of R&D expenditures did not guarantee commercial success (for example, when it was directed in the wrong areas), it was an indicator of the level of input into new product development. Measures of the success of recent past efforts in this area provided indicators of whether renewal strategies are delivering the anticipated results. How long it took from concept to income – the speed to market – was a further key management issue for manufacturing companies. Delays meant that income projections will have to be postponed (Collier, 2000).

- ***New product development***: management realized that they spent 7.5 times more than they did on research and development. Nevertheless, even the best firms only spend just over 2% of sales on R&D. They also introduced and generated income from new products more than 5 times more effectively than they did before. While product complexity can be a significant determinant, on average they were able to bring their products to market faster too – in around 2 months, as opposed to 4.5 months early on. However, they do their very best not to sacrifice the debugging of new product quality problems just for the sake of speed to market.
- ***People, technology and infrastructure***: On the other hand, East Midland Coatings (EMC) became more careful how they spent their money – "investments" in new computer software, for example, did not always produce the anticipated benefits. Clearly nevertheless, investments for which there was substantiated and genuine business cases (that exceeded the cost of capital needed to acquire and install them) for improving levels of efficiency, effectiveness and market coverage

that provide a significant competitive advantage was made. Technology and infrastructure are not the only investments that were made. Employees need (and usually want) were developed too through education and training programmes.

The company (EMC) realized that it made roughly, four times the investment in their futures with both capital expenditure and employee training than it did before. The value of training is under-appreciated across the whole SME manufacturing sector – the previous £68 per employee per annum "invested" was absurdly short-sighted and simply inexcusable, but even the £291 per employee achieved currently is still derisory.

2.4.2 Business Processes

Factories that cannot consistently make what they are scheduled to produce are ineffective. Factories that produce too much scrap and whose output requires significant amounts of rework before it can be shipped to customers are both inefficient and ineffective (Neely, 2011). Scrap and rework wastes money and adds to the cost of making products, which in turn reduces the profit margin for which they can be sold.

- ***Production Efficiency and Effectiveness***: EMC achieved levels of scrap and rework of about 1% on each count, while they managed to achieve only a rate of 5% previously. Set-up and changeover times, while process specific, are on average twice as fast. Currently they are able to achieve schedule adherence levels of 95%, compared with just 75% previously. Factory managers must work towards stabilizing both their own internal production processes and collaborate with

suppliers (and purchasers) to achieve process input consistency for raw materials and/or finished components for assembly.

- ***Working Capital Management:*** Quality, speed and schedule adherence are not the only processes that factories need to be excellent at. Manufacturing managers need to be skilled at managing the firm's working capital – its inventories, trade debtors and creditors – too (Goldberg et al 2005).

EMC has a composite stock turnover of over 22 times per annum versus less than 8 times for the previous years it did not consider market orientation. Finished product stock represents just fewer than 16% of total inventory for EMC, but over 30% for EMC previously. They get their customers paid within 60 days unlike formerly which was over 92 days. The suppliers were paid on average in just over 76 days, but now in just 34.5 days they have them paid. Interestingly, the differential – between debtor and creditor payment days – is 16.4 days, reflecting the latter's stressed cash flow position.

2.4.3 Organizational Capabilities

To be successful, manufacturing companies need to assemble a range of capabilities – i.e. bundles of people skill-sets, best practices, leading technologies and physical infrastructure – in specific parts of their business that collectively allows them to beat their competitors

(Harrigan, 2004).

- ***Productivity and value chain:***

EMC has sales per employee performance that, at £78.8k, is almost double that of the EMC (£41k) before they considered implementing strategies to improve upon the work of their employees. EMC's overall productivity by this measure is 56% higher than before. Value added per employee, a key measure of competitiveness, is also 73% higher. Before then, their value added performance was only about equal to their net assets; but EMC really sweat their assets, achieving a performance that is an impressive 170% better than it did previously.

