

STRATEGIC MARKET ORIENTATION AND FINANCIAL PERFORMANCE: THE STUDY OF INSURANCE ORGANISATIONS IN INDIA

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ABSTRACT

Market orientation is a company's strategic approach which focus on understanding the hidden needs of customers. The researcher has explored the market orientation initiatives taken by insurance organizations and investigated the influence of such initiatives on business performance. The instrument for the survey has been build using MARKOR scale and the data was collected from the staffs working in the field of insurance. The author has attempted to propose a pattern to illustrate relationship between the market orientation and financial performance and therefore implications of such relationship is discussed in this paper.

Keywords

Market orientation, Intelligence Generation, Intelligence dissemination, Responsiveness

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Introduction

Insurance organizations are merely viewed as an establishment meant for minimizing the risk factors. Raising income, reasonable interest rate and other promising monetary benefits are the few list of reasons for the raising demand of insurance products. However ever changing behavior of consumer, lack of trust among the consumers towards claim settlement, existing level of competition, economic instability and weak labor manpower impose major challenges towards insurance services. This forces insurance industry to adopt new model, design customized product and set new global strategies for fulfilling customer need and for the basic survival. Many insurance companies are very keen and Market oriented where the activities of entire organization is customized based on the customer requirements (Jeevan Jyoti 2012) These organizations in general attempts to provide solution by understanding the customers actual requirements. The researcher in this article has examined such market orientation approach practiced by the insurance sector and explored influence of such practices over business performance.

Research Purpose

The insurance segment is growing more aggressive nowadays. The total number of players operating in the field of insurance is also growing as there is good response from the consumer end.

As the number of players are very high it is very important for the insurance organization to be more customer centric. The insurance products and entire operations need to customize based on the market requirement. Considering the growing demand for the insurance products, this paper attempts to examine the influence of market orientation approach followed by the insurance organization on their business performance.

Literature review

A. Market Orientation

Kohli & Jaworski (1993) refer market orientation as a set of activities which focuses on generating market intelligence report related to consumer present and future requirement and organization willingness to utilize and responding to such information generated through market intelligence. Maydeo & Lado (2003) refers market orientation as the set of activities intended to observe, examine, and react to the market requirements. Narver and Slater (1990) defines Market orientation as a strategic approach which focuses on providing value to the end users and organizations by responding to market changes. Further the corporate creates superior value to the customers through inter coordinated efforts across all the departments. (Day 1992) stated that the set of activities developed by companies permanently to monitor, analyze, and respond to the market changes is referred as Market orientation.

B Intelligence generation (Ajay Kholi 1993) refers as collection of data on consumer requirements and preference (Day 1994) stated that the collection of information pertaining to business activities and consumer needs is an important task of business operations. Organisation in general keep a huge amount of information in the internal records, employees, and information system. It is essential to design an effective approach/ process which involves not only the marketing and sales professionals but all the departmental functions in intelligence generation.

C Intelligence dissemination (Ajay Kholi 1993) is a process of exchanging market information within the organization. As all the departments are involved in intelligence generation, it is very important for each organization to disseminate such intelligence generated by the functional departments to other departments (Kholi and Jaworski 1990)

D Intelligence Responsiveness (Ajay Kholi 1993) refers to response of the organization towards the information which was shared in general intelligence responsiveness consist two set of activities which includes usage of intelligence generation for designing organizational plan and response which response which involve in execution of the plan

E Financial Performance

(Obaji2016) financial performance of the organization can be measured through cost, revenue, profit market share and sales metrics. (Glaadson2008) has proved the presence of weak association between market orientation and business performance. The researcher has used the metrics including sales growth, profitability, market share, customer focus, competitor focus and Inter functional coordination as a part of his study.

F Significance of Market orientation

Kohli & Jaworski (1993) stated that market orientation leads to customer satisfaction and organizational commitment. Obaji, Rita, Benjamin (2016), investigated the effect of market orientation practices on the performance in the field of insurance. the researcher has conducted an empirical survey with 420 insurers. Through the multiple regression the researcher has proved the same. (Narver 1990) have reported the valid measure for market orientation and explored its impact on profitability. The author identified 140

strategic business Unit which consist of commodity and non-commodity business products as sampling unit. The top management in each such unit is approached for data collection. Further analysis revealed that market orientation has a positive impact on business performance among both commodity and non-commodity business products. (Sin 2010) has explored the relationship between Market planning, Market orientation and business performance Multi industry sample of Australian organization represented the sampling unit, and the top managers were approached for data collection. The researcher has approached 505 such companies and finally collected completed data from 89 respondents. Further analysis revealed marketing planning is associated with high level of market orientation.

