Investigating the mediating role of marketing capabilities and market turbulence in the relationship between market orientation and market performance in Tejarat bank

Mahnaz Karkhane
Master of Business Administration, Islamic Azad University, Central Tehran Branch

Abstract: The present study aims to investigate the effect of market orientation on market performance considering the mediating role of market turbulence and marketing capabilities. The present research is applied in terms of its objective and it is descriptive-survey in terms of data collection. The data gathering tool is a questionnaire that is developed through library and field studies. The statistical population of the study includes experts and managers of the central office of Tejarat bank in Tehran that is 674 people. Since the number of statistical population is high and limited, 245 people are selected through stratified random sampling method as the statistical sample based on Krejcie and Morgan Table. In this research, market orientation is selected as an independent variable, market performance is selected as a dependent variable, and marketing capabilities and market turbulence are considered as mediating variables. The content validity of this standard questionnaire is confirmed and its reliability is obtained through Cronbach's Alpha coefficient, turning out to be .805, .772, .819, and .836 for market orientation, marketing capabilities, market turbulence, and market performance, respectively. The results of Structural Equation Modeling in the LISREL software indicate a positive and significant effect of market orientation on market performance. Meanwhile, variables of market turbulence and market capabilities also play a mediating role in the effect of market orientation on market performance.

Keywords: market orientation, marketing capabilities, market turbulence, and market performance

INTRODUCTION

Today, recognizing and predicting customer needs is essential for an economic firm in order to gain competitive advantage and market segmentation. The customer is a key factor in strengthening the agility of the organization, and the orientation of all goals, strategies and resources is towards the customer attraction and maintenance. Maintaining and enhancing customer loyalty is considered as a strategic challenge for companies that are concerned about maintaining and developing their competitive position in the market; therefore, customer loyalty is the key to the success of the organization. That is, market share and the profitability of the firm are expected to be promoted with increasing customer loyalty. Understanding the market by planning and adopting appropriate strategies for customer loyalty and raising their loyalty rates will bring long-term benefits to economic firms (Hamidizadeh and Ghamkhar, 2009). Two important issues affecting customer satisfaction and ultimately his loyalty are the company's attention to marketing and innovation in the products and services provided to the customer. This shows that a winning formula is having innovation along with extensive marketing. Innovation is not just about creating new and better products, but also developing better systems and new business concepts. Marketers play a vital role in generating innovations, estimating their potential capacity, identifying their components or properties, and supplying new products (Cutler, 2007). Every product and service is provided to meet the needs of the customer and customers guarantee the survival of the product producers and service providers. From the viewpoint of today's managers, marketing involves customer growth, i.e. attention to satisfaction and quality from the customer's point of view, his loyalty, and effective communication with him. As a result, organizations try to have loyal customers (Heydarzadeh and Hosseini Firoozabadi, 2008). In addition, market orientation, as the application of the concept of marketing, is the focus of attention of today's organizations since the customer today is selected because production exceeds demand and competition is increased among the producers. Neglect of
customers leads to the destruction of each business. Therefore, market orientation is a precondition for successful business operations. Accordingly, companies can provide value for consumers through focusing on market orientation and innovation and thereby, enhance customer loyalty, which enables the company to achieve competitive advantage in comparison to other companies. On this basis, they can perform better than their rivals (Pakdel et al., 2011).

Market orientation is an important element in marketing literature and is a literal substitute for it. Most marketing researchers support the view that the attitude of the market has a tangible relationship with the firm’s performance. Whether in financial indicators or market indicators, market attitudes are obviously linked to the competitive advantage of the company by focusing on the relationship between financial performance and innovation. For example, Deshpande (1993) and Javersky (1993) examined the main functionality of competitors. Also, this article is rich in analyzing the level of the organization with a focus on articles and empirical studies that describe the importance of market attitudes in the performance of the company. This article contains different ideas about the nature and focus on attitude. In particular, researchers are discussing whether the market attitudes in a company include focusing on customers, competitors, profits, and other indicators of the foreign market.

Market-oriented researchers have also referred to management phenomena and systemic phenomena in their definitions of market attitude (Shahidi and Hashemi, 2015). Tejarat Bank is considered as one of the old and powerful banks of Iran, which has not been successful in marketing in recent years, affecting the profitability of the organization. The results of field studies as well as the beliefs of the bank’s managers indicate that market orientation can improve the market performance of this organization. On the other hand, environmental turbulence has also led organizations not to be able to achieve their programs and strategies, as they should. Meanwhile, marketing capabilities can help Tejarat bank managers in the effect of market orientation on market performance.