2.4.4 Drivers of Superior Business Performance

The more profitable companies also tend to enjoy larger customer order sizes (in terms of £ per order) than their less profitable counterparts.

However, the most financially successful companies are not the best at everything of course – their very success can make them complacent or inattentive towards some aspects of performance such as income from new markets (Dawes, 2004). Based on the EMC data, some of the more predictable features of profitability companies were that they showed strong correlations with the following ten performance criteria:

1. Low levels of late deliveries to customers
2. Higher employee training spend (£80 per employee more)
3. Greater proportion of graduates (as % of workforce)
4. Low absenteeism rate
5. Higher levels of marketing expenditure (as % of sales, but still less than 1%)

6. Higher levels of capital expenditure (as % of sales and relative to depreciation)
7. Higher levels of R&D expenditure (as % of sales, but only just over 1%)
8. Higher stock turns
9. Higher cash balances
10. Lower levels of debt (that is more short-term than long-term).

2.5 Empirical Literature

Although marketing academics and practitioners have argued for more than three decades that business performance is affected by market orientation, the study by Narver and Slater (1990) was the first systematic empirical analysis of the effect of a market orientation on business profitability. Using a sample of 140 business units in the forests products division of a major US corporation, they found that the degree of market orientation is positively linked with business performance for non-commodity businesses. For commodity businesses, a positive market orientation/profitability relationship is found only among businesses that are above the median in terms of market orientation. Following Narver and Slater (1990), a number of studies examining the relationship between market orientation and business performance appeared, though mainly in the context of developed countries (Deshpande et al 1993, Jaworski and Kohli 1993, Slater and Narver 1994, Pulendran et al 2000). Although some of the results were mixed, there was an emerging consensus to suggest that market orientation did have a positive impact on business performance.

While there has been general consensus in developed economies to support the market orientation-performance link, findings from developing economies have been more mixed. In the case of Saudi Arabia, for example (Bhuian, 1998), the findings are consistent with those observed in the US.

Similar findings have emerged for India (Subramanian and Gopalakrishna, 2001) and for Eastern Europe (Hooley et al 2000, 2003). Recent research in China has suggest that high levels of market orientation may be associated with higher levels of learning, entrepreneurship and the potential to achieve higher performance (Liu et al 2003).

Asikhia (2011) carried out a survey to explore the relationship between market orientation and firm performance in Nigeria. Market orientation was hypothesized as a one dimensional construct consisting of two components customer orientation and competitor orientation. The inter-functional coordination of Narver and Slater (1990) was supposed to have been subsumed into the two earlier variables i.e. customer orientation and competitor orientation in the study. So altogether, 15 items were developed from the Narver and Slater (1990). A sample of 100 firms in the manufacturing sector of the economy was randomly drawn from a database of the Corporate Affairs Commission. The results from the study showed a strong positive correlation between customer orientation and the competitor orientation, which implies that firms become more customer conscious they are inadvertently taking care of competition. Results from the correlation analysis further lend credence to the relationship between market orientation and firm performance. A correlation coefficient of 0.565 was recorded between market orientation and company performance at 1 percent level of significance. Market orientation contributes 31% variations in firm performance as shown in the study. The evidence provided by this study further strengthens the positive link between market orientation and firm performance, a result obtained by previous studies of the same nature in the US and some other countries (e.g. Narver and Slater, 1990; Ruekert, 1992; Jaworski and Kohli, 1993; Slater and Narver 1994; Raju et al., 1995; Pelham and Wilson, 1996; Pelham, 1997; Kumar et al., 1998; Ellis, 2006 in the US; Deshpande et

al., 1993; (in Japan), Diamontopoulos and Hart,1993; Greenley,1995; Pitt et al.,1996; Appiah-Adu,1997; Greenley and Foxall 1998; Tse et al., (2003) all in UK, Deng and Dart,1994; in Canada, Au and Tse,1995; Chan and Ellis,1998;Zhou et al.,2005 in Hong Kong, Gray et al.,1998; in New Zealand;1998 in Saudi Arabia, Atuahene-Gima,1995/1996; in Taiwan, Hooley et al.,1999; in Hungry, Poland and Slovenia).

