Market orientation and its effect on business performance: An Empirical study of the metal industry in South Africa

A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration (MBA)

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Johannesburg, 2018

DECLARATION

I, Lungelo Ntobongwana pronounce that the work presented was conducted by me and that other sources were consulted were acknowledged and referenced accordingly. The research project is submitted in order to fulfil the requirements of Master of Business Administration (MBA) offered by the University of Witwatersrand Business School. To the best of my knowledge, the research project has not been submitted entirely or in part in any university for obtaining any qualification.

....

Lungelo Ntobongwana

Signed at: Boskruin

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On the 28th day of February 2018

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ACKNOWLEDGMENTS

My sincere appreciation goes to the love of my life Lebogang Victoria Ntobongwana for being my number one supporter and for always being there for me. It was a busy two years with challenges at work and a young family. My wife was a pillar of strength in keeping our family life together, whilst I was spending long nights and weekends at Wits Business School. To my children, Luyanda and Khumo, thank you for allowing me to embark on the MBA journey with little or no disruption. At times, I have missed important developments in your life, but you will soon realise that it was worth it.

To my MBA cohort and syndicate members, thank you for all the knowledge you have imparted in me. I will forever be grateful for the time we have spent together. I also wish to express my greatest gratitude to the management team of the Steel and Engineering Industries Federation of Southern Africa (SEIFSA) for allowing me to conduct this study on their member companies and also all the participants who took part in the study.

Wits Business School administration staff, you have made studying at WBS an experience that cannot be easily forgotten. Although we had some challenging moments, your willingness to assist resulted in swift resolutions.

To my supervisor Professor Richard Chinomona, I will always treasure the unequivocal support you gave me with regards to this study. From the first day I approached you, till the very last day when I had to submit the report, you have been there with me. To my data analysts at research excellence, thank you.

I also appreciate my parents Mr and Mrs DN Ntobongwana for the educational foundation and various sacrifices that they had to make when I was growing up. Without

that foundation, I will not have had the opportunity to pursue my studies and achieve all the qualifications that preceded the MBA.

My late mother Mrs Nongenile Ntobongwana, the MBA is especially dedicated to you. Although you never had an opportunity to study, you have always emphasised the value of education to us till the last days of your life.

Finally, to God almighty, thank you for all the protection over my life through the study journey. Thank you that no adverse events disrupted the journey.

ABSTRACT

Business performance is enhanced by organisations by adopting market orientation methodologies. Sustainable competitive advantage is what most organisations strive for so that they can outperform their competitors. Organisations operating in the same or similar industries gain sustainable competitive advantage, but that varies from one organisation to another.

The metal industry in South Africa is the point of focus of the current study. The aim is to experimentally study how business performance is affected by market orientation. The relationship between four constructs business performance, marketing capabilities, market orientation and sustainable competitive advantage were examined.

The population of the metal industry comprised of sixty three companies and this was used as a sample for the study. A total of forty seven (74.6% response rate) participants responded and data was analysed through the use of Structural Equation Modelling (Smart PLS). A structured questionnaire was used as a research instrument and an online survey was conducted for over a six week period.

Data analysis on the relationship between four constructs was performed using Structural Equation Modelling (SEM). Reliability, validity and path modelling was done using SEM (Smart PLS).

It was determined that market orientation has a positive and direct effect on business performance; however, the effect on business performance is less significant compared to the direct effect of marketing capabilities and sustainable competitive advantage. Of

the four constructs under study, sustainable competitive advantage was found to have the most significant effect on business performance.

Managers and business owners are encouraged to enhance marketing capabilities in order to improve business performance. Due to the fact that sustainable competitive advantage is attained by allocating internal business resources effectively, it can be used as an organisations differentiator from its competitors and therefore enhance business performance.

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CHAPTER 1. INTRODUCTION

1.1 Purpose of the study

The aim of the study is to determine how the business performance of organisations operating within the metal industry in South Africa is affected by market orientation. The study seeks to provide guidelines on how sustainable business performance can be achieved through better allocation of resources.

1.2 Context of the study

1.2.1 THE SOUTH AFRICAN CONTEXT

Average growth rates of the South African economy have been observed since the dawn of democracy. Between 2004 and 2007, real growth rate of about five percent has been achieved (Statistics South Africa 2017). The South African economy has been stagnant since the 2008 global economic recession (Statistics South Africa 2017). Between 2008 and 2012, an average growth rate of two percent was realised. Economists are of the opinion that South African economy has recovered from the 2008 global economic recession, but the country is not out of the woods yet (Statistics South Africa 2017). The South African Gross Domestic Product (GDP) increased by 0.2 percent in the third quarter of 2016. The economy did however encounter a technical recession in 2017 (Statistics South Africa 2017).

A diverse range of economic active sectors within the South African economy contributes to the overall countries Gross Domestic Product (GDP). South African economy is comprised of ten economic sectors (Statistics South Africa 2017).

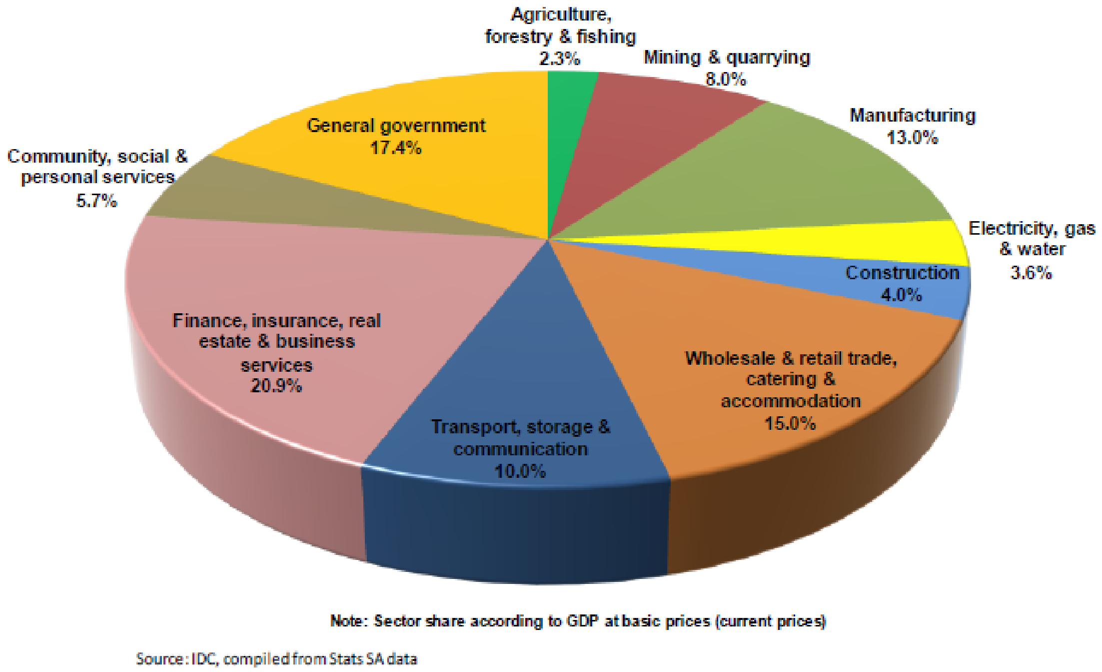

Figure 1: South African economy sectorial composition in 2015 *Source: (Industrial Development Corporation 2015)*

The largest contributing sector to the South African Gross Domestic Product is general government services. The manufacturing sector is the fourth largest contributor to the South African gross domestic product as depicted in Figure 1 (Industrial Development Corporation 2015). Structural changes in the economy has resulted in the contribution of the manufacturing sector to South African GDP to diminish. Regardless of the effect of structural changes of the economy, the manufacturing sector has remained the fourth largest employer (Industrial Development Corporation 2015).

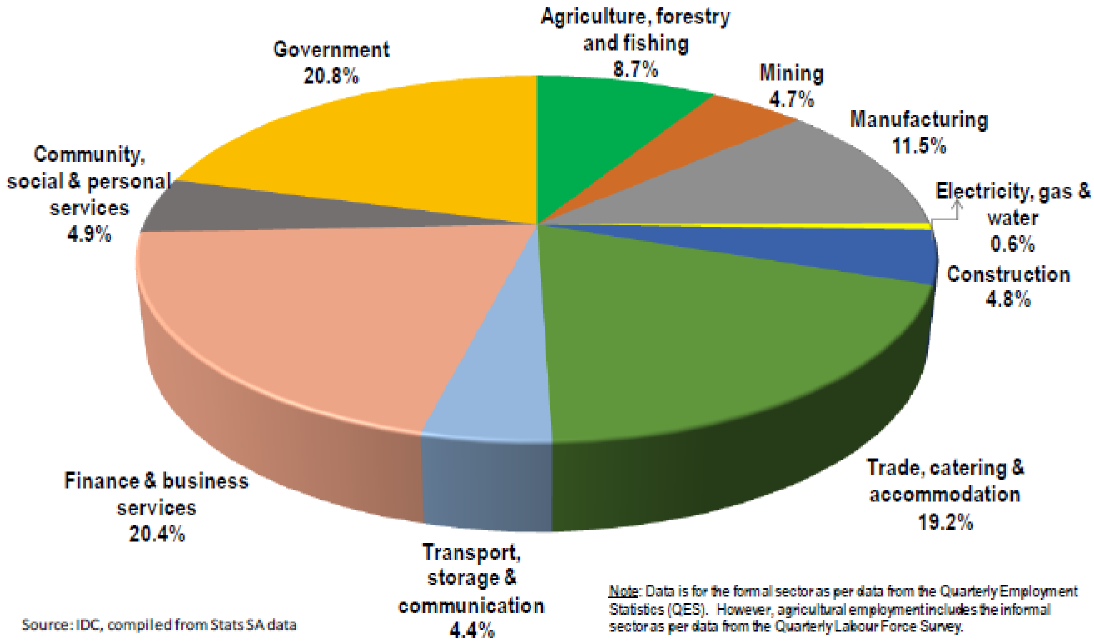

Figure 2: Employment per sector in 2015 *Source: (Industrial Development Corporation 2015)*

The manufacturing sector was the fourth largest employer in 2015 as reflected in Figure 2. The manufacturing sector is comprised of seven prevailing industries. These industries are agro-processing, automotive, chemicals, information and communication technology, electronics, metals, textiles, clothing and footwear (Industrial Development Corporation 2015). Of the seven prevailing industries within the manufacturing sector, the metal industries is the fifth largest contributor.

The metal industry contributes twenty percent of the manufacturing sector sales (Industrial Development Corporation 2015). Twenty one percent of the people were employed in the metal industries in 2014. In the same year, the metal industry was the largest employer in South Africa. The metal industry is comprised of diverse and complex sub-industries. The sub-industries are dominated by the likes of Arcelor Mittal, Scaw metals, Exxaro, Samancor, Highveld steel, Macsteel, etc. (Industrial Development Corporation 2015). While there are dominant players in the metal industry, a number of small to medium businesses also exist. In South Africa, the metal industry is represented by the Steel and Engineering Industries Federation South Africa (SEIFSA). In total, SEIFSA has 40 members (Chibanguza 2017). These include the Iron and Steel Association, Metal services centers and the Non-ferrous metals association. Ferro Alloys producers are also part of the metal industry in South Africa. The Ferro alloys producers are represented by the Ferro Alloys Producers Association (Basson, Curr et al. 2016). Ferro Alloys Producers Association has a total of twenty three members.

The metal industry in South Africa will be the focus of the study and the aim is to understand how their business performance is affected by market orientation. The outcome of the study is expected to guide businesses operating in the metal industry on how they can enhance business growth and sustainability.

1.2.2 MARKETING AND BUSINESS PERFORMANCE

Market segmentation and customer orientation are deemed to be the foundations of the marketing concept (Webster Jr 2009). Various researchers believe that marketing concept is more than a tool used to market and analyse information (Webster Jr 2009). Evaluations and debates about the marketing concept has occurred over the years. Evaluations and debates started from the time marketing was deemed a discipline (Gamble, Gilmore et al. 2011). Throughout the evolution of the definition of marketing, the underpinning roles of marketing have to be acknowledged. Balancing engagements between shareholders and stakeholders are some of the roles of marketing (Gamble, Gilmore et al. 2011). Other marketing roles are that of ensuring that businesses can identify customers and devise means to serve their needs (Bettencourt, Lusch et al. 2014). Competitive advantage is impacted by the ever changing customer requirements and needs (Bettencourt, Lusch et al. 2014). Customer choices are also influenced by changes in different markets (globally) and the competitiveness landscape (Gamble, Gilmore et al. 2011).

Better allocation of resources is required from businesses who are in pursuit of achieving enhanced financial goals (Morgan 2012). Marketing strategy should provide clear roadmaps in terms of what the business seek to achieve, where it wants to operate and how it intends to serve its customers (Morgan 2012). The manner in which marketing strategies are implemented has a positive effect on the success of the business (Morgan 2012). Marketing in an organisation plays an important role and therefore cannot be outsourced (Bettencourt, Lusch et al. 2014).

Customers are the focal point of business as a result of marketing activities. What businesses produce still needs to be sold to customers (Bettencourt, Lusch et al. 2014). According to (Bettencourt, Lusch et al. 2014), solving problems and assisting customers to achieve value should be the main focus of businesses. Strategic advantage can be achieved when this approach is adopted as needs of the customers will be better understood. Strategic thinking can serve as an input in the formulation of effective marketing strategies (Fodness 2005). Traditional marketing framework is surpassed when strategic thinking is adopted (Fodness 2005). Sustainable competitive advantage is gained through strategic thinking in marketing. Value creation for customers is similarly important, thereby allowing the business to be agile and adapt to increasing and changing customer requirements (Fodness 2005).

Fulfilling and long term roles of marketing enables business to gain sustainable strategic advantage. Marketing function should be treated as a strategic partner in value creation instead of being viewed as a support function (Bettencourt, Lusch et al. 2014). Marketing should strive to add value by identifying customer needs and how the business can fulfil them (Bettencourt, Lusch et al. 2014).

The marketing discipline has focused more on its effect on business performance throughout the years (Morgan 2012). Tough economic times have posed a challenge to marketing function in terms of how they justify marketing spend during the year 2008 and 2010 (Morgan 2012). Deliberations as a result of economic challenges has improved how marketing is viewed in businesses (Morgan 2012). Studies conducted by various researchers on the role of marketing in business should allow better integration of knowledge (Morgan 2012).

Marketing dynamics have changed due to changes in the global economy. Integration of strategies in various functions such as human resources and operations strategies has resulted in marketing being integrated. The effect of marketing on business performance is still not clearly understood (Singh 2015). Allocation of marketing resources should be the may focus of marketing in order to enhance business performance (Singh 2015).

