Market orientation of firms in food processing industry: Effect of outside-in capabilities

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Introduction

Market Orientation is a business culture committed to the continuous creation of superior value for the customers and can be defined as the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization- wide responsiveness to it (Narver and Slater *et al*., 1990; Jaworski and Kohli, *et al*., 1990). For that successfully market-driven organizations should have a strong relationship between market orientation and marketing capabilities. It was suggested that when successfully implementing a market orientation development of, "superior market-sensing; customer-linking; channel-bonding and technology-monitoring capabilities (Day *et al*., 1994) is required. Therefore, this study aims to identify the relationship between outside-in capabilities and market orientation in food processing industry in Sri Lanka.

Methodology

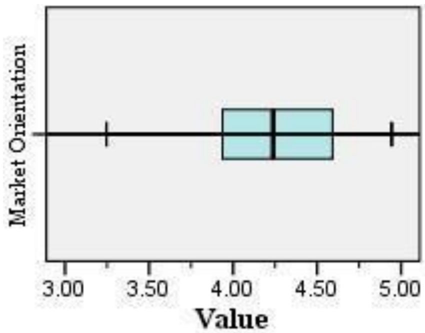
Data was collected by using a structured questionnaire and in the absence of a sampling frame, a random sample of 44 companies were selected as the population with use of Stock Exchange and other resources. All these 44 companies were taken as the sample because of the less number of companies in the population and only 31 companies had responded. The reliability of the questionnaire was assessed by using Cronbach's Alpha. Descriptive statistics were used to identify the level of market orientation in food processing firms in Sri Lanka. Correlation analysis and multiple linear regression analysis were applied to identify the relationship between outside-in capabilities and market orientation in the food processing firms in Sri Lanka.

Results and Discussion

Table 01 : Descriptive statistics of Market Orientation

Variable	Mean	St Dev	Coefficient of variance	Skewness
Market Orientation	4.2201	0.4655	11.03	-0.488
Market sensing	4.2460	0.5425	12.78	-0.717
Customer linking	4.1521	0.4989	12.02	-0.429
Channel bonding	4.4892	0.5091	11.34	-0.753
Technology monitoring	4.4476	0.5212	11.72	-0.801

All considered variables had symmetrically distributed with law variability, according to the summary statistics of market orientation and outside-in capabilities as shown in the Table 01.



Level	Value
Low	3.2024 - 3.63855
Moderate	3.63855 - 4.51085
High	4.51085 - 4.9470

Figure 01- Scale of Market Orientation

Market orientation pattern of the Food processing firms are shown in the Figure 01. It is implied that most of the food processing firms have followed the moderate level of market orientation.

According to the Pearson correlation coefficient in the Table 02, overall outside-in capabilities and level of outside-in capabilities were highly correlated with market orientation in each and other separately.

Table 02- Correlation between Outside in capabilities and Market orientation

Variabl	Pearson correlation	P-value
Outside-in Capabilities	0.790	0.000
Market sensing	0.803	0.000
Customer linking	0.724	0.000
Channel bonding	0.678	0.000
Technology monitoring	0.675	0.000

Furthermore, highest positive linear correlation was observed between market sensing and market orientation. This is implied that market sensing is highly affecting factor to market orientation than other factors.

The multiple linear regression analysis was conducted to find out the relationship between level of outside-in capabilities and market orientation. The results showed that multiple linear regression model was significant at 0.05 significance level (P-value = 0.000). According to the P-values of the estimated model parameter coefficients, market sensing capability (P-value = 0.003) is only a significant variable to the market orientation. However, other variables (customer linking (P-value = 0.896), channel bonding (P-value = 0.536), and technology monitoring capabilities (P-value = 0.134)) were not significant with market orientation. This implies that total variation of the market orientation can be described by using market sensing capability. This is due to the high multicollinearity between market sensing with other three outside-in capability factors, because of Variance Inflation Factor (VIF) was greater than three.

Therefore, the linear relationship between market orientation (MO) and market sensing (MS) capability can be modeled by using the Equation (01).

$$= 1.325 + 0.683 � \qquad (01)$$

The fitted model is significant at 0.05 significance level with $�^2 = 64.6\%$.
All model assumptions were satisfied.

Conclusions

According to the constructed scale, most of the food processing firms in Sri Lanka are in the moderate level (3.63855 - 4.51085) of market orientation. This is achieved by firms by introducing market-oriented products and services, and re-orientation of firms operating in the economy to be market oriented in their processes, routines, and outputs.

There is high positive linear relationship between market sensing and market orientation while negative linear relationships present in market orientation andcustomer linking, channel bonding and technology monitoring. Due to the multicorllinarity and high correlation, total variability of the market orientation can be predicted by using market sensing without other considerable outside-in capability factors. It can be concluded that the critical factor influencing market orientation of the food processing firm was market sensing and it was contributed to the statistically model significance. Finally, the new findings developed in this study provide more support to implementing market orientation with the outside-in capabilities effectively in food processing industries in Sri Lanka.

References

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