Therefore, the main question of the present study can be summarized as follows:

Does market orientation affect market performance of Tejarat bank through marketing capabilities and market turbulence?

THEORETICAL FRAMEWORK

To achieve optimal performance, a business must develop and maintain its competitive advantage. The emphasis of international business is on continuous creation of value for customers. A business is market oriented when its culture systematically creates expected value of customers. All research on market orientation has shown a strong relationship between market orientation, profitability, customer retention, increased sales, and success of new products (Mahmoud et al., 2016).

In a market-oriented business, employees spend a considerable time with customers and are looking for new ways to meet their needs. George Cox (2000) believes that we need to move more towards customer orientation, not only because it is a beautiful word, but because customer orientation has become a necessity for organizations today (Kazakov, 2016).

Today, the world has become more dynamic than ever before, and businesses often face competition. In the past, organizations knew their rivals, their strengths and weaknesses, and the area of their activity, and basically the competition was done locally. But today, everything has changed. There is nothing as a boundary of activity, and rivals easily enter your borders. On the other hand, products, competitors and markets are globalized at the same time (Beneke et al., 2016).

George Cox pays attention to four key points for defining the competitive character of an organization under current competitive conditions that are culture (attitudes and behaviors in an organization), processes, systems (with special emphasis on communication), and creativity and innovation in the organization (Pantouvakis, 2015).

The culture of the organization should be changed to be customer oriented. Commitment to customer orientation must first be at the top level of the organization (Mahjubi, 2016). Innovation and creativity and having the necessary authority are some of the factors that help you when you encounter problems and complaints from customers (Mahjubi, 2016).

In addition to customer attention, organizations must always seek to identify key competitors that customers can visit. A manufacturer must be sensitive to current and future rivals and adapt to their activities. This information is very effective in developing corporate competitive strategies (Kakapour, 2012).

In a market-oriented business, all employees at all levels share information about competitors. For example, for a unit such as R & D, collecting information from sales forces about the technological changes of competitors is vital (Pantouvakis, 2014).
Senior managers continuously discuss the strategies of competitors and share information about potential competitive threats. One of the key reasons for the success of Japanese companies is that they teach their managers that the ability to understand competitive factors is part of the work of each manager (Chahal et al., 2016).

Market-oriented businesses often target competitive opportunities with regard to the weaknesses of their rivals and their own strengths, and create a competitive advantage for themselves (Pantouvakis, 2014).

Studies show that effective responsiveness to customer needs requires the actual participation of all units in the organization. Many executives believe that market information should be distributed to the organization in order to meet market needs. This is the main task of the marketing unit that distributes market information among different units. The effective dissemination of information is important because it provides a common basis for the coordinated action of all units. The official distribution and dissemination of market information is of particular importance, but on the other hand, interviews with executives showed that informal conversations and information play an important role in the tendency of the organization towards customers and their needs (Pantouvakis, 2014).

**CONCEPTUAL MODEL AND HYPOTHESES**

The following figure shows the conceptual model of the present study based on the model of Kachouie et al. (2018). In this model, market orientation is considered as an independent variable, market performance is a dependent variable, marketing capabilities and market turbulence are considered as mediating variables.

![Conceptual Model](image)

Figure 1: conceptual model of the study (Kachouie et al., 2018)

1. Market orientation has a significant effect on marketing capabilities of Tejarat bank.
2. Marketing capabilities have a significant effect on market performance of Tejarat bank.
3. Market orientation has a significant effect on market turbulence.
4. Market turbulence has a significant effect on market performance of Tejarat bank.

**RESEARCH METHOD**

The present research is applied in terms of its objectives and it is descriptive-survey in terms of data collection.

The statistical population of the study included experts and managers of the central office of Tejarat bank in Tehran that is 674 people. Since the number of statistical population is high and limited, 245 people were selected through stratified random sampling method as the statistical sample based on Krejcie and Morgan Table.

For collecting information, library (referring to books, articles, archives, internet, etc.) and field (distribution of questionnaires) methods were used. To measure the variables, a 48-item questionnaire in the form of Likert scale was used. It should be noted that the questionnaire is standardized and derived from the research by Kachouie et al. (2018).