1.3 Problem statement

How business performance is affected by market orientation has been studied by a number of well renowned researchers, and most of the studies conducted were based on European countries (Jaakkola, Möller et al. 2010); (Protcko and Dornberger 2014); (Schalk 2008); (Narver and Slater 1990); (Jaworski and Kohli 1993); (Hooley, Greenley et al. 2001) and (Morgan, Vorhies et al. 2009). The outcomes of the studies were mixed, but a majority of the researchers found that market orientation is positively related to business performance (Morgan, Vorhies et al. 2009). Similar studies were conducted in Nigeria, Ethiopia and South Africa by (Dauda 2010); (Kassie 2015); (Mokoena 2017) and (Pallander 2014) respectively and none of these was on the manufacturing sector and the metal industry in particular.

The current study is conducted in South Africa within the manufacturing sector and focuses specifically on the metal industry. The study seeks to understand if similar results to that found in other countries can be confirmed. The research problems will be presented as follows:

1.3.1 *Main problem*

The main objective of the study is to provide advice to business managers in the metal industry in terms of which market orientation related issues they need to put more focus on in order to maximise attainment of long term business growth objectives. The main research question can thus be formulated as follows: What is the relationship between market orientation and business performance within the metal industry in South Africa?

1.3.2 *Sub-problem*

Similar business performance is not achieved by all organisations which are market orientated. (Bodea 2016). To enhance future business performance, marketing resources renewal and reallocation is of paramount importance (Hunt and Lambe 2000).

The aim of the study is to highlight to business managers in the metal industry which other strategies that cannot be imitated by competitors they can adopt to further enhance their competitive advantage and business performance.

The sub-question is presented as follows:

- How market orientation, marketing capabilities, sustainable competitive advantage and business performance are associated in businesses operating within the metal industry in South Africa?

1.4 Significance of the study

Businesses overlook the effect of business perspective on the relationship between market orientation and business performance (Jaakkola, Möller et al. 2010). This study aims to fill a gap in ensuring understating of how business performance is affected by market orientation by businesses operating within the metal industry in South Africa. The findings of this study will better equip business managers in the metal industry on ways and means by which they can allocate resources to improve market orientation and competitive advantage of their businesses for future growth.

Better justification of why marketing need to be allocated a significant budget in order to improve business performance will be realised by Chief Marketing Officers. Better reasoning of why the marketing budget must not be reduced and how marketing affect business performance, will be achieved by marketers.

An experimental evidence of how business performance is affected by market orientation will be presented and serve as a contribution to literature.

1.5 Delimitations of the study

- Participants will be metal manufacturing businesses operating in South Africa who are members of the Steel Engineering Industries Federation of Southern African (SEIFSA).
- Businesses who are members of any independent Ferro alloys producers will also form part of the study.

1.6 Definition of terms

***Key words**: strategic marketing, market orientation and business performance.*

Strategic marketing: It is a manner in which a business serves customer needs in a way different from its competitors. This is achieved by utilising the organisations strengths and provide products of superior quality and value (Morgan 2012).

Market orientation: According to (Jaworski and Kohli 1993), market orientation is the business's ability to generate market intelligence, disseminate that information to various departments in the organisation and then formulate a business - wide response to market needs.

Business performance: Utilisation of human capital and business processes to gain targeted business objectives (Morgan 2012).

1.7 Assumptions

- A sales and marketing function / department exists for each business chosen for the study. This is of significance as it may affect the response rate and the quality of data.
- Businesses chosen for the study have executive, senior and middle marketing / sales managers.
- Sample chosen for the study will be representative of the population.
- Marketing / sales managers are responsible for both the financial and marketing performance of the businesses.
- Managers are familiar of the elements of market orientation, even if they are not clearly defined in their businesses. This is significant as it may affect the bias of responses.

- Reporting periods for the businesses that will be chosen as participants relatively close to each other.
- If the business chosen is a group / a holding company and therefore has subsidiaries, executives, senior and middle marketing & sales managers from each subsidiary will participate in the study.
- If there is more than one person responsible for marketing / sales and they fall within the stated job levels, they will also be allowed to partake in the study.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

A review of concepts, models and other studies was conducted for better understanding of how business performance is affected by market orientation. The aim was to be able to conceptualise the market orientation and business performance relationship. After reviewing available literature, it was noted that marketing capabilities also have an effect on business performance. Two best known views on attaining and gaining sustainable advantage, and how they enable market orientation and business performance relationship were explored. The chapter ends by highlighting hypotheses and conceptual model development based on literature review.

2.2. Theory development

2.2.1 The Resource Based View (RBV)

Resource allocation issues have an impact on an organisations ability to gain competitive advantage was argued in detail by (Barney 1991) and (Hooley and Greenley 2005). The aforementioned researchers argued that the heterogeneous nature of the organisation's resources is the key source of competitive advantage. The RBV is an extension of the notion that resources' selection is the fundamental way of creating economic prosperity (Makadok 2001). The classification of an organisation's resources can be based on their physical nature e.g. human resources, legal, informational, marketing and relational. This can also be in the form of whether they are tangible or intangible (Luo, Sivakumar et al. 2005). Sustainable competitive advantage is realised through the utilisation of an organisation's intangible resources (Luo, Sivakumar et al. 2005). (Luo, Sivakumar et al.

2005)'s view confirms (Barney 1991) who believed that imperceptible resources are difficult and expensive to imitate and they are the source of competitive advantage.

Gaining competitive advantage requires that organisations continuously allocate and position resources (capabilities, knowledge, processes, assets, etc.), whilst implementing strategies (Barney 1991). This then will result in sustainable business performance. According to (Makadok 2001), the RBV falls short in explaining how resources contribute to competitive advantage. RBV also falls short in explaining how future resources will be created and how existing ones will adapt to the ever changing economic environment. The RBV has also failed to explain the fact that certain organisations have sustained their competitive advantage in environments that are forever changing, whilst others have failed to do so (Teece, Pisano et al. 1997). (Morgan, Vorhies et al. 2009) shared the same sentiments as (Teece, Pisano et al. 1997).

2.2.2 The Dynamic Capability View (DCV)

A number of short comings were observed when the Resources Based View (RBV) was adapted. These resulted in the adaptation of the Dynamic Capability View (Amit and Schoemaker 1993). (Amit and Schoemaker 1993), (Teece, Pisano et al. 1997) and (Makadok 2001) all agree that capabilities building in an organisation should be an alternative to the RBV. The aim should be to enhance existing resources to improve performance, and since capabilities are organisation specific and entrenched, therefore, they cannot be emulated by competitors. Several researchers ((Dutta, Narasimhan et al. 1999); (Hooley, Greenley et al. 2001); (Amit and Schoemaker 1993); (Winter 2003)) define organisation's capabilities as an ability to utilise inputs to achieve the desired outputs. (Eisenhardt and Martin 2000) suggest that while inputs (such as processes) are deployed to achieve the desired outputs, this has to be done in a strategic manner. This means that the whole process of developing and enhancing capabilities is dynamic and has to be adopted and adjusted as the environment changes.

The DCV seeks to overcome the limitations of the RBV as it outlines how resources are created and lead to competitive advantage. It also addresses the issue of how resources will adapt (integration, building and reconfiguration) to the ever-changing environment as it puts an emphasis on resource renewal and creation of new resources. ((Ambrosini and Bowman 2009); (Teece, Pisano et al. 1997); (Helfat and Peteraf 2003)) also agree that having valuable, scarce and non-substitutable resources on their own will not result in competitive advantage. Resources and their capabilities have to be dynamic and adaptive to the changing environment in which the business operates. How capabilities are classified in an organisation vary. Some organisations as per (Winter 2003) classify them in terms of levels i.e. zero level (operations of the organisation), first level (bring change) and higher level (leads to adaptation). Other organisations, as per (Hooley, Greenley et al. 2001), classify them according to individuals (skills and competencies of employees), group (departmental competencies) and corporate capabilities.

Strategic, operational and functional levels are some of the categories in which organisational capabilities can be grouped (Hooley, Greenley et al. 2001). The strategic level of an organisation is the ability of senior management to assess the environment in which the organisation operates and set future objectives. The functional level entails market intelligence (outside – in) and market response (inside –out). Operational capabilities are about making and delivering products to the customer in an effective and efficient manner (Hooley, Greenley et al. 2001).

A key source of competitive advantage for businesses who want to compete in today's market which is characterised by aggressive competition, globalisation and deregulation is generating and providing value for customers (Călin 2009). The main objective of market orientated businesses is to coordinate activities that seeks to satisfy unmet customer needs (Narver and Slater 1990). According to some leading researchers ((Narver and Slater 1990); (Jaworski and Kohli 1993); (Deshpandé, Farley et al. 1993)), market orientation is a continuous and business - wide phenomenon whereby information is gathered, disseminated and utilised in order to respond to customer needs.

Business marketing and strategic thinking abilities are influenced by a number of strategic orientations (Noble, Sinha et al. 2002). These strategic orientations guide how a business interacts with the market place i.e. customers and competitors (Noble, Sinha et al. 2002). Strategic orientation has various dimensions and they include market, product and selling orientations. Marketing orientation is based purely on the maintenance of the marketing concept i.e. price, place, promotion and product. The fundamental principle of the production orientation is that good quality products, offered at competitive prices are as a result of effective and efficient production processes. The selling orientation is based on the premise that if aggressive sales and advertising are adopted, customers will buy the products (Noble, Sinha et al. 2002).

2.3 Empirical evidence

2.3.1 Market orientation

A number of approaches to the market orientation concept exist. These include market intelligence perspective (Kohli and Jaworski, 1993), culturally-based behavioural perspective (Slater and Narver, 1990), customer relationship perspective (Baker and Sinkula 1999) and customer orientation perspective (Deshpandé, Farley et al. 1993). The four approaches focus on businesses putting more effort into understanding the needs of customers and devising means to satisfy them. They emphasise the fact that an organisation wide approach must be adopted in an endeavour to meet the needs of current and future customers. The decision-making perspective by (Shapiro 1988) is based on the view that for businesses to be market orientated, decisions must be made across functions and departments. A sense of commitment when departments take decisions must prevail. The system-based perspective (Homburg and Pflesser 2000) and market-based organisational-learning perspective (Sinkula, Baker et al. 1997) advocate a systematic approach in market orientation and that related activities must be informed by the needs of customers. This study will focus on the two most popular and widely used constructs of ((Jaworski and Kohli 1993); (Deshpandé, Farley et al. 1993); (Narver and Slater 1990)), with more focus being placed on the latter researcher's perspective.

(Slater and Narver, 1990), suggested a one dimensional construct and behavioural based perspective. Both (Jaworski and Kohli 1993) and (Narver and Slater 1990)'s perspectives have elements that are in common and the focus of both is on fulfilling customer needs. This study will operationalise the (Narver and Slater 1990) market orientation framework because it will be better suited for the data collection.

Adoption and modification of the measurement scale from (Jaworski and Kohli 1993) will be done. (Narver and Slater 1990) argue that market orientation is comprised of three dimensions i.e. customer orientation, competitor orientation and inter-functional coordination. The dimensions of market orientation are depicted in Figure 4.

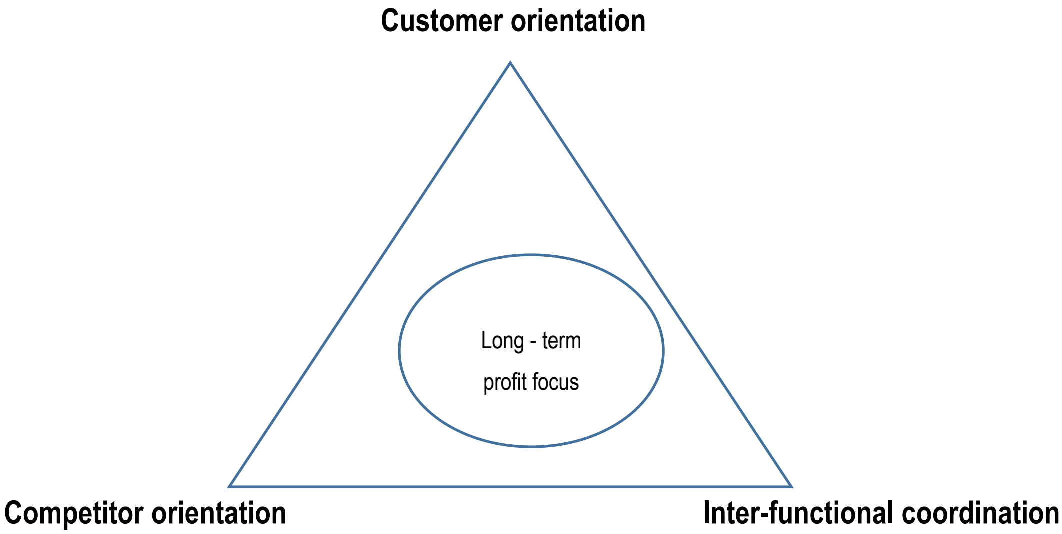

Figure 3: Dimensions of market orientation *Source: (Narver and Slater 1990)*

Studies have been conducted over the years on how business performance is affected by market orientation and the outcomes varied from researcher to researcher. Most researchers found that market orientation is positively related to business performance ((Pelham and Wilson 1996); (Slater and Narver 1994); (Siguaw, Brown et al. 1994); (Jaworski and Kohli 1993); (Narver and Slater 1990)). According to (Frösén, Luoma et al. 2016), market orientation does not guarantee high business performance and it is impossible for businesses to achieve high performance results without high market orientation. This then means that market orientation is not the only factor that determines business success, but if adopted in conjunction with other measures, better results may be attained (Frösén, Luoma et al. 2016).

2.3.2 Market orientation concept

The marketing concept has evolved over the years from the traditional sales growth approach, where marketing efforts were orientated towards a short term process of selling and advertising to a more long term market orientated approach (Webster Jr 1988). Marketing concept and market orientation have been debated by various authors and researchers over decades ((Narver and Slater 1990); (Jaworski and Kohli 1993); (Day 1995); (Cravens, Greenley et al. 1998); (Hult and Ketchen Jr 2001); (Im and Workman Jr 2004)). The underlying challenge has to do with the definition of the terms marketing orientation (business philosophy) and market orientation (implementation of the business philosophy). These terms are often confused and at times used interchangeably (Gray and Matear 1998).

According to (Jaworski and Kohli 1993), market orientation is the business's ability to generate market intelligence, disseminate that information to various departments in the organisation and then formulate a business - wide response to market needs. The three dimensions of market orientation are interrelated.

(Narver and Slater 1990) are of the opinion that market orientation is more about organisational culture that effectively creates the necessary behaviour for creating value for customers. They continued that market orientation has two components, the behavioural and decision components. The behavioural component is comprised of customer orientation, competitor orientation and inter-functional orientation. The decision component is about the long-term effects and profit making. The ultimate goals of an organisation that is market orientated is to create customer value and continued superior customer experience. Organisations that strive to create superior customer value must be competitor orientated, customer orientated and interdepartmental coordinated

(Narver and Slater 1990). Customer orientation is therefore a dimension of market orientation. (Narver and Slater 1990) major contribution was to broaden the marketing concept to include customer needs, competitor actions and strategic focus.