In Ghana few studies have been done to explore the relationship between market orientation and firm performance.

Mahmoud (2010) investigated the market orientation-performance link among Ghanaian SMEs using a survey to collect data on 191 firms. Results show that the development of market orientation in this sector rests more on the attitude of owners/ managers and, more importantly, the repeatedly reported performance implication of market orientation does not elude Ghanaian SMEs. More specifically, market orientation leads to superior performance under ceaseless competitive conditions.

Akomea (2011) explored relationship between market orientation and performance in the pharmaceutical industry in Ghana. Both quantitative and qualitative research techniques were employed with the use of a semi-structured questionnaire. The findings of the study indicate a significant positive relationship between market orientation and performance of firms in the pharmaceutical industry, and further indicate that, the practice of market orientation in the various categories of the sector differs with an increase in size and organizational commitments of the firms involved.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter entails a discussion of the research method used, methods of data collection, sampling method and technique, the data collection process and how data was analyzed. The source from which the data is gathered is also provided.

3.2 Choice of Research Area

The study chose the Accra Metropolis as the research area due to the fact that most manufacturing firms have their headquarters located within the metropolis and since market orientation is a top management function, it is deemed appropriate to gather data from marketing executives at the various head offices. Besides, the high concentration of manufacturing firms in certain parts of the Accra metropolis eased questionnaire administration and reduced cost.

3.3 Research Design

The survey research method was employed for this study. The choice of the survey method was motivated by the fact that the study intended to gather the views of manufacturing firms on their market orientation strategies and how these strategies impact on firm performance. The survey

method enabled the researcher to gather data on a large number of manufacturing firms within a short period of time.

3.4 Population and Sample

The aim of this study was to investigate the relationship between market orientation and Performance among manufacturing companies in Ghana. As such, the population of this study is all manufacturing firms in Ghana. Since the population is so large, it was prohibitively expensive to gather data on all the elements. Thus, one hundred (100) manufacturing companies in the Accra metropolis were surveyed for the study given the time constraints and limited resources available. To ensure that the sample was representative of the population, manufacturing firms from different industries were given a fair chance of being part of the study.

3.5 Research Technique

Research techniques are the step-by-step procedures which one follows to gather data and analyse them. The procedure employed in this study was to solicit data through the use of structural questionnaires. The market orientation instrument originally postulated by Kohli and Jaworski, 1990 and Narver and Slater, 1990; and later on augmented by Matheson et al (1998) is employed for this study. The instrument used for the study contains five main components – customer orientation, competitor orientation, Interfunctional coordination responsiveness and profit orientation. Furthermore, a construct was designed to measure firm performance.

Each construct was measured using Likert type scale ranging from strongly disagree (1) to strongly agree (5).

3.6 Reliability Test

Reliability as defined is fundamentally concerned with issues of consistency of measures (Bryman and Bell, 2003). In the literature, three main types of reliability have been identified by researchers. These are internal consistency, split half reliability and test-retest reliability. All the three methods attempt to verify the reliability of the constructs of a scale but they rely on different methodologies. For the purposes of this study, however, internal consistency is the main focus. Thus, the study employed Cronbach's alpha to verify the internal consistency of each construct in order to achieve reliability. The result of 0.7 and above implies an acceptable level of internal reliability.