Content validity of the questionnaire was achieved by consulting with a number of management professors and modifying a number of questions. Then, 20 questionnaires were distributed among the population and all defects and ambiguities were resolved. Then, the final questionnaire was distributed among all the population.

In this research, the following tools were used to increase the content validity:

- Using comments from some management professors,
- Study of similar questionnaires, articles, books and journals,
• Primary distribution of the questionnaire among some staff members of Khorramabad Nomad Martyrs hospital and applying their corrective comments. To determine the reliability of the questionnaire, Cronbach’s alpha method was used. The result of the test of reliability for the questionnaire is shown in Table 1.

<table>
<thead>
<tr>
<th>Questionnaire</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Market orientation</td>
<td>.805</td>
</tr>
<tr>
<td>2 Marketing capabilities</td>
<td>.772</td>
</tr>
<tr>
<td>3 Market turbulence</td>
<td>.819</td>
</tr>
<tr>
<td>4 Market performance</td>
<td>.836</td>
</tr>
</tbody>
</table>

Table 1 shows that Cronbach's alpha values for all variables are greater than .7; therefore, the reliability of the variables was confirmed.

In this research, structural equation modeling was used to analyze the data and test the hypotheses. The Kolmogorov-Smirnov test is used to check the normal distribution of data in the statistical population and the KMO test is used to determine the adequacy of the sample. The software used are also SPSS and LISREL.

**Analysis of the findings**

**Kolmogorov-Smirnov test**

The Kolmogorov-Smirnov test was used to determine the normal distribution of data in the statistical population. The results are shown in Table 2.

<table>
<thead>
<tr>
<th>Research variables</th>
<th>Sig. level</th>
<th>Test results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market orientation</td>
<td>.118</td>
<td>Normal distribution of data</td>
</tr>
<tr>
<td>Marketing capabilities</td>
<td>.095</td>
<td>Normal distribution of data</td>
</tr>
<tr>
<td>Market turbulence</td>
<td>.103</td>
<td>Normal distribution of data</td>
</tr>
<tr>
<td>Market performance</td>
<td>.082</td>
<td>Normal distribution of data</td>
</tr>
</tbody>
</table>

Table 2 shows that the significance level obtained for all variables is greater than the research error value (.05); therefore, normality of data distribution is confirmed and, as a result, the basic condition for the use of structural equation modeling is provided.

**Bartlett's test**

Bartlett's test is used to test the adequacy of sampling. Table 3 presents the results.

<table>
<thead>
<tr>
<th>Chi-square</th>
<th>DF</th>
<th>Sig. level</th>
<th>KMO</th>
</tr>
</thead>
<tbody>
<tr>
<td>217.073</td>
<td>115</td>
<td>.000</td>
<td>.785</td>
</tr>
</tbody>
</table>

As shown in Table 3, the KMO coefficient is higher than .70 and is at the optimal level, which indicates that sampling is sufficient for factor analysis. According to the results obtained, it can be seen that the necessary conditions for using structural equation modeling are available.

**Structural Equation Modeling**

Structural equation modeling in LISREL software was used to test the research hypotheses. Structural models are the same as the structural equation modeling of the research or, in other words, the study of latent exogenous variable that include the market orientation and endogenous variable that include the market performance with regard to the mediating role of market turbulence and marketing capabilities at the same time.
According to the LISREL output, the calculated $\chi^2$ value is 224.69, indicating good fit of the model. As the value of $\chi^2$ is less, the model is more fit.

RMSEA = .061, p-value = .000, $\chi^2$/df = .91, df = 249, $\chi^2$ = 224.69

Goodness of Fit Index (GFI) = .95
Adjusted Goodness of Fit Index (AGFI) = .93

The results of the LISREL output, the non-standard model estimation mode, show that the measurement model is suitable for the conceptual model of research because the chi-square and RMSEA values are low and the GFI and AGFI values are more than 90%.
Table 4: LISREL output in non-standard estimation mode

<table>
<thead>
<tr>
<th>Index</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGFI</td>
<td>.93</td>
</tr>
<tr>
<td>GFI</td>
<td>.95</td>
</tr>
<tr>
<td>NFI</td>
<td>.92</td>
</tr>
<tr>
<td>RMSEA</td>
<td>.061</td>
</tr>
</tbody>
</table>

The results of confirmatory factor analysis, factor load, t-value and significance level for variables and questions are significant. Therefore, it can be said that this model is capable of being as a measurement model for the conceptual model of research.