The definitions provided by ((Jaworski and Kohli 1993); (Noble, Sinha et al. 2002)) complemented each other. The dimension of market orientation focusing on intelligence generation encompasses customer and competition aspects of market orientation ((Jaworski and Kohli 1993); (Narver and Slater 1990)). The aspect of intelligence generation involves gathering information about customer needs and competitor activities (Jaworski and Kohli 1993).

(Noble, Sinha et al. 2002) believe that market orientation is the business capability to source information about customers, develop organisational strategies that seek to meet the needs of the customers and implement strategies such that desired responses to the needs and wants of customers are achieved.

According to (Hooley, Greenley et al. 2001), market orientation is about the implementation of the marketing concept.

(Day 1995) argues that for businesses to succeed, they must identify and fulfil customer needs more effective than their competitors. (Shengliang and Dart 1994), combined ((Narver and Slater's 1990); (Jaworski and Kohli's 1993)) definitions. The aforementioned researchers believe that long term profitability of a business can be achieved by directing and coordinating business efforts towards satisfying the needs of customers in a particular target market. This in essence, entails the implementation of the business philosophy.

To operationalise the marketing concept, market orientation relates to all business - wide principles that have an impact on organisational performance and not only the marketing department. The main aim is for an organisation to listen, understand and respond to market and competition, thereby satisfying the needs of customers and gain competitive advantage ((Jaworski and Kohli 1993); (Cravens, Greenley et al. 1998)).

The positive relationship between market orientation and business performance has been studied over a number of years. Results from research conducted internationally over a period of years indicate that market orientation and business performance are positively related ((Jaworski and Kohli 1993); (Narver and Slater 1990); (Matsuno and Mentzer 2000)). (Rodriguez Cano, Carrillat et al. 2004) reviewed studies conducted over decades on market orientation and found out that indeed, market orientation enhances business performance. The effect that market orientation has on business performance is further improved by technology advances, regional integration and globalisation. ((Hunt and Lambe 2000); (Merlo and Auh 2009)) are of the view that businesses seeking to gain competitive advantage for better and improved business performance, they must implement market orientation. The benefits of doing so are that market orientation cannot be imitated by competitors.

Concerns about the sustainability of competitive advantage once competitors adopted market orientation were raised by (Kumar, Jones et al. 2011). In an industry where most businesses are market orientated, the sustainability of the association between business performance and market orientation lessens. Sustainable competitive advantage is lost as market orientation becomes more of a preventer of failure (Kumar, Jones et al. 2011).

(Gebhardt, Carpenter et al. 2006) define market orientation as an organisation - wide culture of ensuring that value creation for customers is the focus and that profitability will be attained.

The view that sustainable competitive advantage was as a result of market orientated was challenged by (Theodosiou, Kehagias et al. 2012), since they are of the opinion that market orientation emphasises identifying and fulfilling uttered needs rather than underlying needs. Innovation driven research and development strategies should be the main drivers used to introduce products that will fulfil both expressed and latent customer needs (Theodosiou, Kehagias et al. 2012).

It is against this background that the well-known theories, namely, Resource Based View (RBV) and the Dynamic Capability View (DCV) will be explored in the way in which they explain the immediate effect of marketing resources' on business performance and market orientation association (Hooley, Greenley et al. 2001) believe that to enhance business performance, the RBV must be adopted.

2.3.3 Dimensions of market orientation

2.3.3.1 Customer orientation

(Zhen and Nakata 2007) define customer orientation as the organisation's ability to identify, analyse, understand and respond to customer needs. For it to be effective, customer orientation has to be an organisation - wide phenomenon and not a marketing department function. All customer orientation activities have to occur consistently and well. Customer orientation is a dimension of market orientation, but focuses purely on customer preferences (Zhen and Nakata 2007). The aforementioned researchers believe that a limited number of studies have been done on how business performance is affected by customer orientation. Previous studies focused more on a combined effect of all dimensions of market orientation, including customer orientation.

Superior business performance is attained when the needs of customers are clearly understood and satisfied (Zhen and Nakata 2007). They are of the view that large rewards are reaped when businesses are customer orientated. Previous research on the relationship between customer orientation and business performance has yielded mixed results (Zhen and Nakata 2007). Customer orientation and market performance were found to be directly associated and indirectly associated to financial performance (Zhen and Nakata 2007). Market performance is associated with financial performance. The relationship is sequential i.e. market performance first and then financial results (Zhen and Nakata 2007).

(Đokic, Fitzgerald et al. 2011) argue that a point of diminishing return is reached by businesses that invest on enhancing customer orientation. This might be due to the high number of personnel required to provide an enhanced level of customer service. Related to personnel is the high number of operations and marketing that has to be spent to enhance customer service. A positive relationship exists between customer orientation and market growth (Samarakoon, Jasek et al. 2012). The outcome of a research conducted by (Samarakoon, Jasek et al. 2012) highlighted that customer orientation has a positive effect on business performance.

2.3.3.2 Competitor orientation

Market orientated organisations are always concerned about the impact competitors might have on their business (Noble, Sinha et al. 2002). The aim is always to keep abreast of any developments from a competitor's point of view and come up with measures to mitigate the impact. One of the key activities suggested by (Noble, Sinha et al. 2002) is that the competitor oriented organisation will have market analysis as one of its key disciplines. They further allude that for market analysis to be useful, it has to be shared through the organisation and responses be formulated to counter competitor actions. (Day 1995) states that competitor orientated organisations should be the source of intelligence generation and dissemination. Through customer orientation, organisations should be able to tell current and future trends and provide products that seek to satisfy customer needs better than their competitors. This will result in an organisation achieving its business performance better than its competitors (Day 1995).

The organisation's ability to gather and properly distribute intelligence about competitors or competitors' actions speaks to the level of that organisation's competitor orientation (Kumar, Jones et al. 2011).

2.3.3.3 Inter-functional coordination

According to (Kanovska and Tomaskova 2016), inter-functional coordination is one of the most important aspects of market orientation. They believe that inter-functional coordination enables the implementation of market orientation. (Kanovska and Tomaskova 2016) also state that without inter-functional coordination, there will be no market orientation. The demands in the environment in which businesses operate require that there is a collaboration amongst departments. This has to be integrated to the quality of the service or product sold to customers (Kanovska and Tomaskova 2016). Inter-functional coordination serves the purpose of facilitating the required integration. The main role of inter-functional coordination in a business is to enable gathering of information, sharing of information amongst departments and coordination of responses to competitors' actions (Kanovska and Tomaskova 2016). The fulfilment of the above activities lead to an improvement in market orientation and consequently, to business performance (Kanovska and Tomaskova 2016).

(Đokic, Fitzgerald et al. 2011) argue that a point of diminishing return is reached by businesses who invest on enhancing market orientation. This might be due to excess investment needed to improve communication and technology systems. Decision making is hampered by the fact that decisions are made between departments, instead of having the function tasked to be the customer contact point responding to customer queries in a timely manner (Đokic, Fitzgerald et al. 2011). (Samarakoon, Jasek et al. 2012) argue that inter-functional coordination has a positive effect on Return on Investment (ROI). There is no significant relationship between inter-functional coordination and sales growth.

2.3.4 Marketing capabilities

A number of researchers found that business performance was not associated with market orientation ((Han, Kim et al. 1998); (Jaworski and Kohli 1993)). Researchers agree that the reason why there is no clear association is due to the fact that the relationship is too complex to study (Pelham and Wilson 1996). (Merlo and Auh 2009) argue that market orientation alone may not be enough to enhance business performance. Marketing resources are required to mediate the relationship. Marketing resources of an organisation consists of marketing assets and marketing capabilities (Merlo and Auh 2009). They echoed the findings of a study that was conducted by (Moorman and Rust 1999).

According to (Day 1995), marketing capabilities can be classified into two categories i.e. market understanding capabilities and capabilities of establishing customer relationships.

(Day 1995) is of the view that market orientated businesses require strong marketing capabilities. The strength must be evident in all marketing capabilities in order to attain superior customer satisfaction and business performance. According to (Fahy 2000), organisations are presumed to have access to a number of marketing capabilities that they can utilise to achieve strategic objectives. Some of the marketing capabilities include market orientation, the time horizon of the organisation's strategic decisions and organisational positioning capabilities. He is of the view that the first two capabilities are exhibited on a corporate level, whilst the last one is more prevalent on a business unit level. Market orientation has more to do with three underlying concepts, customer orientation, competitor orientation and inter-functional coordination. The time horizon of the organisation's strategic decision-making is more about marketing management culture (values and beliefs) and how these impact on the marketing management decision undertaken. One of the key elements of marketing activity is the ability of an organisation to defend its position (Fahy 2000). Although a variety of positions have to be defended by the organisation in the marketplace, differentiation based on price (product or service) and quality should be the focus area.

(Hooley, Greenley et al. 2001) further state that marketing capabilities can be classified into three categories i.e. strategic marketing capabilities (market segmentation and market positioning), inter-functional marketing capabilities (competences to develop new products / services and customer relationship management) and operational marketing capabilities (capabilities meant to ensure implementation of the marketing strategy).

Research conducted by (Vorhies and Morgan 2005) found that evidence of a positive relationship between market capabilities and business performance exists. They argue that marketing capabilities are interdependent and as such, inimitable, hence they are a source of competitive advantage. When managers are faced with a decision of allocating capability improvement resources, they must look at the overall impact of capabilities to business performance and not invest in individual capabilities (Vorhies and Morgan 2005). (Zhen and Nakata 2007) are of the view that marketing capabilities facilitate the business effort of intelligence generation and response, thereby resulting in products and services that best meets customer needs. Businesses transform resources into valuable outputs through marketing routines (i.e. marketing mix activities).

(Morgan, Vorhies et al. 2009) believe that marketing capabilities can be classified into a number of dimensions, such as, the ability of a business to create marketing strategies and implement respective programs, ability to gather and manage market information and marketing planning. The marketing mix (product, place, promotion and price or sales) forms an integral part of marketing capabilities. Knowledge and resources that a business possesses relating to the marketing mix may also be referred to as marketing resources (Morgan, Vorhies et al. 2009). Marketing capabilities have a direct link with both the objective and subjective measures of business performance (Morgan, Vorhies et al. 2009).

Business performance varies from business to business, and the variation might be attributed to the fact that businesses allocate resources differently from each other. Resources differ in value, availability, possibility of substitution and imitation by competitors (Morgan, Vorhies et al. 2009). How the resources are deployed over time serves as an indication of the business's dynamic market environment. Deployment of marketing resources has an effect on market share growth and profitability. Marketing capabilities and marketing resources complement each other and it is this complementarity that results in business performance advantage (Morgan, Vorhies et al. 2009).

Strategic marketing enables businesses to achieve and retain their competitive advantage. One of the enablers for the achievement of competitive advantage is through marketing capabilities (Bodea 2016). The main goal of marketing capabilities is to identify and coordinate business response to changes in the market (Bodea 2016). The business and the market evolves together. Marketing capabilities provides businesses with a solution in how they can manage and coordinate products and resources and respective investment choices that have to be made (Bodea 2016). For businesses to remain competitive, they must strike the balance between exploring new opportunities, resource allocation and business renewal. Marketing capabilities are unique for each business and they are difficult to copy, hence utilised to defend competitive advantage. Through the use of marketing capabilities in monitoring customer needs, external forces that may have a negative or positive effect on the business can be averted (Bodea 2016). Although marketing capabilities and resources (product, distribution and sales or price) have a positive effect on business performance, other environmental factors might mediate capabilities and performance relationship (Bodea 2016).

2.3.5 Gaining and sustaining competitive advantage

A key source of ensuring that any business achieves superior performance is sustainable competitive advantage (Slater and Narver 1994). According to (Porter 1985) any organisation that seeks to achieve and sustain a competitive advantage, must do so by choosing one or a combination of the three generic competitive strategies, rather than being stuck in the middle. (Porter 1985) believes that for businesses to be able to implement the chosen strategy, a combination of strategic insight and allocation of resources is required.

(Morgan, Clark et al. 2002) are of the view that unless businesses put more effort into researching the Resource Based View (RBV) of the organisation, sources of competitive advantage in marketing performance will not be known. The business focus on delivering superior value to the customer has resulted in the shift in terms of organisational characteristics to organisational competencies (Slater and Narver 1994). Internal capabilities of an organisation are defined by the resource availability and allocation for the implementation of strategies that seek to attain competitive advantage. Organisational capabilities are the main cornerstone for any organisation to achieve effect strategy implementation (Proctor 2000).

(Barney 1991) is of the view that competitive advantage cannot be bought in the market place. Resources to result in sustainable competitive advantage, they have to be valuable, non-substitutable, scarce and not imitable. The heterogeneous nature of the conditions that the resources have to fulfil make them a key source of sustainable competitive advantage (Barney 1991). Sustainable customer relationships are some of the advantages that an organisation can enjoy which are not easily copied and understood by competitors (Day 2011). Sustainable competitive advantage and superior business performance is attained by organisations who are market orientated (Hunt and Lambe 2000).

Competitive advantage attained through organisational capabilities can also be enhanced by utilising the Porter five forces model, such as raise barriers of entry, differentiation (new products and patent technologies) and cost (pricing and economies of scale) focus (Porter 1985). The link between resources, strategies, implementation and performance is argued to be made possible by the competitive position of an organisation (Hooley, Greenley et al. 2001). The area of interest for our study is how the organisation can gain competitive advantage and its impact of business performance.

2.3.6 Measurement of performance

2.3.6.1 Marketing and financial performance measurement

Measuring business performance poses a number of challenges, and some of the challenges are that it is difficult to compare financial performance, sales growth and market share of businesses operating in different markets, using different sets of accounting standards and that have defined their markets differently (Fahy 2000). Due to the fact that business performance measures used have strengths and weaknesses, businesses have moved from using financial measurements only and instead have also included other variables such as quality, innovation, customer satisfaction and manufacturing effectiveness (Fahy 2000). (Fahy 2000) advocates that profitability should be used as a measure for business performance. Profitability is easily understood as an objective to be achieved and also as a mechanism of accessing performance, but still, other measurements (financial and nonfinancial) must also be taken into consideration.

Several researchers ((Brady and Cronin 2001); (Homburg and Pflesser 2000); (Morgan and Piercy 1998)) argue that subjective performance tools are best suited to describe the marketing and financial dimensions of performance. The aforementioned researchers believe that subjective measures of performance are closely related to objective ones. The main advantage of subjective measures is that managers are not obliged to reveal actual performance data.