3.7 Estimation Procedure

After verifying the reliability of the constructs, the study proceeded by constructing a summated scale for each construct by taking the average of items within a particular construct. The summated constructs were then used for correlation analysis and multiple linear regressions. The correlation analysis is considered as a preliminary test of the relationship between the variables of interest. For the multiple regression analysis, the study attempted to establish the relationship between the market orientation and Firm Performance by estimating the following equation;

$$PERFORM_t = \alpha_0 + CUSTOR_t + COMPOR_t + INTFUNC_t + RESPONSIV_t + PROFIT_t + \varepsilon_t$$

Where $PERFORM$ –Performance, $CUSTOR_t$- Customer Orientation; $COMPOR$- Competitive Orientation; $INTERFUNC$ - Interfunctional Coordination, $RESPONSIV$ – Responsiveness $PROFIT$ – Profit Orientation. α_0 is a constant parameter while ε_t is the error term.

3.8 Sources of Data

As indicated above, data used for the study is essentially primary in nature.

3.8.1 Primary Sources

The study was basically a survey research; hence the researcher relied mainly on primary data. The questionnaires were administered to manufacturing firms in the Accra metropolis to solicit their views on market orientation and its effect on firm performance.

3.9 Data Analysis

Data on the socio-economic characteristics of respondents was analyzed using descriptive statistics, frequencies and percentages. Data on market Orientation dimensions and firm performance were analyzed using correlations and multiple linear regressions. The Statistical Package for Social Sciences (SPSS) was used for the analysis.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF RESULTS

4.1 Introduction

This chapter presents the findings from the study based on the methodology enunciated in the previous chapter. The first section deals with the descriptive analysis of the data and the second section entails main results of the study using statistical techniques such as correlations and multiple linear regressions. The findings of the study are also discussed in relation to the literature and in comparison to other related works. However, in order to ensure that the results are reliable, there is the need to check for internal consistency of each construct, the chapter thus begins with the test of internal consistency using Cronbach's Alpha.

4.2 Reliability Test

Reliability refers to the extent, to which the scale/survey provides consistent results when surveying similar populations (Germuth, 2007). Three main types of reliability are often the concern of researchers in the literature. These include internal consistency, split half reliability and test-retest reliability. This study however focuses its attention on verifying the internal consistency of the constructs using Cronbach's alpha. A total sample of 72 was used for the reliability test. It is argued that if a study measures more than one construct, then we can also speak about the reliability of each construct but not the reliability of the survey as a whole. In accordance with this argument, the internal consistency test of each construct is presented in Table 4.2 below.

Table 4.2: Cronbach's Alpha for Constructs

Constructs	Cronbach's Alpha	Number of Items
Customer Orientation	0.709	5
Competitor Orientation	0.791	3
Interfunctional Co-ordination	0.752	6
Responsiveness	0.480	2
Profit Orientation	0.909	4
Performance	0.794	5

Source: Computed from SPSS 16.0

The results from the internal consistency test indicated that all the constructs have Cronbach's alpha of more than 0.70 with the exception of Responsiveness construct which recorded an alpha of 0.480. One of the constructs have alpha value greater than 0.90. The findings imply that there is high level of internal consistency among the items in five constructs and as such these constructs are reliable. A high level of alpha is also an indication of high level of correlation of items in each construct, an essential requirement for constructing a summated scale. The next step is thus to construct a summated scale for each construct using the individual items.

4.3 Descriptive Statistics of the Constructs

Having verified the reliability of each construct, the study proceeds to reporting the averaged item scores for each construct. Since Responsiveness construct does not have a cronbach alpha of at least 0.7, it is excluded from the list of independent variables. The means, standard deviations as well as the skewness of the remaining five constructs are presented in Table 4.3.

Table 4.3 Descriptive Statistics of the constructs

CONSTRUCTS	MEAN	STD. DEVIATION	SKEWNESS
Customer Orientation	4.3917	.41481	.844
Competitor Orientation	3.9815	.70295	.047
Interfunctional Co-ordination	3.7315	.56675	.438
Profit Orientation	3.5208	.69676	2.610
Performance	3.5167	.48615	.649

Source: Estimated from SPSS 16.0

The summated mean values reported in the Table 4.3 indicated that Customer Orientation construct have average responses of 4 (agree) on the Likert scale; Interfunctional Co-ordination also have average responses closer to 4 (agree) whilst Profit Orientation and Performance have an average response of exactly halfway between 3 and 4 with Customer Orientation recording the highest average response of 4.39 which is close to5 (strongly agree). The mean values of the constructs showed that majority of the respondents largely agree with the various items under each construct.

