

DYNAMISM INSIDE THE MO BOX: THE CREDIBILITY OF MARKET INFORMATION AS A KEY FACTOR IN MARKET ORIENTATION

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ABSTRACT

The objectives of this research are twofold. First, we intend to clarify how market orientation is affected by the credibility of marketing information. Second, we wish to reach a deeper understanding of the interplay between a marketing unit's influence, credibility, and market orientation. We also examine the effects of those factors on firm performance. Toward these objectives, we engaged in empirical research on large-scale Japanese firms in various industries. Before conducting a questionnaire survey, we held in-depth interviews with top management, marketing managers, and marketing professionals to identify factors which hinder market orientation in the Japanese business environment. An extensive questionnaire survey of Japanese firms was then conducted, in which we collected data on market orientation, the credibility of marketing information, the influence of marketing units within a firm, and the firm's performance.

Based on a literature review and findings from the interviews with marketing professionals, we extracted the conceptual model. We examined the impacts of credibility of marketing information on market orientation, which forms the main hypothesis of our study. (H1) Since credibility is a concept closely related to the influence of the marketing department, we also examined the effect of marketing department influence on market orientation. (H2) We then compared the impact of credibility with that of influence in order to reach a deeper understanding of these two delicately interconnected concepts. (H3)

We pay attention to qualitative differences among the three major components of Kohli and Jaworski's (1990) classification of market orientation. Their concept of market orientation consists of three sub-concepts: market intelligence generation, intelligence dissemination, and responsiveness. We assume that these concepts are not parallel activities, but occur as a series of information processing activities. Firms gather market and customer data, and spread them to related departments. Then, marketing and other departments consider and implement various measures to improve their current situation. If these activities can be assumed to be a series of processes, there would be a causal relationship among these three activities.

Our data consists of responses regarding a range of unit and organizational functions measuring market orientation in different areas and positions. 1,021 managers in 139 business units, representing 20 Japanese firms responded. We excluded all respondents who did not complete the entire survey, leaving a sample of 999 respondents. A market orientation scale was designed, based on the Kohli, Jaworski, and Kumar (1993). *Credibility of marketing information* is measured using our original scales. These scales measure the degree to which information from the marketing department is trusted by other departments. The *influence of marketing department* is measured directly through the respondents' impressions. We assessed business performance by asking respondents for their subjective assessments of their business units.

We test our hypotheses by using structural equation modeling. Our model is judged to fit well with the data ($\chi^2=12.38$, $p=0.01$, GFI=1.00, AGFI=0.97, CFI=0.99, RMSEA=0.06). The results show that the credibility of marketing information has a positively significant effect on market orientation, which suggests strong support of hypotheses H1. But there is a weaker relationship between the influence of the marketing department and market orientation, compared with the effect of credibility of marketing information. This difference of effects is statistically significant. This result supports the hypothesis 3. The total effects on business performance also suggest the importance of credibility.

Past research examined advocacy by top management or interdepartmental coordination as the antecedents of market orientation. However, the marketing department's influence based on organizational power, as induced by top management emphasis, might not be effective if the overall business trend is toward the organization without a strong marketing department.

References Available on Request.