Business performance is multi-dimensional in nature, therefore, it is always advisable to combine the two dimensions of performance, such as market performance and financial performance (Samarakoon, Jasek et al. 2012). Subjective measures of performance are preferable compared to objective ones. The reason is that at times, participants are either not well-versed in the financial data of the business or confidentiality of providing such information may be compromised (Samarakoon, Jasek et al. 2012). (Morgan 2004) is of the view that businesses with entrenched customer's value as a result of market orientation achieve their performance objectives better than their competitors. (Jaworski and Kohli 1993) find that a positive link between market orientation and performance is better found when a judgmental assessment is used as a dependent measure, but not when using an objective measure such as market share is used. Research conducted by (Pelham and Wilson 1996) found significant results when using a relative subjective performance assessment. They believe that businesses that view themselves as being perceptive regarding customers and competitors might overstate their performance. (Jaworski and Kohli 1993) argue that a positive link between market orientation and performance is better found when a subjective assessment is used as a dependent measure, but not when using an objective one.

(Narver and Slater 1990) found that marketing orientation is more positively related to sales growth than return on investment and found that market orientation has a positive relationship with return on assets, product success and relative product quality. (Noble, Sinha et al. 2002) argue that various methodologies, context and measures of market orientation have been done to measure the relationship between market orientation and business performance. Elements of organisational performance where a positive relationship was found between market orientation and performance included marketing effectiveness, sales growth, market share and profitability. (Noble, Sinha et al. 2002) believe that judgement and perception play a significant role in market orientation research, and as such, they are important considerations.

According to (Noble, Sinha et al. 2002), all the studies that have been conducted by other researchers with regards to the fundamental link between market orientation and performance are yet to be fully explored and supported. The aforementioned propose that in order for knowledge to be advanced in the market orientation – performance field, a longitudinal approach must be adopted. The market orientation paradigm must be disaggregated and that both the related factors and alternative strategic orientations must be included in one single study. They believe that because of the fact that market orientation has a cultural aspect, its development may take time to emerge. The disaggregating aspect can be better achieved both methodologically and theoretically. With regards to the research design and interpretation of findings, the disaggregating concept allows better control of errors that may influence the measurement attempts (Noble, Sinha et al. 2002).

2.3.6.2 Contribution of performance studies

Business managers are often faced with the formulation and collection of a wide range of data on performance metrics and yet some of them do not have an idea of what to do with the information. This then renders the whole exercise futile if the information cannot be used to improve both marketing activities and performance results (Morgan, Clark et al. 2002). If used effectively, a lot can be deduced about the performance of the business based on performance metrics. The outcome of the study should enable business managers to assess their respective organisational performance compared to that of competitors and how well they are achieving both medium and long term goals. It will also enable them to formulate and implement future strategies to boost business performance. Two critical issues are whether the performance results are used by senior management to improve business sustainability and also whether they are comparing their results to major competitors (Morgan, Clark et al. 2002).

The aforementioned researchers state that performance measurements need to be in place for businesses to assess whether they are growing and sustainable, and measures should take into consideration the environment in which the business operates and the characteristics of the business.

2.4 Conceptual model development

2.4.1 Conceptual model

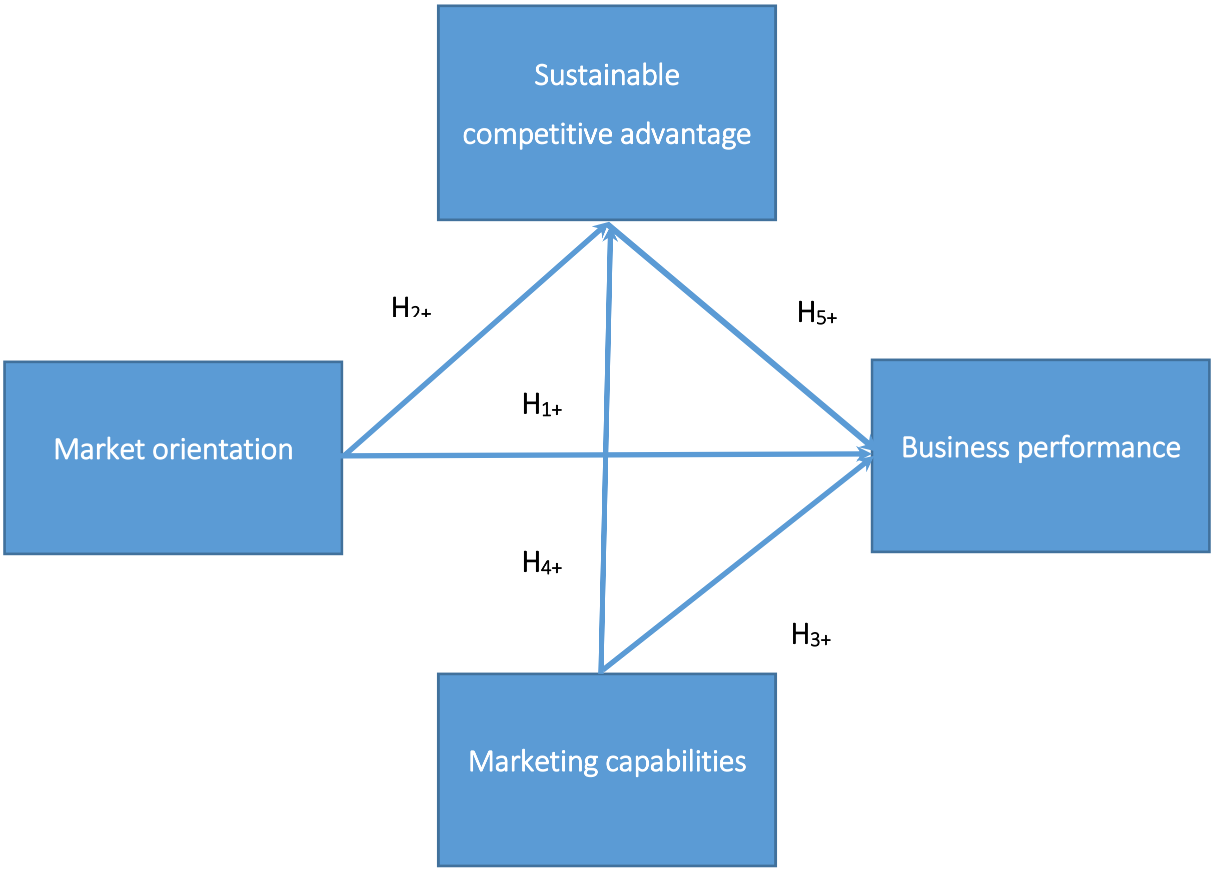

Figure 4: Conceptual model - Market orientation, sustainable competitive advantage, marketing capabilities and business performance

Source: Adapted from (Jaworski and Kohli 1993); (Narver and Slater 1990); (Morgan, Vorhies et al. 2009); (Deshpandé, Farley et al. 1993); (Hooley and Greenley 2005) and (Jaakkola, Möller et al. 2010).

2.4.2 The relationship between market orientation and business performance

Several researchers ((Narver and Slater 1990); (Jaworski and Kohli 1993)) are viewed as the pioneers of the studies of the effect market orientation has on business performance. Their studies were conducted on various businesses in Europe, targeting Strategic Business Units (SBU). The outcome of their studies suggests that market orientation is positively related to business performance. They also found that businesses that are highly market orientated have better customer satisfaction compared to their major competitors (Jaworski and Kohli 1993).

A number of studies have been conducted by various researchers to better understand market orientation and business performance relationship ((Deshpandé, Farley et al. 1993); (Morgan, Vorhies et al. 2009); (Bodea 2016)), and the outcome of their studies suggest that business performance is affected by market orientation.

Even though businesses may be operating in the same environment, having the same number of resources and applicable strategies to capture the market, their performance results may not be the same. A number of things affect business performance. Some of them include organisational culture, competition intensity, technology and market turbulence (Jaworski and Kohli 1993). Turbulence of the environment in which an organisation operates affects the manner in which it responds to customer needs and wants and thereby its market orientation (Jaworski and Kohli 1993). Organisations that operate in a more turbulent environment have to constantly scan the market for trends and opportunities, and develop products that seek to fulfil those needs. These organisation tend to be more market orientated. Organisations that operate in a more stable environment tend to be less market orientated as they are less required to adapt to changing customer preferences. This then means that market orientation in a turbulent environment will be more likely related to strong performance (Jaworski and Kohli 1993).

In an environment where there is no competition, organisations tend to be less market orientated as customers are obliged to buy from them (Jaworski and Kohli 1993). If the competition is prevalent, customers have alternatives in terms of where they can buy products. In a competitive environment, organisations tend to be more market orientated as they cannot afford to lose customers to their rivals. Market orientation becomes the more determining factor for performance (Jaworski and Kohli 1993).

All studies conducted on market orientation and business performance relationship adapted the measurement scales developed by ((Narver and Slater 1990); (Jaworski and Kohli 1993)) with the inclusion of the marketing capabilities element as proposed by ((Morgan, Vorhies et al. 2009); (Jaakkola, Möller et al. 2010); (Vorhies and Morgan 2005)). (Hooley, Greenley et al. 2001) are of the view that market orientation dimensions are interdependent.

2.4.3 The relationship between market orientation and sustainable competitive advantage

Effective formulation and implementation of market orientation strategies enable an organisation to gain competitive advantage, and the needs and wants of customers are better satisfied by organisations through market orientation. Organisations are able to develop future products as a result of customer orientation efforts and initiatives. Competitors' actions are better understood well in advance through market orientation efforts. Departments then coordinate their efforts to mitigate the impact the competitors' actions might have on their business competitive advantage and therefore business performance. Understanding customer needs, intelligently gathering competitors' actions and using department skills and expertise to develop a response that meets and exceeds customer expectations is the main reason why organisations gain and sustain competitive advantage.

2.4.4 The relationship between marketing capabilities and business performance

(Hunt and Lambe 2000) proposed that not all businesses who are market orientated achieve the same performance results. Some businesses outperform others, even though both organisations are highly market orientated. The aforementioned suggested that the businesses' marketing capabilities and the allocation thereof are the main reasons for the difference in performance results. Marketing capabilities are the main sources of competitive advantage and if allocated appropriately, they lead to superior business performance (Hunt and Lambe 2000).

Several researchers ((Deshpandé, Farley et al. 1993); (Morgan, Vorhies et al. 2009)) argued that the relationship between market orientation and business performance is stronger if mediated by marketing capabilities compared to a direct one. (Hooley and Greenley 2005) findings were echoed in the study conducted by (Bodea 2016) whereby marketing capabilities were found to mediate the market orientation and business performance relationship.

2.4.5 The relationship between marketing capabilities and sustainable competitive advantage

Marketing capabilities are the unique set of resources that an organisation has in order to fulfil its business obligations. Allocation and optimal usage of marketing capabilities result in an organisation gaining a competitive advantage compared to its competitors.

Because marketing capabilities are unique, they cannot be imitated or copied by competitors. They are the main source of competitive advantage of an organisation. Once an organisation has gained competitive advantage, the challenge is always in sustaining it. (Hooley, Greenley et al. 2001) believe that marketing capabilities renewal is the key in sustaining competitive advantage. Organisations must constantly scan the environment to establish trends and threats that may affect their competitive advantage and utilise their marketing capabilities to develop means and ways in which they can mitigate the impact.

2.4.6 The relationship between sustainable competitive advantage and business performance

Businesses strive to gain competitive advantage through market orientation. In an environment where alternatives to gain competitive advantage exist, such as technology, the importance of market orientation might be diminished, but not eliminated (Jaworski and Kohli 1993). Businesses which operate in a turbulent technological environment tend to use technology to gain competitive advantage. They tend to be less market orientated, but instead be more technology focused (Jaworski and Kohli 1993). Businesses that operate in a stable technological environment are less likely to use technology to gain competitive advantage, but rather rely on market orientation (Jaworski and Kohli 1993).

Competitive advantage is what differentiates one business from another. Competitive advantage enables an organisation to capture market share better than its competitors and thereby achieve better performance. It is the responsibility of business managers to ensure that they understand their business's source of competitive advantage and how to take advantage of this in order to achieve better business performance results.

2.5 The impact of environmental factors on business performance

According to the study conducted by (Slater and Narver 1994), very little evidence was found that suggests that environmental factors have an effect on the relationship between market orientation and performance or on the different market orientation dimensions. They are of the opinion that, it would be futile for any organisation to adjust market orientation to match market conditions (Slater and Narver 1994). (Slater and Narver 1994) suggest that it is better for an organisation to strive to be market orientated whilst the environment is still unsparing, than to wait until it is hostile. It is with this reason that marketing resources allocation must be done taking into consideration the effect that the business environment might have on business performance (Day 1995).

2.6 Hypotheses development and formulation

Several researchers ((Day 1995); (Pelham and Wilson 1996); (Hunt and Lambe 2000); (Morgan 2004); (Noble, Sinha et al. 2002); (Kanovska and Tomaskova 2012); (Morgan 2012); (Samarakoon, Jasek et al. 2012)) have all supported the findings of the studies conducted by (Narver and Slater 1990), namely, that market orientation is positively related to business performance. (Hunt and Lambe 2000) argue that even if moderating factors may be present, they do not change the existence of the relationship between market orientation and business performance.

The competitive advantage dynamic on business performance and market orientation relationship was highlighted by the studies conducted by several researchers, namely, ((Fahy 2000); (Noble, Sinha et al. 2002)). The aforementioned are of the view that businesses who are market orientated have a competitive advantage that competitors may find it difficult to match or imitate. They are also of the opinion that market orientation maybe viewed as an input source of competitive advantage.

The following hypotheses are developed:

H1: Market orientation is positively related to business performance

H2: Market orientation is positively related to sustainable competitive advantage.

Better allocation and utilisation of organisational resources result in a sustainable competitive advantage (Barney 1991). Marketing capabilities in businesses vary and because they are developed internally, competitors are unable to imitate them. Resource allocation and utilisation is argued to be one of the main reasons businesses achieve higher profit margins and gain substantial market share (Varadarajan 2010). The argument is also supported by (Day 1995).

Several researchers ((Hooley and Greenley 2005); (Vorhies and Morgan 2005)) found that a positive relationship exists between marketing capabilities and sustainable competitive advantage. They also found that a positive relationship exists between marketing capabilities and business performance. Their findings were also supported by the study conducted by (Bodea 2016).

The following hypotheses are developed:

H3: Marketing capabilities are positively related to business performance.

H4: Marketing capabilities are positively related to sustainable competitive advantage.

(Fahy 2000) and (Hooley, Greenley et al. 2001) are of the opinion that sustainable competitive advantage is gained by businesses who attain above average returns. Sustainable competitive advantage is as a result of better organisational resources allocation and utilisation, competitors may not be able to imitate it. This will result in the business enjoying superior performance. (Hunt and Lambe 2000) also states that the competitive advantage is the reason why businesses that are highly market orientated achieve different results.

The following hypothesis is developed:

H5: Sustainable competitive advantage is positively related to business performance.

2.7 CONCLUSION

Key findings from the literature review suggest that market orientation has an effect on business performance. The fact that businesses differ in terms of their performance may be attributed to the effect that marketing capabilities have on the relationship between market orientation and business performance. Businesses that seek to better understand how business performance is affected by market orientation need to use both objective and subjective measures of performance. The following hypotheses were formulated based on literature review:

H1: Market orientation is positively related to business performance.