Moreover, the statistic of skewness attests to the fact that the responses to all the constructs are positively skewed. A low standard deviation indicates that the data points tend to be very close to the mean, whereas high standard deviation indicates that the data are spread out over a large range of values. The standard deviations of the constructs are relatively low, which implies that most responses cluster around the mean.

4.4 Correlations between Constructs

At this stage of the study, the correlation matrix of the constructs are computed which provides a preliminary test of the relationship between the variables. The correlation coefficient measures the strength of relationship between two variables. The results of the correlation matrix are presented in Table 4.4 below.

Results of Pearson's correlations indicated that all the variables are positively correlated to performance. The correlation between profit orientation and performance was the highest (0.548) followed by the correlation between customer orientation and performance (0.452) at a significance level of 0.01. This suggests strongly that firms will pay a high financial penalty for weak organizational performance and that a strong firm performance will yield high financial dividends.

Table 4.4 Pearson's correlations between constructs

Constructs	Customer Orientation	Competitor Orientation	Interfunctional Co-ordination	Profit Orientation	Performance
Customer Orientation	1	0.296*	0.567**	0.577**	0.452**
Competitor Orientation		1	0.038	0.157	0.155
Interfunctional Co-ordination			1	0.653**	0.391**
Profit Orientation				1	0.548**
Performance					1

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

*Correlation is significant at 0.05 level (2 tailed)

Source: Estimated from SPSS 16.0.

Performance also relates highly with customer orientation as it provides a means for firms to focus on activities that lead to the development of quality products and service to enhance customer satisfaction and customer loyalty. The results suggest that manufacturers should be more customer focus especially in recent times where the market is witnessing high rate of change in the customer needs and preference, accepting Kohli and Jaworski's (1990) proposition. The correlation between

interfunctional co-ordination and firm performance is 0.391 and it is significant 5% level. High interfunctional co-ordination means less interfunctional conflict thus the greater the marker orientation. Inter-functional co-ordination involves getting all business functions working together to provide superior value, this explains why scholars (e.g. Ruekert, 1992; Webster, 1988) advocate that organizations must be less centralized to enhance market oriented cultures within. These results show that there is a strong positive relationship between performance and profit orientation as well as performance and customer orientation which provides additional evidence in support of the link between market orientation and firm performance. The correlation between competitor orientation and performance is the lowest (0.155), in specific terms; this result suggests that the existence of strong competition does not necessarily lead to an even greater relationship between market orientation and performance of the sampled manufacturing firms. However it can be established that there is a significant positive relationship between market orientation and business performance. That is, to achieve superior outcome in business, manufacturers need to operate on customer led approach, be responsive, and strengthen inter-functional integration.

Although correlations provides preliminary evidence of the relationship between the variables, a more sophisticated approach such as linear regression is needed to ensure that the effect of the variables are accounted for.

4.5 Regression Results

To investigate the relationship between firm performance and market orientation, the linear regression is fitted employing performance as the dependent variables and customer orientation; competitor orientation; interfunctional co-ordination; and profit orientation as independent variables.

Table 4.5a Regression of Market Orientation on Firm Performance

Dependent Variable	Coefficient	Std. Error	T-Value	significance
(Constant)	2.0809	0.7918	2.6281	(0.011)
Customer Orientation	0.2313	0.1079	2.1449	(0.037)
Competitor Orientation	0.3009	0.1833	1.6419	(0.107)
Interfunctional Co-ordination	0.2801	0.0727	3.8546	(0.000)
Profit Orientation	0.5202	0.0524	9.9211	(0.000)

R^2=0.788 Adjusted R^2 = 0.621

Source: Estimated from SPSS 16.0.