Table 5: hypotheses test results

<table>
<thead>
<tr>
<th>Path</th>
<th>Sig. level</th>
<th>Path coefficient</th>
<th>T-statistics</th>
<th>Test result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market orientation on market capabilities</td>
<td>P &lt; .001</td>
<td>.72</td>
<td>12.77</td>
<td>Positive and significant</td>
</tr>
<tr>
<td>Market capabilities on market performance</td>
<td>P &lt; .001</td>
<td>.63</td>
<td>9.53</td>
<td>Positive and significant</td>
</tr>
<tr>
<td>Market orientation on market turbulence</td>
<td>P &lt; .001</td>
<td>.69</td>
<td>11.93</td>
<td>Positive and significant</td>
</tr>
<tr>
<td>Market turbulence on market performance</td>
<td>P &lt; .001</td>
<td>.76</td>
<td>13.29</td>
<td>Positive and significant</td>
</tr>
</tbody>
</table>

As can be seen, market orientation has a significant effect on marketing capabilities and market turbulence. In addition, marketing capabilities and market turbulence have a significant effect on market performance.

**CONCLUSION AND RECOMMENDATIONS**

In the present study, the impact of market orientation on market performance was studied considering the mediating role of market capabilities and market turbulence and the results confirmed all research hypotheses.

The results of the significant effect of market orientation on marketing capabilities are in line with the results of research by Rahimnia et al. (2012), Theodosiou et al. (2012), Rahimi Kaloor (2015), Bastani Fard and Chavosh Bashi (2016), Camboj and Rahman (2016), Rezayi Dolatabadi and Khaef Elahi (2006), and Kachouie et al. (2018).

The positive and significant effect of marketing capabilities on market performance is consistent with the results of Orak and Babaei (2015), Nourellahi et al. (2013), and Kachouie et al. (2018).

The positive and significant impact of market orientation on market turbulence is consistent with the results of the research by Kachouie et al. (2018), Rahimi Kaloor (2015), and Bastani Fard and Chavosh Bashi (2016).

The positive and significant impact of marketing turbulence on market performance is consistent with the results of the research by Kachouie et al. (2018).

Table 6: Comparison of the results of the research with the conducted researches

<table>
<thead>
<tr>
<th>Path</th>
<th>Consistency with previous researches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive impact of market capabilities on market performance</td>
<td>Orak and Babaei (2015), Nourellahi et al. (2013), and Kachouie et al. (2018)</td>
</tr>
<tr>
<td>Positive impact of market orientation on market turbulence</td>
<td>Kachouie et al. (2018), Rahimi Kaloor (2015), and Bastani Fard and Chavosh Bashi (2016)</td>
</tr>
</tbody>
</table>
Considering the positive and significant impact of market orientation on market performance with regard to the mediating role of marketing capabilities and market turbulence, the following solutions are presented:

**Market orientation has a significant effect on marketing capabilities of Tejarat bank.**

Considering the direct and significant impact of this variable on market performance and the fact that the aggregate frequency of question 2 of this variable is lower than other questions, managers of Tejarat bank are suggested to base their strategies on providing quality services to customers and make required investments to meet customer demands. Because offering good quality products will increase customer satisfaction, this can, in the long run, improve the performance of Tejarat Bank's market. Developing meaningful relationships with customers, adapting products to customer needs and establishing collective communications are other ways to improve market performance through market orientation development.

**Marketing capabilities have a significant effect on the market performance of Tejarat bank.**

Another factor influencing market performance is marketing capabilities. In this regard, and given the fact that the empirical frequency related to the 17 of the questionnaire is less than other questions, managers can be suggested to track market changes and competitors' activities to avoid lagging behind the competition, collecting information from competitors and put it at the disposal of all employees. Because the more employees' information is from the status of the company and the competitor's activities, the better employees will be able to plan their future activities and have better ways to develop and improve their performance.

**Market turbulence has a significant effect on the market performance of Tejarat bank.**

Innovation also mitigates the impact of market orientation on market performance. Since the frequency of question 29 of this variable is lower than other questions, it is suggested to the managers of the bank to seek improvement of their brand by providing new and high-quality services and also attract more customers by providing low-cost services.

**REFERENCES**