H2: Market orientation is positively related to sustainable competitive advantage.

H3: Marketing capabilities are positively related to business performance.

H4: Marketing capabilities are positively related to sustainable competitive advantage.

H5: Sustainable competitive advantage is positively related to business performance.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

The purpose of this chapter is to outline the methodology followed when the research study was conducted. Research paradigm and strategy and design were outlined. Research population and how a sample was taken, including sampling method was highlighted. How the data was collected and analysed was covered in this chapter. Issues of validity, reliability, ethics and limitations of the study were key considerations when the study was undertaken.

3.2 Research paradigm

According to (Collis and Hussey 2003), the research paradigm can be described as a worldwide, academic and scientific acceptable context in which researches are conducted. (Collis and Hussey 2003) are of the view that there are two research paradigms. Positivist and phenomenological paradigms are the two most used models. (Collis and Hussey 2003) also believe that other names such as quantitative and qualitative research paradigms are used by other authors. For the purpose of the study, a quantitative research paradigm was used. The quantitative research approach was chosen because the researcher was aiming to gather objective and precise facts about how business performance is affected by market orientation from participants. (Bryman 2012) states that quantitative paradigm can be interpreted as a methodology which is deductive in nature and more focused on the quantification of data and analysis thereof. Quantitative research method is concerned with the objective measure of data for trends and behaviours in a structured manner. Data collected is analysed using various statistical methods. In a research where the aim is to establish whether variables are related, a quantitative research method is the most preferred (Bryman 2012). One of the shortcomings of quantitative research method is that it does not uncover reasons and motivation why trends and behaviours exist (Goertzen 2017).

Business performance, market orientation, marketing capabilities and sustainable competitive advantage were the four latent variables under study.

3.3 Research strategy and design

When choosing an appropriate research design and strategy, due consideration must be taken with regards to the concepts being studied, dimensions and indicators to be measured. The aim is to ensure that data is collected in a systematic matter for both the dimensions and indicators under study (Bryman 2012). Quantitative, qualitative and mixed methods are the three mostly used research strategies (Bryman 2012). For the purpose of the current study, a quantitative research strategy was adopted. The intention of the study was to assess the effect of market orientation on business performance. The study also sought to understand the relationship between marketing capabilities, sustainable competitive advantage and business performance.

The manner in which data is collected and analysed is informed by the framework provided by the research design. According to (Bryman 2012), research designs can be categorised into five types. The five types of designs are case study, longitudinal study, cross sectional, experimental and comparative (Bryman 2012). The cross sectional study design was chosen for the purpose of the research. The cross sectional study design afforded the researcher an opportunity to collect data that could be quantified, at a single point in time and used to analyse more than one cases (Bryman 2012). Data collected was then utilised to establish patterns and relations between variables understudy. The data was collected from 15 January 2018 until 2 February 2018. Data collected was then quantified and analysed using Structural Equation Model (SEM) to establish relationships between market orientation, marketing capabilities, sustainable competitive advantage and business performance. Cross sectional designs are cost effective and are conducted concurrently (Collis and Hussey 2003).

3.4 Population and sample

3.4.1 Population

(Collis and Hussey 2003) states that, when a researcher plan to conduct a study, due considerations must be taken with regards to the population in which the study is to be under taken. A population can be explained as a collection of items, people or other objects in which the researcher aims to fulfil the purpose of the study. For the purpose of the current study, the population included all sales and marketing personnel who were employed by companies who are members of the Steel and Engineering Industries federation of South Africa (SEIFSA).

The focus was on Executives, Senior and Middle managers who were tasked with sales and marketing responsibilities. The population also included independent Ferro Alloys producers who used to be the members of SEIFSA. According to (Chibanguza 2017), SEIFSA has a total of forty (40) members, comprising of ten (10) companies from Iron and Steel Association, eleven (11) members of which are from the Non Ferrous Association and nineteen (19) members from the Metal service centres. There are twenty three (23) independent Ferro alloys producers and some of these are subsidiaries of well established companies such as Samancor (Basson, Curr et al. 2016). The population for the study was comprised of sixty three (63) companies.

3.4.2 Sample and sampling method

Sampling is a procedure and process in which a group selected from the population and deemed to be the representative of all items and objects who make up the population

(Zikmund 2003). Sample selection error is the most sampling challenge experienced by researchers (Zikmund 2003). Sample selection errors affect the outcome of the results and therefore the generalisation of the study to the entire population. (Zikmund 2003) is of the opinion that sample selection errors can be minimised by the sample size. The larger is the sample size, the smaller are sample selection errors. Sample size depends on the size of the population and if a correct sampling method is chosen, sample selection errors can be minimised even when a small sample is chosen (Zikmund 2003).

According to several researchers, namely, ((Zikmund 2003); (Collis and Hussey 2003); (Bryman 2012)), there are three well known sampling methods. They are simple random sampling, stratified sampling and systematic sampling. These are also referred to as probability sampling approaches. The process whereby each unit of the population has an equal chances of being selected for a study when chosen in a random matter is referred to a probability sampling (Bryman 2012). The aforementioned is of the opinion that non-probability sampling approaches also exist. For the purpose of the current study, probability sampling method was chosen.

The size of the population for this study was small for one to conduct a Structural Equation Model analysis (SEM), thus the entire population of the members of the Steel and Engineering Industries Federation of South and Independent Ferro alloys producers was used as a sample. This was done in order to minimise sample and sampling errors (Collis and Hussey 2003); (Zikmund 2003) and (Bryman 2012). The sample of the study was made of sixty three companies.

3.5 Research instrument

A questionnaire which was adapted from those developed and used by ((Jaworski and Kohli 1993); (Narver and Slater 1990); (Morgan, Vorhies et al. 2009), (Jaakkola, Möller et al. 2010); (Hooley and Greenley 2005)) was used in this study. Questionnaires developed by ((Jaworski and Kohli 1993); (Narver and Slater 1990); (Morgan, Vorhies et al. 2009); (Jaakkola, Möller et al. 2010); (Hooley and Greenley 2005)) have been used successfully in previous studies.

The study aimed to empirically test four constructs namely, market orientation, business performance, marketing capabilities and sustainable competitive advantage. The four constructs were made up of two exogenous variables and two endogenous variables. Exogenous variables are variables whose outcome if independent from other variables in the system (Collis and Hussey 2003). The current study had two exogenous variables namely, market orientation and marketing capabilities. Endogenous variables are variables whose outcome is dependent and explained by other variables in the system (Collis and Hussey 2003) and (Bryman 2012). The current study had two endogenous variables namely, sustainable competitive advantage and business performance.

The questionnaire comprised of five sections. Section A required respondents to fill in their background information and that of the business they were representing. Section B covered the three dimensions of market orientation (customer orientation, competitor orientation and inter-functional coordination) as adapted from (Jaworski and Kohli 1993) and (Jaakkola, Möller et al. 2010) measurement scales. A five point Likert scale was used, ranging from strongly disagree to strongly agree. A total of fourteen items were used for section B.

Section C comprised of eight items formulated to assess marketing capabilities. Respondents were required to rank items in comparison to their major competitors on a five point Likert scale. The scale ranged from strongly disagree to strongly agree. The measurement scale was adapted from (Hooley and Greenley 2005) and (Jaakkola, Möller et al. 2010). Section D comprised of nine items pertaining to sustainable competitive advantage. The measurement scale used was adapted from (Vorhies and Morgan 2005) and (Jaakkola, Möller et al. 2010). Respondents were required to rank items in comparison to their major competitors on a five point Likert scale. The scale ranged from strongly disagree to strongly agree.

The last section, section E comprised of seven items formulated to assess business performance. Respondents were required to rank items in comparison to their major competitors on a five point Likert scale. The scale ranged from much worse than competitors to much better than competitors. The measurement scale was adapted from (Hooley and Greenley 2005); (Vorhies and Morgan 2005); (Jaakkola, Möller et al. 2010) and (Jaworski and Kohli 1993).

Due to the fact that participants were comparing their company performance to that of competitors, it might have happened that they overstated their company performance. Overstating of company performance might result in false correlation of the relationship between market orientation and business performance. The same can also be said for marketing capabilities, sustainable competitive advantage and business performance. . This might be a shortcoming of the chosen research instrument.

3.6 Procedure for data collection

A letter seeking authority to conduct research on SEIFSA members was sent to the CEO of the company for approval and authorisation. When approval was granted, a survey and accompanying documents explaining the purpose of the research and non-disclose assurance letter from WBS were sent to SEIFSA so that they can be distributed to member participants. The survey and supporting documents was sent to participants via an email from SEIFSA personnel. A link to the survey was created and also distributed via LinkedIn, a professional networking site for the business community (LinkedIn Corporation 2017).

The aim was to collect data from independent Ferro alloy producers and also other members of the metal industry (within the study area of interest). E-mails were sent to executive, senior and middle sales / marketing managers of various independent Ferro alloy producers for distribution within their respective companies.

3.7 Data analysis and interpretation

The main objective of data analysis is to reduce large quantity of data into meaningful information (Bryman 2012). Data analysis is conducted identify trends and behaviours in the constructs / variables under study. A deduction is then made of the implications of the results to the total population (Babbie 2015).

The quantitative research method provided guidelines on the tools to be utilised for the analysis of data. A Structural Equation Model (SEM) was deemed appropriate for current study and it was used for data analysis. One of the key function of the SEM is the measure of association of multi variables (Suhr 2006). SEM has the ability to validate casual association of variables. Factor and regression analysis equation modelling are the key functionalities of SEM (Suhr 2006).

Structural Equation Modelling was deemed to be the appropriate model to use for the study since it sought to test the relationship between four constructs i.e. market orientation, marketing capabilities, sustainable competitive advantage and business performance.

Some of the key features of Structural Equation Modelling include the ability to analyse goodness of fit and overall fit (Kline 2011). Simultaneous assessment of mediator and other indicators also one of the features of SEM. Association amongst mediator variables is better analysed by using SEM (Kline 2011). Analysis of individual and combined coefficiencies is also possible when SEM is conducted (Kline 2011).

Testing for measurement reliability and validity was conducted during the first stage of Structural Equation Modelling. In the first stage of SEM. Confirmatory Factor Analysis (CFA) was conducted. The second stage of SEM entails path modelling. Path modelling is concerned with measuring the significance of an association between variables by make use of probability values.
The outcome of reliability and validity analysis conducted for the current study is outlined in chapter four.

3.8 Validity and reliability

3.8.1 Validity

The ability of a researcher to be able to generalise the outcomes of a current study beyond the framework (metal industry) is termed external validity (Bryman 2012). The objective of the current study is to ensure that research outcomes can be replicated in other researches of similar nature. The results of the current study cannot be assumed to be general on businesses belonging to different industries or sectors. Internal validity issues have to be addressed in cases where a causal relationship exists between multi variables (Bryman 2012).

The measure has to measure what is meant to and thereby deemed valid (Bryman 2012). Reliability plays an important part to validity even though it is not an adequate (Bryman 2012) and (Collis and Hussey 2003). The literature was used as a basis to ensure content validity. To test for convergent validity of the measuring instrument, a Confirmatory Factor

Analysis (CFA) was conducted. A loading factor of 0.5 / higher is a good indication of convergent validity (Kassie 2015) and (Kline 2011).

Both convergent and discriminant validity was conducted as suggested by (Bryman 2012). Items correlation values and Average Variance Extracted (AVE) were used as the basis for the analysis. Studies conducted in Europe and Africa relating to the effect of market orientation on business performance were used as a guideline to enhance the validity of the research data.

3.8.2 Reliability

Reliable results are obtained when the measuring instrument produces consistent outcome. Consistency and dependability are the main reasons why reliability tests are conducted to ensure data quality (Collis and Hussey 2003). Before other tests were conducted for validity, the reliability of the data was checked. This was done to ensure that the results were free of errors and therefore consistency was assured (Collis and Hussey 2003).

There are three main areas that need to be addressed when dealing with consistency of a measure (Collis and Hussey 2003). These are internal reliability, stability and inter-observer consistency. One of the most preferred way of measuring internal consistency is assessing Cronbach Alpha of the items (Bryman 2012). A measurement scale is considered to be reliable if Cronbach Alpha is more or equal to 0.5 (Bryman 2012). Reliability was checked by assessing a Composite Reliability Index using in Smart PLS procedure. Internal validity is considered to be good if the Composite Reliability Index is more or equal to 0.70 (Bryman 2012).

3.9 Ethical considerations

When the research study was conducted, certain ethical issues were taken into consideration. Ethical issues considered were pertaining to the rights, privacy and expectations of participants (Zikmund 2003). (Bryman 2012) believe that when a research is conducted, ethical issues revolve around four principles. The four principles are harm to participants, invasion to privacy, deception and lack of informed consent (Bryman 2012). For the purpose of the current study, issue of harm was addressed by ensuring that individual participant's responses were anonymous and that records were kept in a safe manner.

The covering letter which was sent together with the survey requested participants to give consent to participate in the research study. (Bryman 2012) and (Collis and Hussey 2003) are adamant that participants anonymity and confidentiality are the two most ethical issues a researcher must not compromise. The participants were informed of their right to privacy and the fact that they may choose not to complete the survey. Participants were also guaranteed that information provided was going to be treated confidentially.

3.10 Limitations of the study

Market orientation is a phenomenon achieved overtime, and when the study was conducted, not all companies within the metal industry might have embraced market orientation. This might have a negative impact in how they view and assess their respective companies' market orientation maturity. The study was also conducted for a short period of time (three weeks) and this might have either a positive / a negative effect on the study. Positive in the sense that participants from companies where there was no regard for market orientation are now left with a task of exploring the phenomenon. Negative in the sense that not all companies who were willing to participant in the study had an opportunity to do as they might have been preoccupied by other business related issues during the time the research was conducted.

The manufacturing sector is comprised of a number of industries and the metal industry is one of them. Due to the fact that the study was conducted with only members of the metal industry, the outcome of the research cannot be generalised to other industries within the manufacturing sector. Certain factors not present in the metal industry might prevail in other industries within the manufacturing sector and have an impact on the outcome of the research.

The other limitation of the study is the size of the population. The population for the study might be small to conduct other statistical analysis.

CHAPTER 4: PRESENTATION AND DISCUSSION OF RESULTS

4.1 Introduction

The main objective of this chapter is to address issues pertaining to data analysis and interpretation in detail. Initial focus in this chapter is on descriptive statistics. This is then followed by reliability and validity analysis. In order to assess the association of variables under study, the Structural Equation Model (SEM) was discussed in detail. The chapter ends by summarising the outcome of the hypotheses as outlined in chapter three.

4.2 Descriptive analysis

The key objective of performing descriptive statistics is for the researcher to be able to gather and summarise information about respondents profiles based on a set of predetermined questions (Kline 2011). For the purpose of this study, Smart PLS was used for data analysis. A questionnaire was used as a measuring instrument to collect data. A copy of the questionnaire used for the current study is attached (Annexure A). The population for the study comprised of sixty three (63) companies operating within the metal industry in South Africa, and of these, forty seven (47) completed the questionnaire and this resulted in a response rate of 74.6 percent.