The findings from the study as presented in Table 4.5a showed that there is a direct relationship between Customer Orientation, Interfunctional coordination, Profit orientation and firm Performance. Apart from Competitor Orientation, all the other market orientation variables are statistically significant at 1% and 5% level and conform to a priori expectations. Specifically, a unit rise in Customer Orientation leads to 23.1% increase in Firm Performance. For Interfunctional

coordination, a 1% rise impact positively on firm Performance for about 28%; while a unit increase in Profit orientation may cause firm performance to rise by approximately 52%.

The results showed that three out of four market orientation variables, customer orientation, Interfunctional coordination and profit orientation are important factors which firms should adopt in their drive to maximize profit.

The goodness-of-fit of the model as indicated by R^2 is 78.8%. Thus, the model is well fitted and the test of between subject effects indicated a significance F statistics.

Table 4.5b Test of between-subject effects

Source	Sum of Squares	df	Mean Square	F-value	Significance.
Regression	4.423891	5	0.8847	5.1681	(0.001)
Residual	8.731197	51	0.1712		
Total	13.15509	56			

Dependent variable: Firm Performance; Predictors: Customer Orientation, Competitor Orientation, Interfunctional Coordination and Profit Orientation.

4.6 Conclusion

In this chapter, the findings from the study was presented and discussed. Reliability test was first conducted to verify the internal consistency of each construct. The results indicated that all the constructs are internally consistent and reliable. Preliminary test conducted using correlation analysis indicated a significantly positive relationship between various service quality variables and customer satisfaction. Subsequently, a regression model was fitted employing Firm Performance as dependent variables and Customer Orientation, Competitor Orientation, Interfunctional Coordination and Profit Orientation, as independent variables. From the regression model, a positive relationship was established between three out of the four market orientation variables and the Firm Performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a general summary and conclusion for the study, as well as recommendations for policy analysis. At the end of the chapter, limitations of the study are provided.

5.2 Summary of the Study

The study investigated the relationship between market orientation and Firm performance among manufacturing firms in Ghana. The research forms part of the effort to improve upon the performance of Ghanaian manufacturing firms in the midst of stiff competition faced in the global business environment. The literature review revealed that the implementation of market orientation would lead to superior organizational performance (Piercy et al, 2002). In their study, Kohli and Jaworski (1990) proposed that the greater the market orientation of an organization, the greater would be the overall performance. The perceived positive relationship between market orientation and firm performance is often premised on the view that firms with superior market orientation have a greater understanding of customers' expressed wants and latent needs, competitor capabilities and strategies, channel requirements and developments, and the broader market environment than their rivals (e.g., Hult and Ketchen, 2001; Jaworski and Kohli, 1993).

To ensure that its competitors don't overcome whatever buyer-value superiority it has created or acquired by virtue of its competitive advantage, a business must constantly discover and implement additional value for its customers, which gives rise to a range of appropriate tactics and investments.

To achieve the research objectives, the study employed a semi structured questionnaire containing market orientation and performance related questions. A total of 100 questionnaires were administered to manufacturing firms in the Accra Metropolis out of which 72 valid responses were obtained for the study. Cronbach's alpha was used to test the reliability of each construct in the questionnaire.

The results indicated that all the constructs are internally consistent and reliable. Preliminary test conducted using correlation analysis indicated a significantly positive relationship between various market orientation variables and Firm Performance. Subsequently, a regression model was fitted employing Firm Performance as dependent variables and Customer Orientation, Competitor Orientation, Interfunctional Coordination and Profit Orientation as independent variables. From the regression model, a positive relationship was established between three out of the four market orientation variables and the Firm Performance.