(Moreia 2013) has collected data from top managers of commercial SEMs and Marketing staff of industrial SME. 446 such companies have been approached and finally received 154 valid responses. The instrument is built using five. Further analysis reveals that Internal Market orientation influences external market orientation, while external market orientation influences innovation, which in turn influences business performances. Similar findings have been reported by Jeevan Jyoti (2012) in automobile sector, Oktem (2012) in hotel industry. \

Research Methodology:

The Researcher in this study have adopted descriptive research design. Method of convenient sampling has been used in the selection process of about 500 staffs working in the field of insurance residing in Coimbatore district. Data has been predominantly collected using structured survey instrument from Sales agents, Customer service executives, Claim clerks and examiners, Management analysts and Appraisers. The instrument is built with four constructs which includes market intelligence generation, market intelligence dissemination, responsiveness, and business performance. The author has used the 22 item MARKOR scale developed Kholi (1993) to measure the market orientation practices. While the construct on financial performance is measured based on the scales developed by Kohli and Jaworski, (1990).

A Research questions:

- 1) Are the insurance company’s sensitive to market intelligence generation, Market intelligence dissemination and responsiveness in the market orientation approach?
- 2) Do such market orientation practices have an impact on organizations performance?

B Research Hypothesis:

H₁: There is a positive significant relationship between intelligence generation and financial performance.

H₂: There is a positive significant relationship between intelligence dissemination and financial performance.

H₃: There is a positive significant relationship between responsiveness and financial performance.

IV Data analysis:

The data collected is analyzed using AMO’s and SPSS software. As the researcher has used the Figure1: Market orientation Measurement model

pretested questionnaire, confirmatory analysis has been executed to test the instrument validity and reliability.

A Confirmatory factor Analysis

Since multiple factors were identified, confirmatory analysis has been executed to conform the appropriateness of the scales. Confirmatory Factor analysis is being carried out initially with the all the four factors consisting of 27 items. All the items classified with in these four factors got a factor loading of more than 0.5 is retained in CFA. The Average Variance Extracted (AVE), Composite Reliability (CR) Cronbach alpha were computed to investigate the convergent validity and reliability and is given in table 1

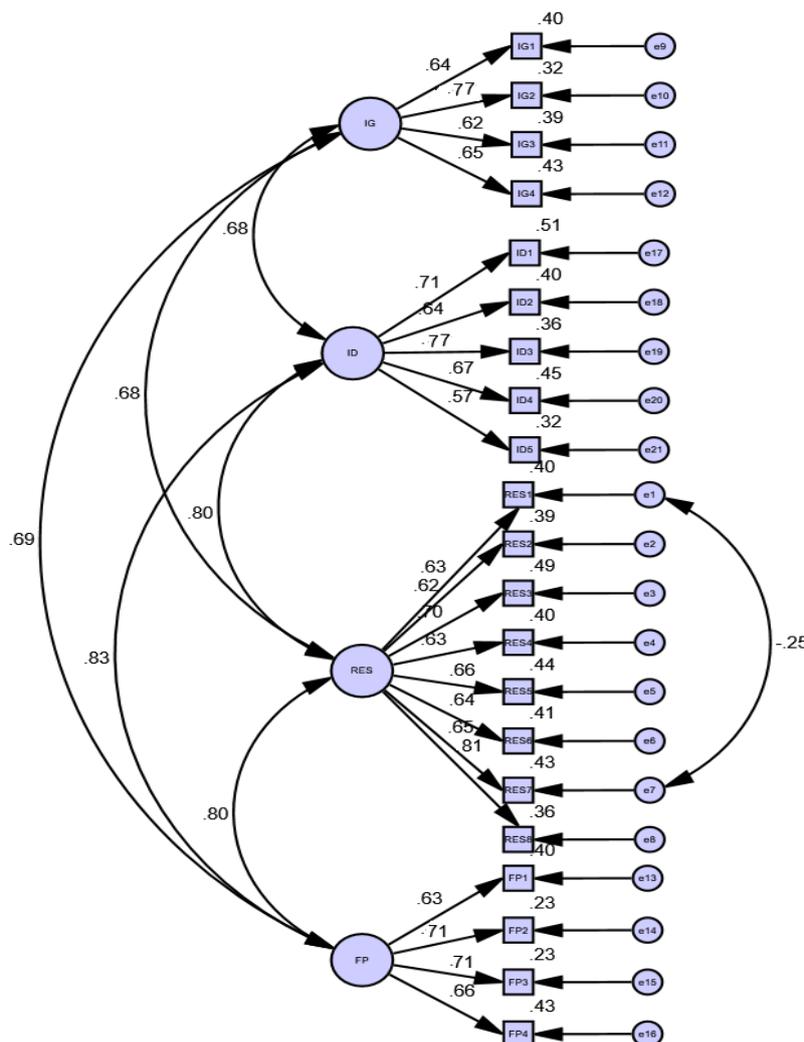


Table1 Item loadings, reliabilities and validity: Market orientation and Financial performance