Data presented below relates to the four variables under consideration. The first four graphs depict the background information about the participants and the businesses their work for. Marketing capabilities, sustainable advantage and business performance graphs follow respectively. Market orientation frequency table is also presented.

4.2.1 Background information

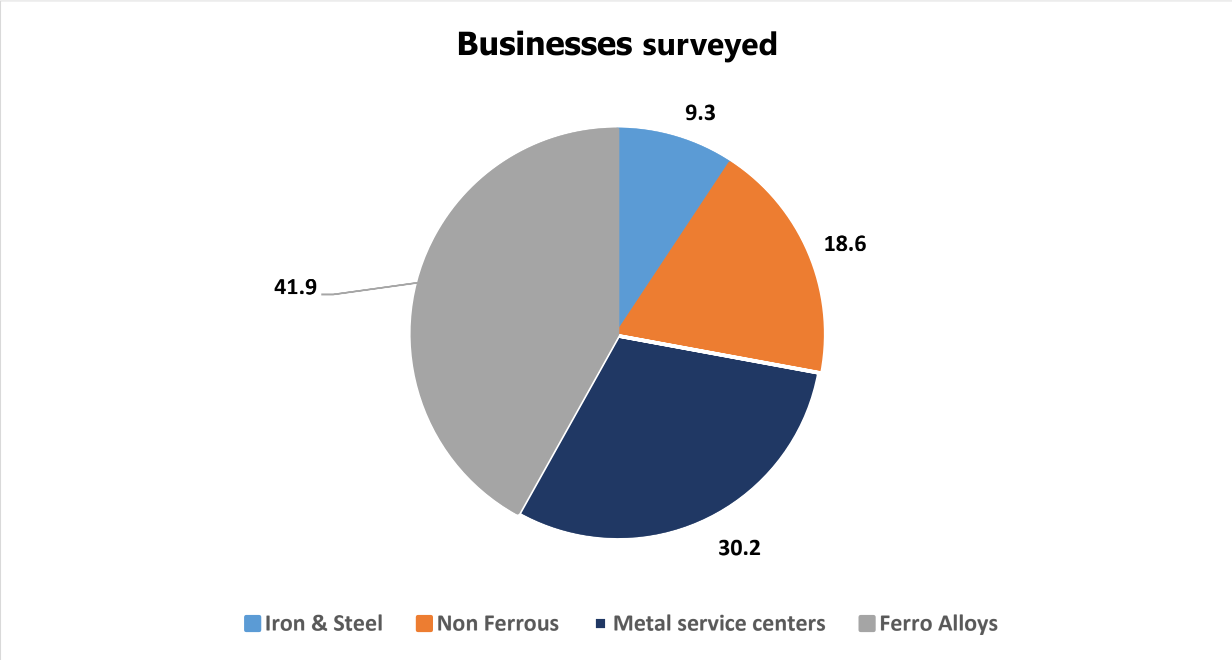

Figure 5: Businesses surveyed

As depicted in Figure 5, the majority (41.9%) of the participants surveyed were working for businesses supplying Ferro Alloys products. 30.2% of the participants were from businesses supplying Metal service centres. 18.6 % and 9.3 % of participants were from businesses operating within the Non Ferrous and Iron and Steel respectively.

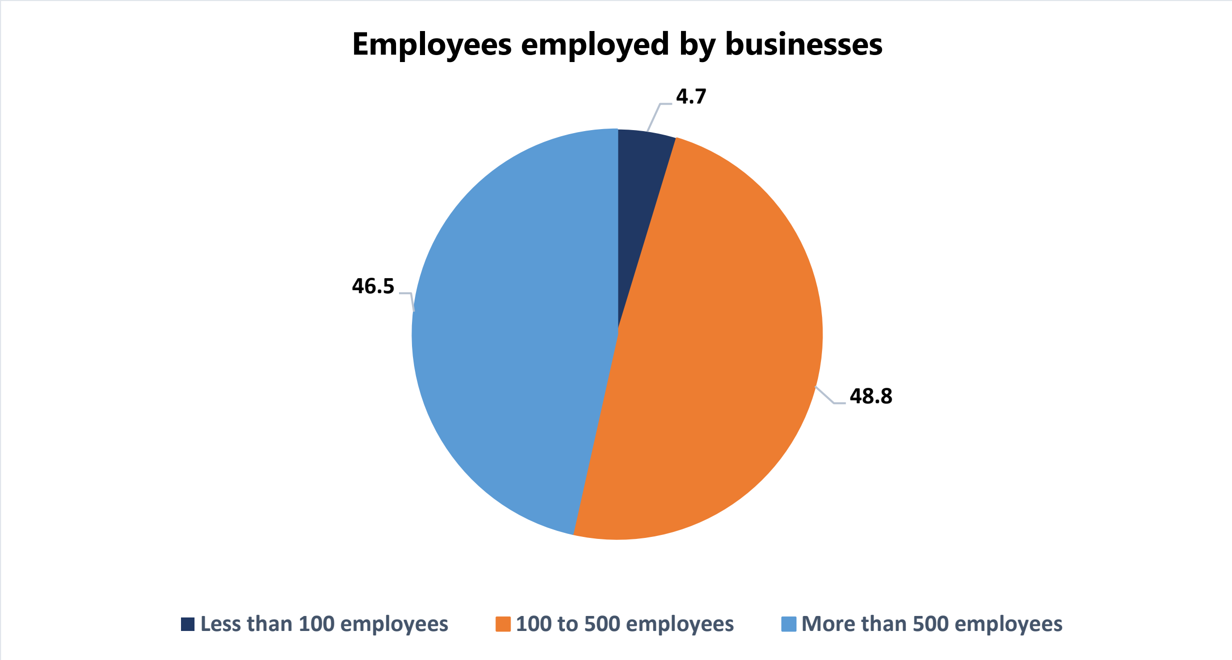

Figure 6: Employees employed by businesses

The frequency distribution of the number of employees employed by different businesses is presented in Figure 6. It can be seen that 48.8% of the 63 companies surveyed employed between 100 and 500 employees. Businesses employing more than 500 employees were represented by 46.5% of the participants. 4.7% of businesses employed less than 100 employees.

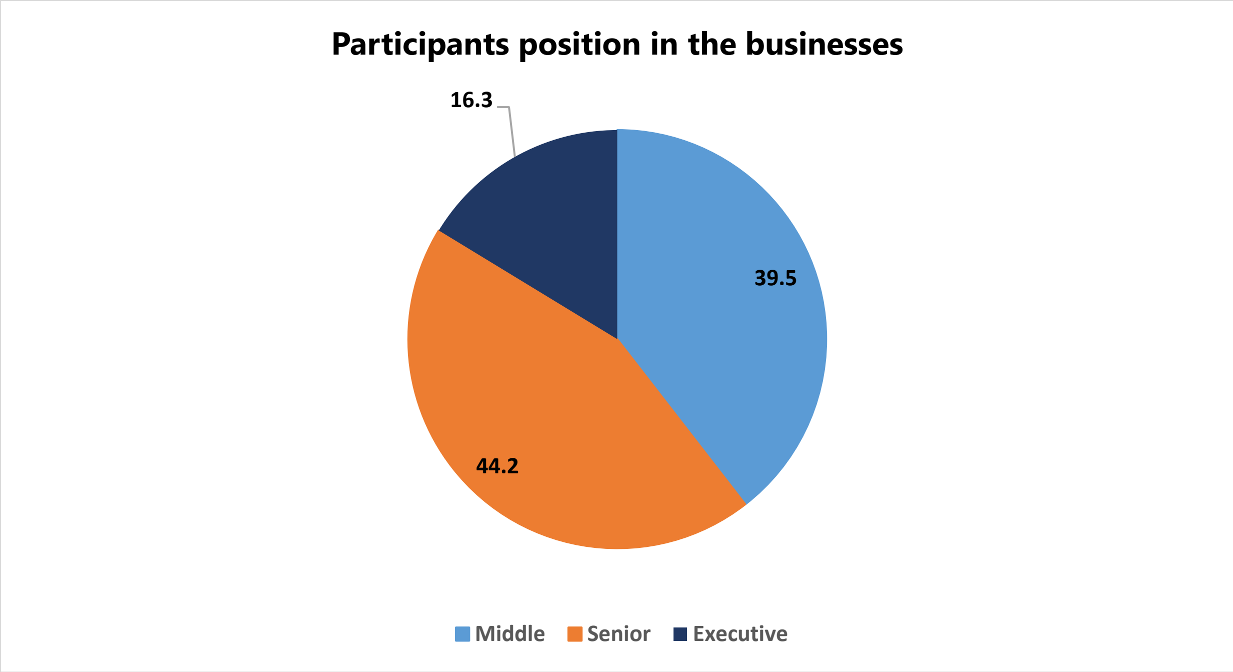

Figure 7: Participants position in the businesses

As depicted in Figure 7, the current positions of the respondents in their respective businesses were mostly (44.2%) senior managers, followed by middle sales and marketing managers (39.5%) and lastly executives (16.3%).

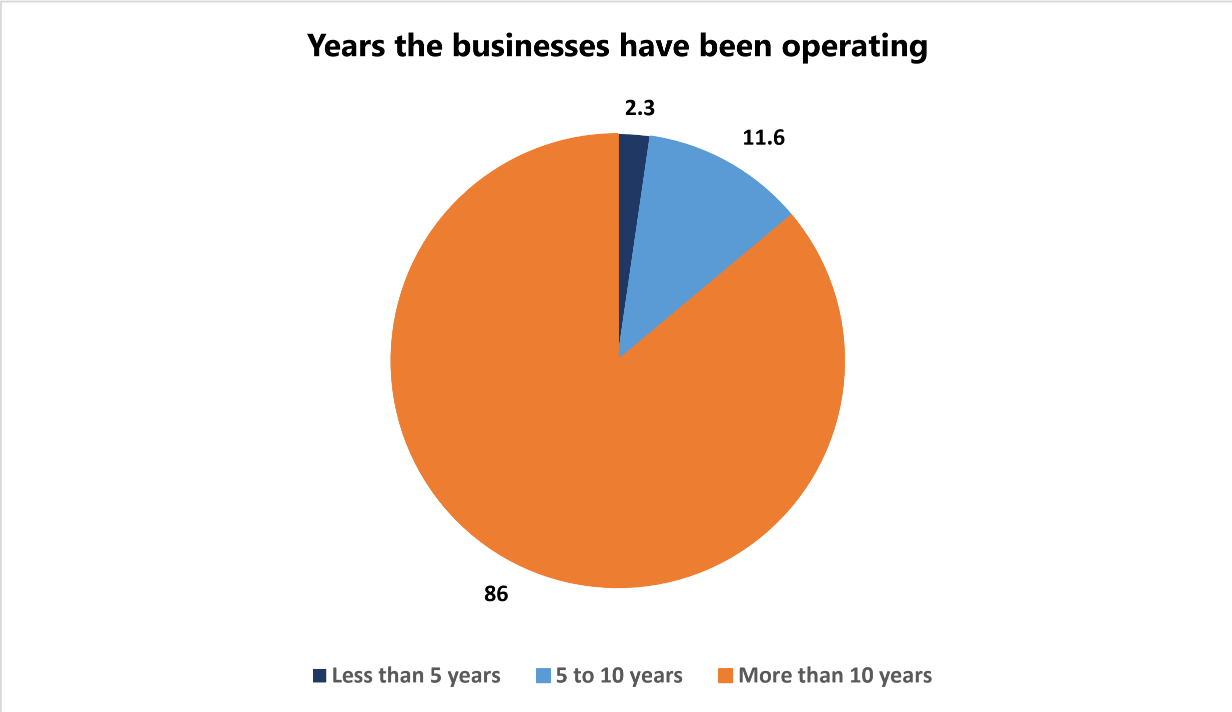

Figure 8: Years the businesses have been operating

The distribution of respondents in terms of number of years the businesses were operating in their respective sub-industries within the metal industry is shown in Figure 8. Of the 63 businesses, 2.3% of them have been operating for less than 5 years. 11.6% of the 63 businesses have been operating for 5 to 10 years. The rest of the businesses (86%) have more than 10 years of experience in their particular field.

4.2.2 Market orientation descriptive analysis

Table 1: Market orientation frequency distribution

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Service to customers is monitored on an ongoing basis	**0**	**2**	**6**	**11**	**24**
Competitors information is shared amongst sales people	**0**	**5**	**9**	**20**	**9**
Customer satisfaction is at the centre of our objectives and strategies	**0**	**1**	**4**	**19**	**19**
Response to counter act competitors action is achieved promptly	**0**	**3**	**16**	**19**	**5**
Key customer engagements are conducted by top management	**2**	**9**	**5**	**20**	**7**
Customer information is accessible through the organisation	**0**	**5**	**7**	**23**	**8**
Customer needs are at the centre of our competitive strategies	**0**	**0**	**2**	**24**	**17**
Market needs are at the centre of our business function integration	**1**	**5**	**6**	**19**	**12**
Increase in customer life time value drives our business strategies	**0**	**0**	**2**	**23**	**18**
Systematic and frequent customer satisfaction is assessed and enhanced	**1**	**0**	**9**	**23**	**10**
After sales services are monitored closely	**1**	**7**	**7**	**18**	**10**
Strengths and weaknesses of competitors are discussed by top management on a regular basis	**0**	**4**	**12**	**15**	**12**
Employees value to customers is understood by our managers	**0**	**4**	**8**	**21**	**10**
Our competitive advantage is the driving force behind market targeting	**0**	**0**	**5**	**17**	**21**
Total	**5**	**45**	**100**	**272**	**182**

Table 1 indicate the frequency distribution of market orientation of businesses in the metal industry. 75.2 % of participants are in agreement with all the market orientation statements as reflected in the total agree and strongly agree. 16.6 % of the participants were neutral with all the market orientation statements. 8.2% of the participants do not agree with the market orientation statements as reflected in the total disagree and strongly agree numbers.