5.3 Conclusions of the Study

The following conclusions were made from the study:

First, the study revealed that customer Orientation has a positive influence on Firm performance in the manufacturing sector in Ghana. The results lend credence to literature that a business that increase its customer orientation will improve its market performance.

Secondly, Interfunctional Coordination was found to have a direct relationship with Firm Performance. Thus, business organizations that ensure effective coordination of its marketing activities are more likely to achieve higher profit levels.

Finally, the study found a positive and statistically significant relationship between profit orientation and firm performance among manufacturing firms in Ghana.

5.4 Recommendations for Policy Analysis

Based on the above conclusions, the following policy recommendations are suggested. Accompanying these recommendations are proposed areas for further studies.

First, manufacturing firms in Ghana should endeavour to achieve high levels of customer orientation by sufficiently understanding the needs of their buyers and creating superior values for them continuously.

Secondly, manufacturing firms should pay more attention to the issue of interfunctional

Coordination so as to achieve high level of efficiency in its operation towards the ultimate goal of profit maximization. Coordination of a firm's resources is necessary so as to create superior value for its target customers.

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APPENDIX 1
QUESTIONNAIRE

Market Orientation and firm Performance: The case of the Manufacturing Sector in Ghana

This questionnaire is designed to know your opinion on a wide range of issues relating to Market orientation and firm performance in the manufacturing sector. This survey is a part of my master's degree thesis, and your kind support is crucial for the successful completion of this project. Your responses will be anonymous; data will be combined and analyzed as a whole. Please attempt to answer all the questions and click one appropriate box that best suits your perspective for each statement.

Your participation in the study will be greatly appreciated. Thank you very much for your time and assistance.

BRIEF DESCRIPTION OF YOU AND YOUR FIRM

Number of employees in the company _____

Industry of your principal commercial activity _____

How many years of operation? _____

Does your company have a marketing department? Yes _____ No_____

Your position in the firm? _____ Owner

_____ President or CEO

_____ General manager

_____ Marketing manager

_____ Assistant Marketing manager or Marketing department member

_____ Other Department manager

_____ Other – what _____

Number of years you have been with this company?_____

Sex? Female_____ Male_____

CUSTOMER ORIENTATION

1. We encourage customer comments and complaints because they help us do a better job

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

2. After-sales service is an important part of our business strategy

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

3. We have a strong commitment to our customers

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

4. We are always looking at ways to create customer value in our products

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

5. We measure customer satisfaction on a regular basis

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

COMPETITOR ORIENTATION

6. We regularly monitor our competitors' marketing efforts

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

7. We frequently collect marketing data on our competitors to help direct our marketing plans

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

8. Our salespeople are instructed to monitor and report on competitor activity

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

INTERFUNCTIONAL CO-ORDINATION

9. Marketing information is shared with all departments' co-ordination

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

10. We regularly have inter-departmental meetings to discuss market trends and developments

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

11. Our marketing people regularly discuss customer needs with other departments

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

12. The marketing people regularly interact with other departments on a formal basis

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

13. All departments are involved in preparing business plans/strategies

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

14 We do a good job integrating the activities of all departments

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

RESPONSIVENESS

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

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

15. Somehow we tend to ignore changes to our customers' product/service needs

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

PROFIT ORIENTATION

16. Our management information system can quickly determine the profitability of our major customers

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

17. Our management information system can quickly determine the profitability of our sales territories

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

18. Our management information system can quickly determine the profitability of our distribution channel

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

PERFORMANCE

Please give your best estimate rather than attempting to determine exact values from other sources. The responses should refer to the **current period** compared to the **previous one**

19. The quality of the firm's products/services has increased

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

21. The firm's customers have been more satisfied.

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

22. The percentage of the firm's repeat customers has increased.

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

23. The firm was able to penetrate more new markets than our major competitor in the current period

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree

24. The firm has continued to bring new products/services to the marketplace at a satisfactory rate.

[ ] strongly agree [ ] agree [ ] neutral [ ] disagree [ ] strongly disagree