Construct	Items	Standardised loadings	Construct reliability	AVE	Cronbach alpha
Intelligence generation	1.In this business Unit, we meet with customers at least once a year to find out what products or service they will need in future.	0.635	0.765	0.50	0.71
	2.In this business Unit, we do lot of in-house market research	0.765			
	3.We are slow to detect changes in our customer's product preferences	0.624			
	4.We poll end users at least once a year to assess the quality of our products and services	0.653			
Intelligence Dissemination	5.We have interdepartmental meetings at least once a quarter to discuss market trends and developments	0.711	0.805	0.51	0.711
	6.Marketing personnel in our business unit spend time discussion customer's future needs with others	0.636			
	7.When something important happens to a major customer of market, the whole business unit knows about it within a short period	0.771			
	8.Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis	0.67			
	9.When one department finds out something important about competitors it is slow to alert other departments	0.568			
	10.It takes us forever to decide how to respond to our competitor price changes	0.634			
Responsiveness	11.For one reason or another we tend to ignore changes in our customer products or service needs	0.621	0.512	0.87	0.834
	12.We periodically review our product development efforts to ensure that they are in line with the customer's want	0.699			
	13.Several departments get together periodically to plan a response to changes taking place in our business environment	0.632			
	14. If a major competitor were to launch an intensive campaign targeted at our customers. We would implement a response immediately	0.663			
	15. The activities of different departments in this business unit are well coordinated	0.644			

	16. Customers complaints fall on deaf ears in business units	0.652			
	17. Even if we came up with a great marketing plan we probably would not be able to implement in a timely fashion	0.809			
Financial performance	18. Firms reputation has improved in recent years	0.631	0.51	0.76	0.627
	19. Mark share has increased	0.700			
	20. our profit has gradually increased in recent years	0.700			
	21. there is a rise in overall sales figure	0.657			

The above table1 indicate standardized factor loadings of second order construct. All the items with more than 0.5 has been retained for further analysis. 2 items in Intelligence generation, one under responsiveness and one more under financial performance have been eliminated as the factor loading is lesser than 0.5 and thus totally 21 items have been retained building structural equation model. Presence of Average variance extracted (AVE) values which is more than 0.5 confirms the convergent validity. While composite reliability(CR) value with more than 0.6 and Cronbach alpha values with more than 0.6 conforms reliability of all the second order construct used for the study. Presence of correlation value which is less than 0.85 between the exogenous construct confirms discriminant validity.

B Results of data analysis

1. Demographic profile of the survey respondents

The demographic profile includes age, educational qualification, gender and job experience. The data analysis indicates that 60% of the participants are more than 35 years in their age. Almost 72 % of the respondents took part in the survey are male. About 61% of the respondents holds a graduate degree and around 56% of the respondents have more than 8 years of job experience.