4.2.3 Marketing capabilities descriptive analysis

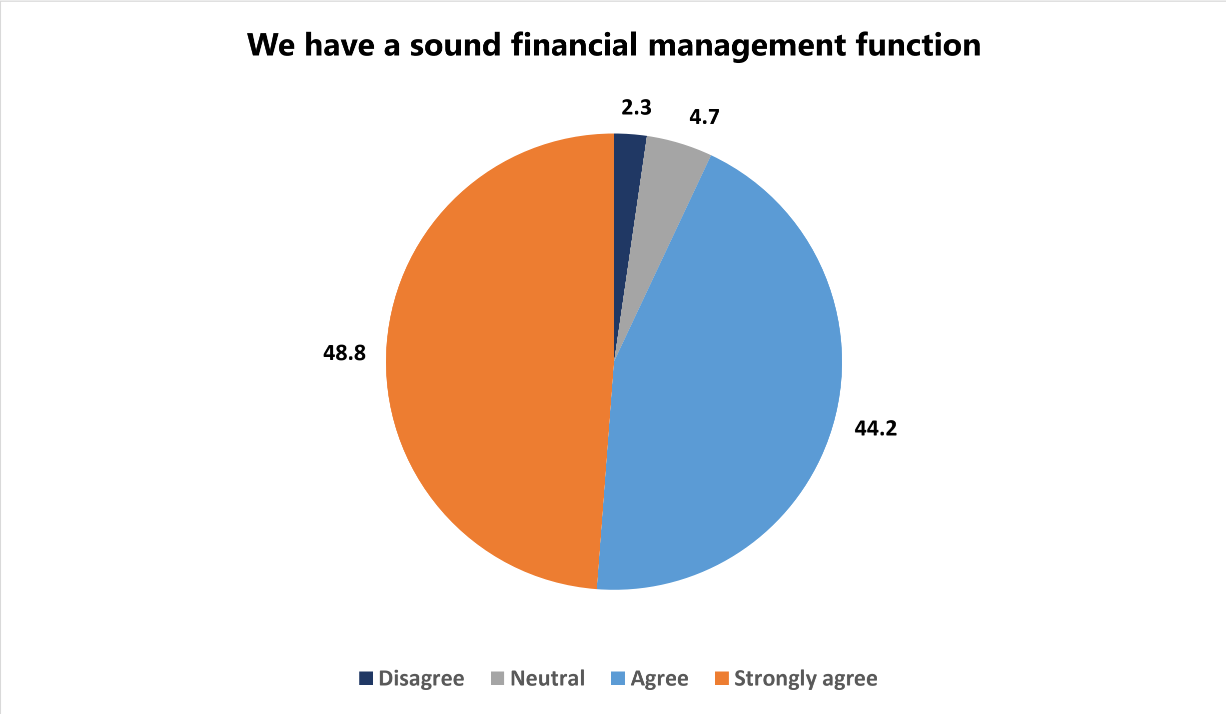

Figure 9: We have a sound financial management function

48.8% of participants surveyed strongly agreed with the marketing capabilities statement as depicted in Figure 9. Of the total responses received, 44.2% agreed with the statement. 4.7% of participants were neutral with the statement. The minority (2.3%) of participants strongly disagreed with the statement as depicted in figure 9.

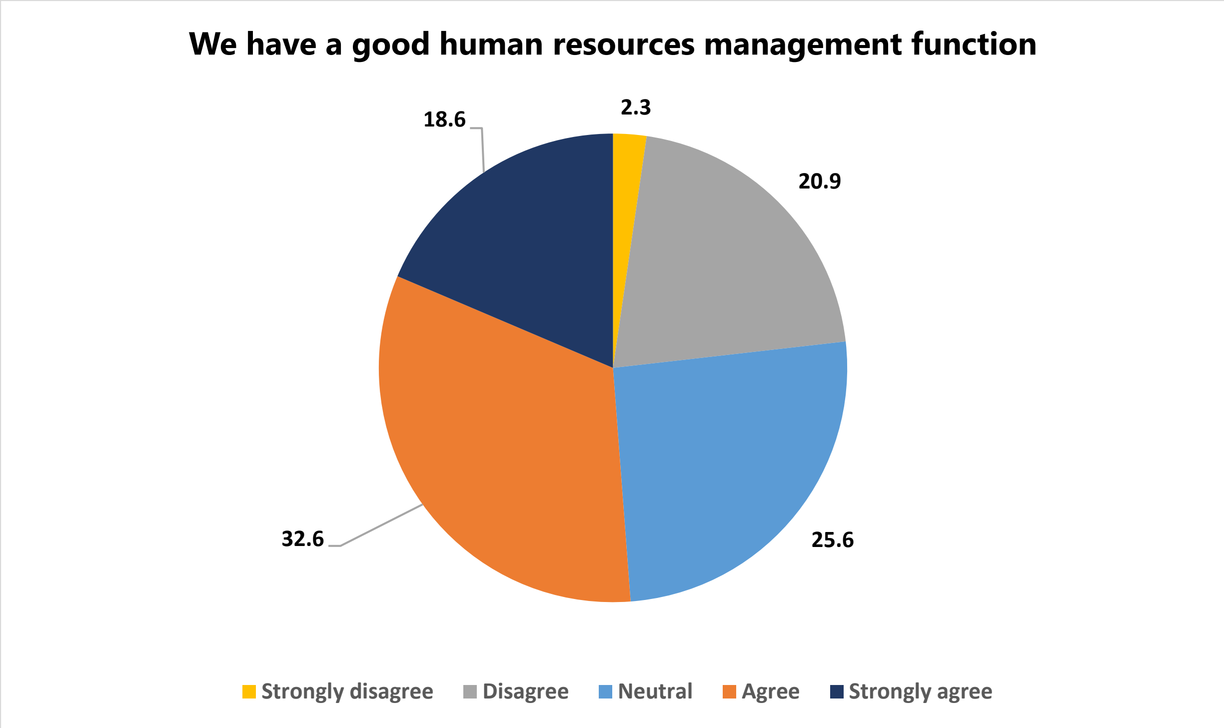

Figure 10: We have a good human resources management function

The majority (32.6%) of participants agreed with the statement as depicted in Figure 10. Of the total responses received, 25.6% were neutral with the statement. 20.9% of the respondents had a different view and therefore disagreed with the marketing capabilities statement. 18.6% of participants strongly agreed with the statement. The minority (2.3%) of participants strongly disagreed with the statement as depicted in figure 10.

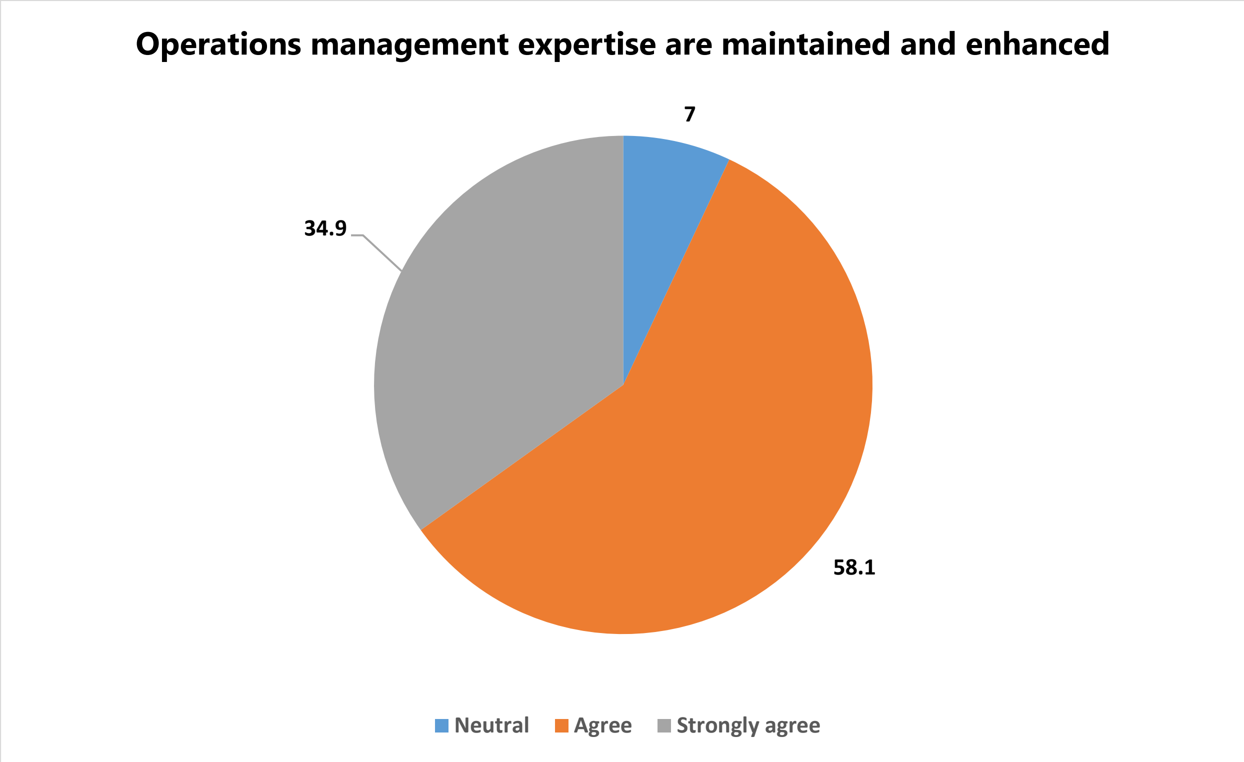

Figure 11: Operations management expertise are maintained and enhanced

The majority (58.1%) of participants agreed with the marketing capabilities statement as depicted in Figure 11. Of the total responses received, 34.9% strongly agreed with the statement. The minority (7.0%) of participants were neutral with the statement as depicted in figure 11.

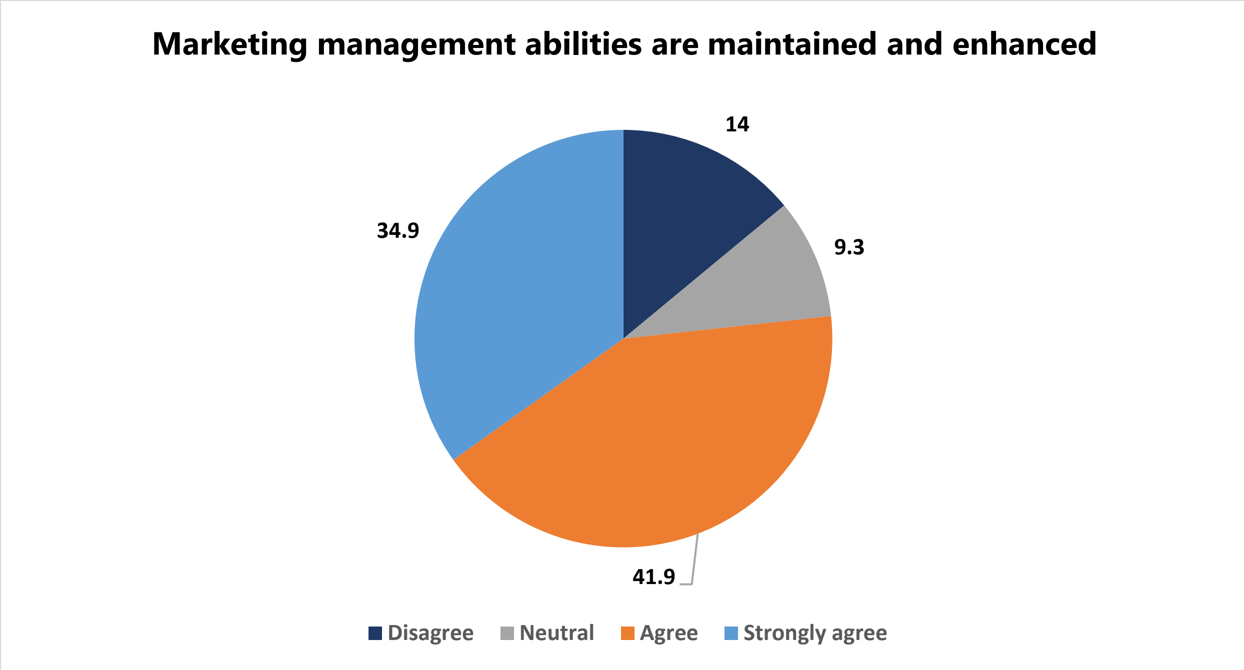

Figure 12: Marketing management abilities are maintained and enhanced

41.9% of participants surveyed are in agreement with the marketing capabilities statement as depicted in Figure 12. 34.9% of the participants surveyed conquered and strongly agreed with the statement. 14% of participants had a different view and disagreed with the statement. The minority (9.3%) of participants were neutral with the statement as depicted in figure 12.

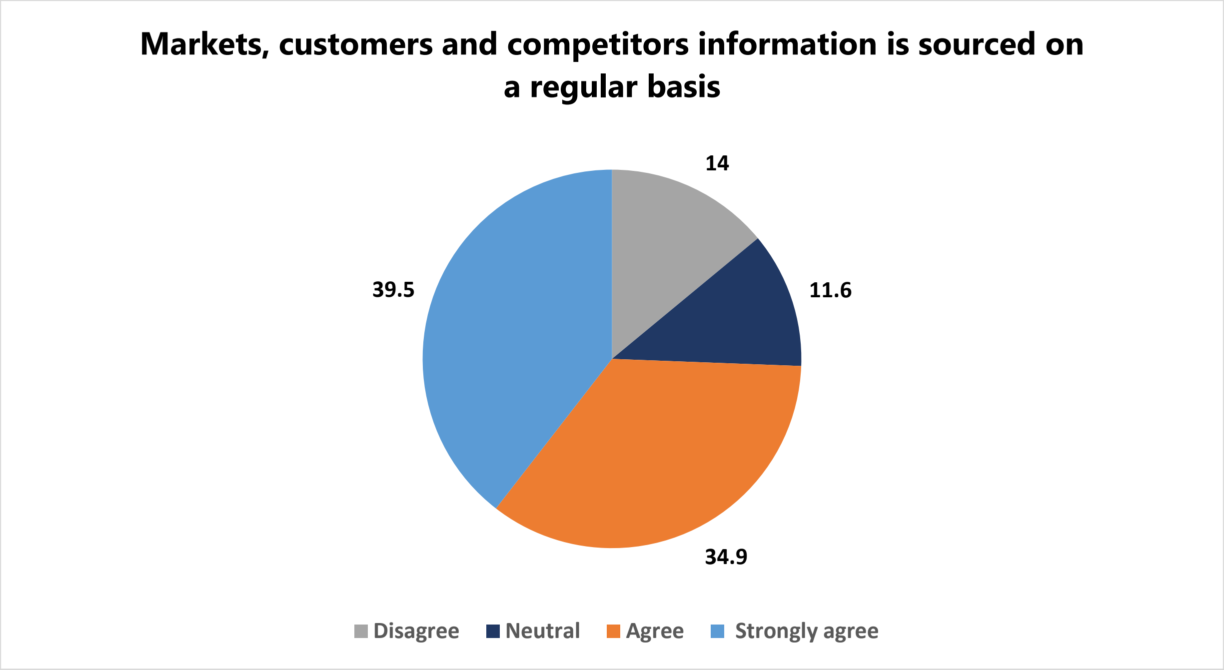

Figure 13: Markets, customers and competitors information is sourced on a regular basis

The results indicate that 39.5% of respondents strongly agreed with the marketing capabilities statement. This was also supported by 34.9% of participants who agreed with the statement. 14% of the participants had a different view and therefore disagreed with the statement. The minority (11.6%) of participants were neutral with the statement as depicted in figure 13.