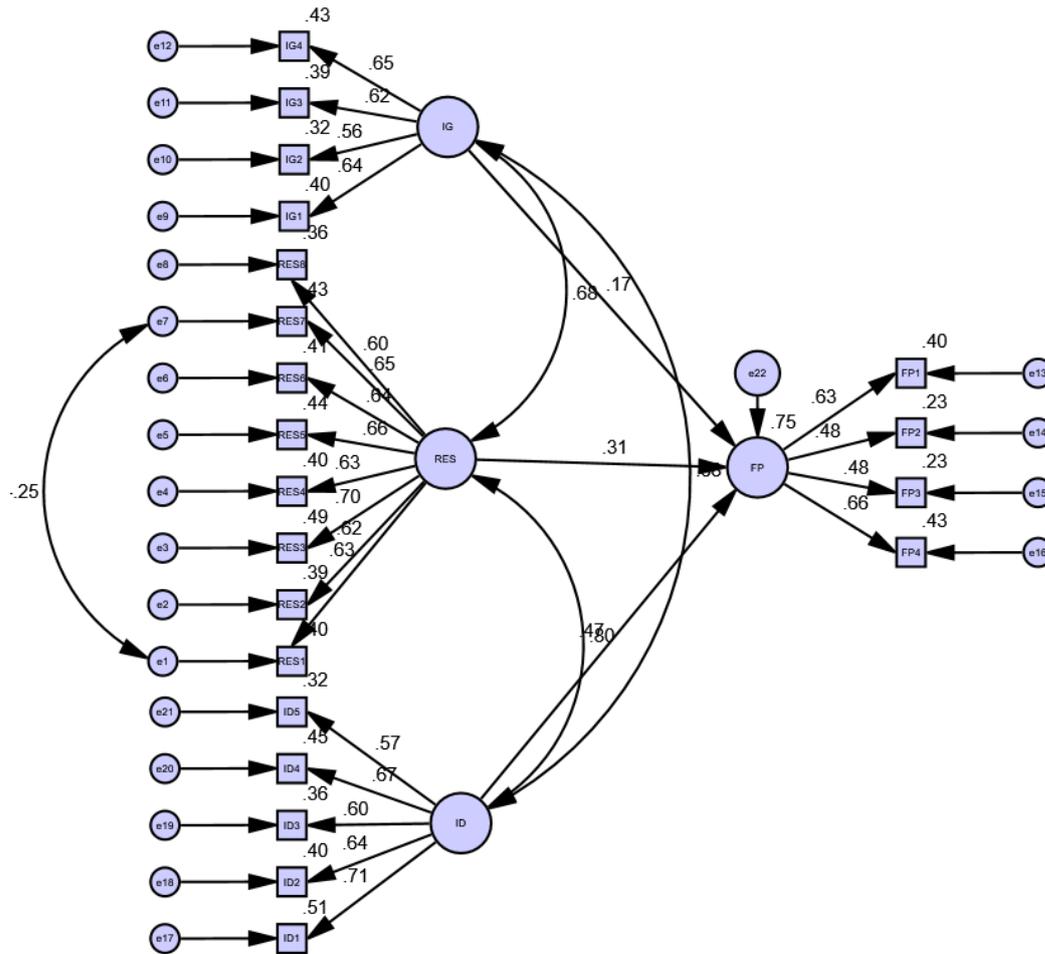
Figure2: structural equation model depicting the relationship between market orientation and financial performance

2. Analysis of Market orientation and Financial performance

Descriptive scores arrived for market orientation and financial performance reveals that the executives working in the field of insurance are happy with the initiatives taken toward market orientation. Insurance staffs are satisfied with Intelligence dissemination (4.04) followed by generation (4.03) and responsiveness (3.54) and also for the organizations financial performance (3.975)

3. Relationship between Market orientation and financial performance

In the present study the relationship between market orientation and financial performance have been assessed (figure2). The effect of market orientation initiative on business performance has been analyzed. The goodness of model fit for the proposed model on market orientation has been analyzed by comparing model fit indices of proposed model with the threshold values. χ^2 /df index value of 2.234, CFI with value of 0.933 crossed a threshold indicating a good model fit. Additionally, GFI is 0.928, AGFI is 0.908, RMSEA is 0.05 and TLI is 0.922 further implies the model is of a good fit.



All the three paths given in the proposed model have been traced and the results revealed that all the paths explored in the model are significant which supports the hypothesis that market orientation initiatives affect company’s financial performance significantly. (Intelligence generation – Financial performance($\beta = 0.166$, $p < 0.05$), (Intelligence dissemination – Financial performance($\beta = 0.467$, $p < 0.05$), (Responsiveness – Financial performance($\beta = 0.311$, $p < 0.05$)) The possible reason behind the significant impact is all initiatives taken by the organizations towards market orientation would have helped them to understand the customer requirements and aids in creating better value proposition for the customers.

Discussion and Conclusion:

The major objective of this study is to evaluate the market orientation initiatives taken by the insurance companies. The data analysis results imply that the initiatives taken by the insurance companies are quite good. However still there is

lot of scope for further improvement. Insurance organizations can continue to do research to understand the customer needs and standardize the process to disseminate the intelligence and take action as per the requirements. Another major contribution to the theory developers is confirmation of all hypothesized relationship between the various constructs of Market orientation and financial performance. In this study confirmatory factor analysis is used to verify the and validate the underlying dimensions of Marketing orientation and financial performance. In future research MARKOR scales can be used to understand the market orientation initiatives taken by different organizations across different regions. Further the role played by other variables like organization innovation, customer satisfaction, organization culture and other external environmental factors between market orientation and financial performance can be explored

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