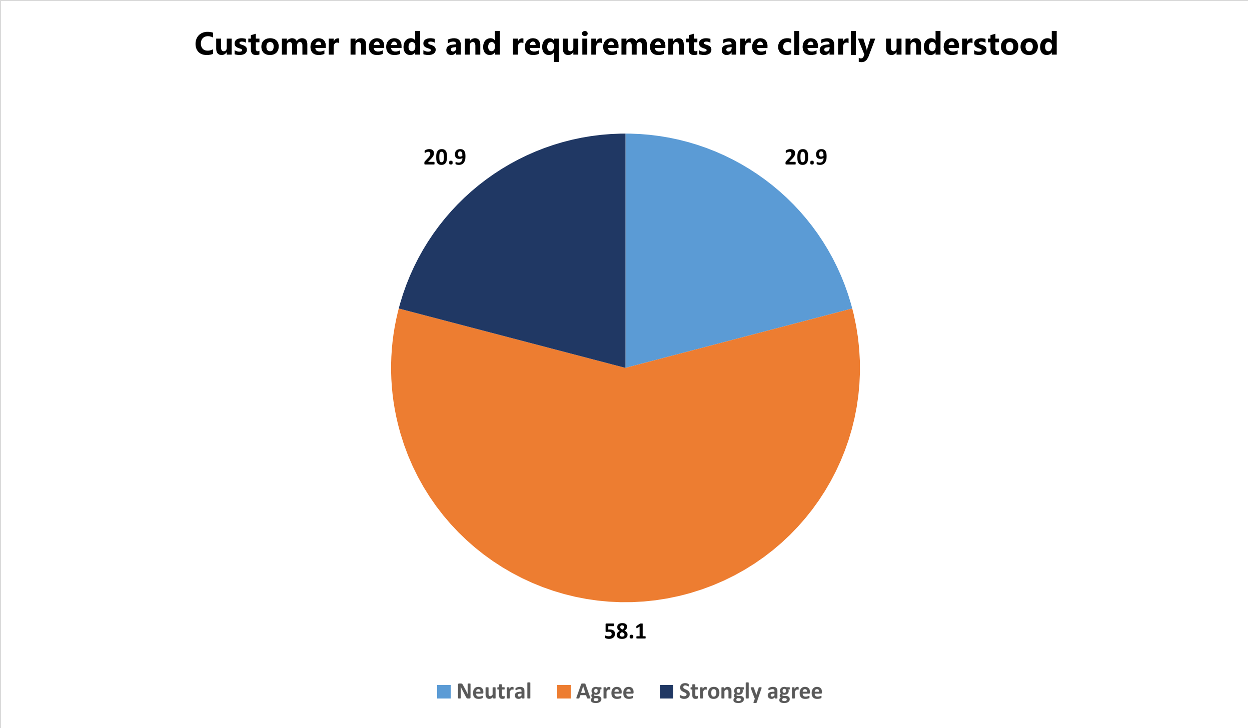

Figure 14: Customer needs and requirements are clearly understood

58.9% of the participants believed that understanding customer needs and requirements is one of the key differentiator and therefore agreed with the statement. They were also supported by 20.9% of participants who strongly agreed with the statement. Another 20.9% of participants was undecided and therefore neutral with the statement as depicted in figure 14.

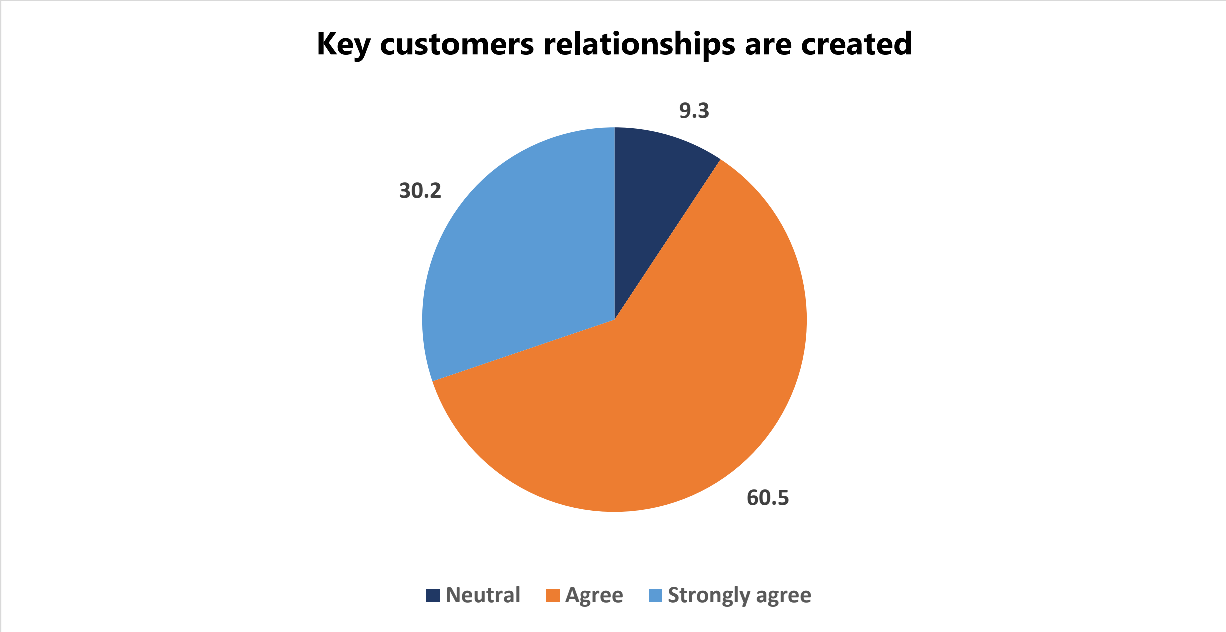

Figure 15: Key customers relationships are created

60.5% of participants believe in creating sound customer relationships and therefore agreed with the statement as depicted in Figure 15. They were supported by 30.2% who strongly agreed with the statement. The minority (9.3%) of participants were undecided and therefore neutral with the marketing capabilities statement as depicted in figure 15.

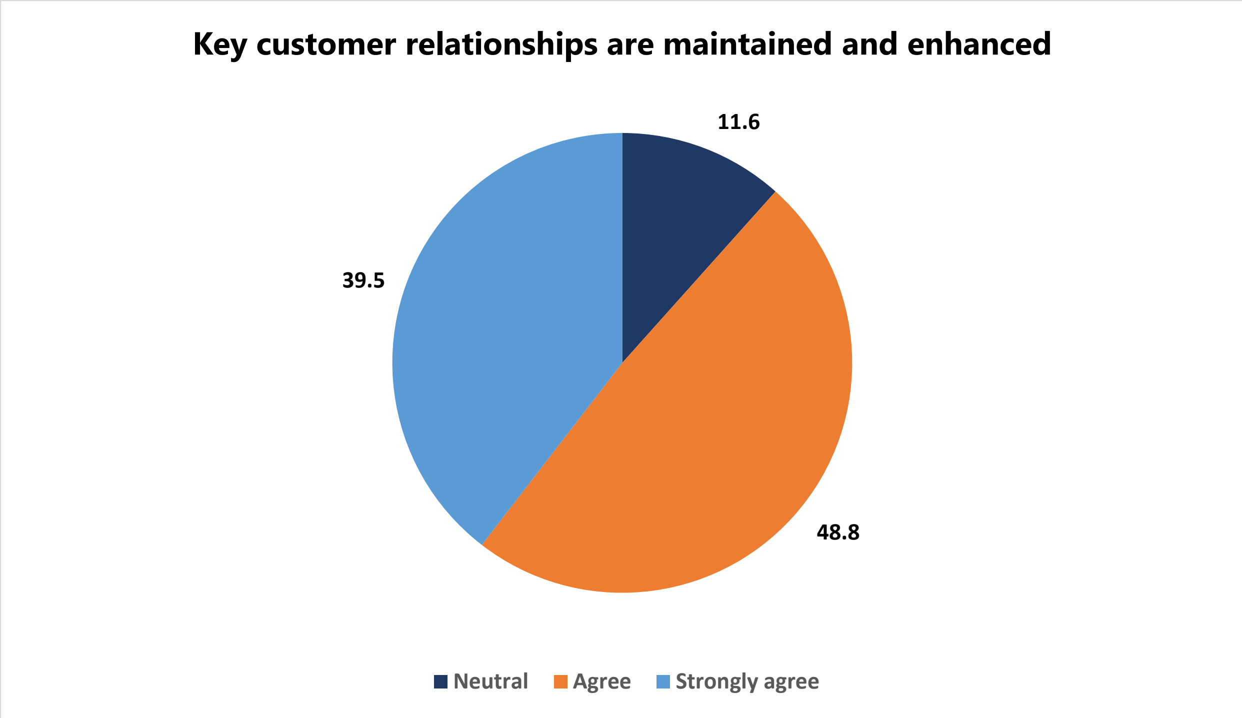

Figure 16: Key customer relationships are maintained and enhanced

48.8% of participants believe in enhancing customer relationships and therefore agreed with the statement as depicted in Figure 16. They were supported by 39.5% who strongly agreed with the statement. The minority (11.6%) of participants were undecided and therefore neutral with the marketing capabilities statement as depicted in figure 16.

4.2.4 Sustainable Competitive Advantage descriptive statistics

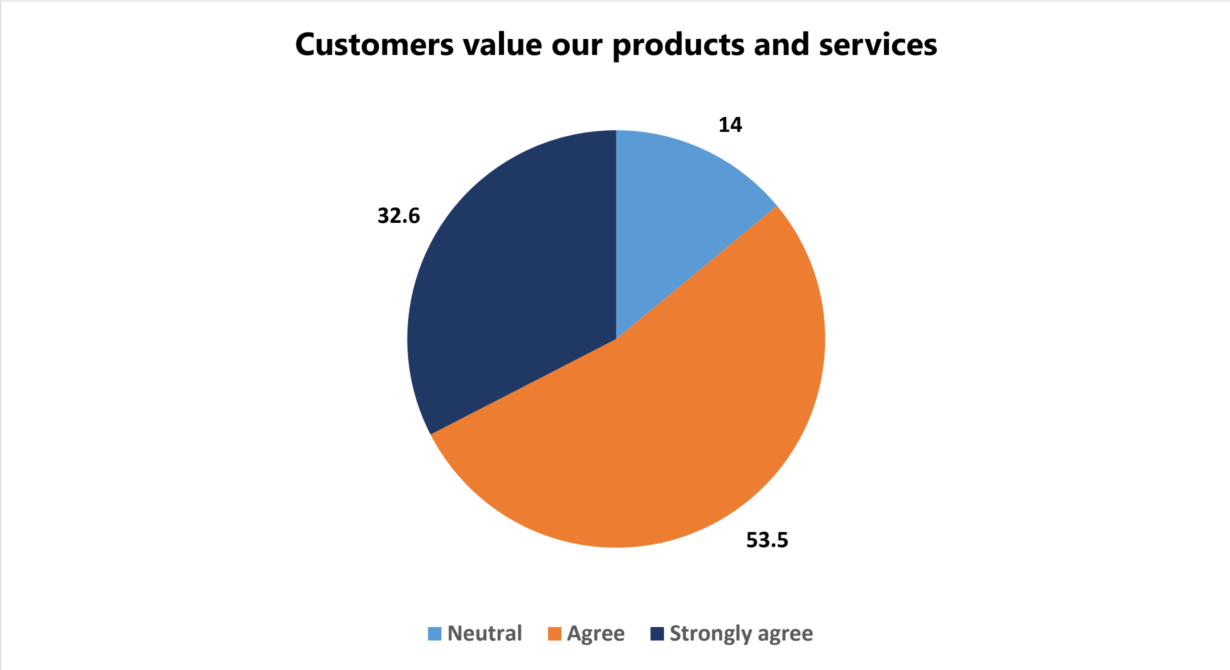

Figure 17: Customers value our products and services

53.5% of participants agreed with the sustainable competitive advantage statement as depicted in Figure 17. Of the total responses received, 32.6% of participants were undecided and therefore were neutral with the statement. The minority (14%) of participants had a different view and therefore disagreed with the statement as depicted in figure 17.

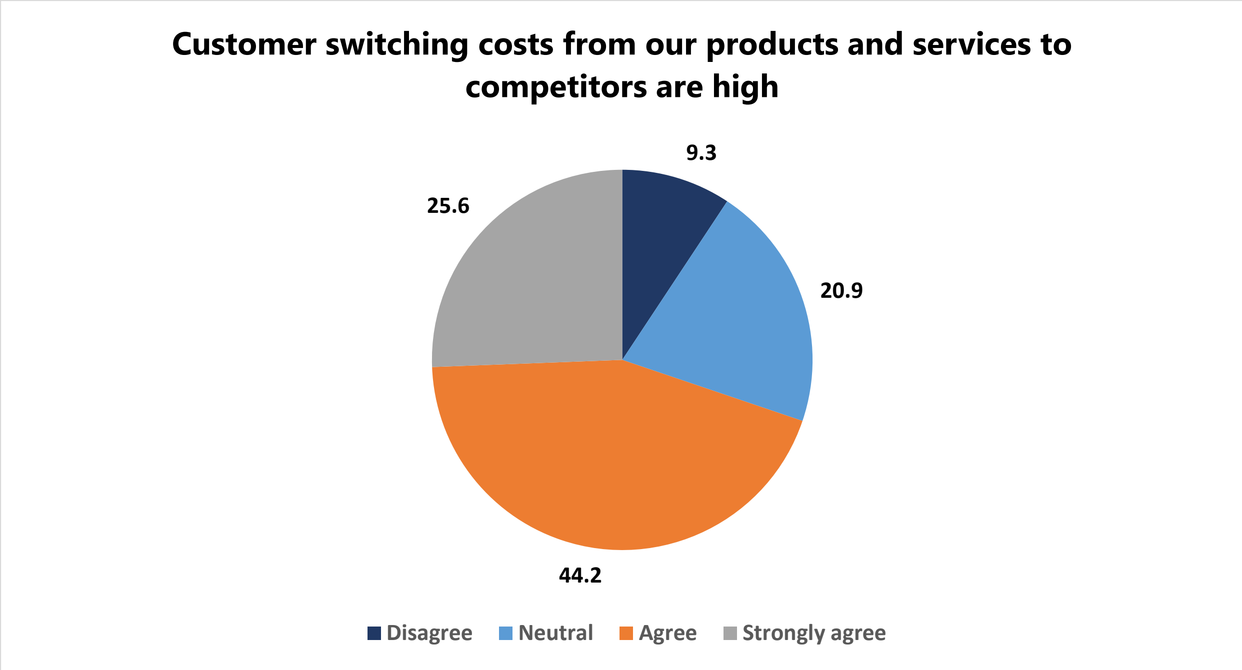

Figure 18: Customer switching costs from our products and services to competitors are high

44.2% of participants agreed with the sustainable competitive advantage statement as depicted in Figure 18. They were supported by 25.6% of participants who strongly agreed with the statement. 20.9% of the participants were undecided and therefore were neutral with the statement. The minority (9.3%) of participants had a different view and therefore disagreed with the statement as depicted in figure 18.

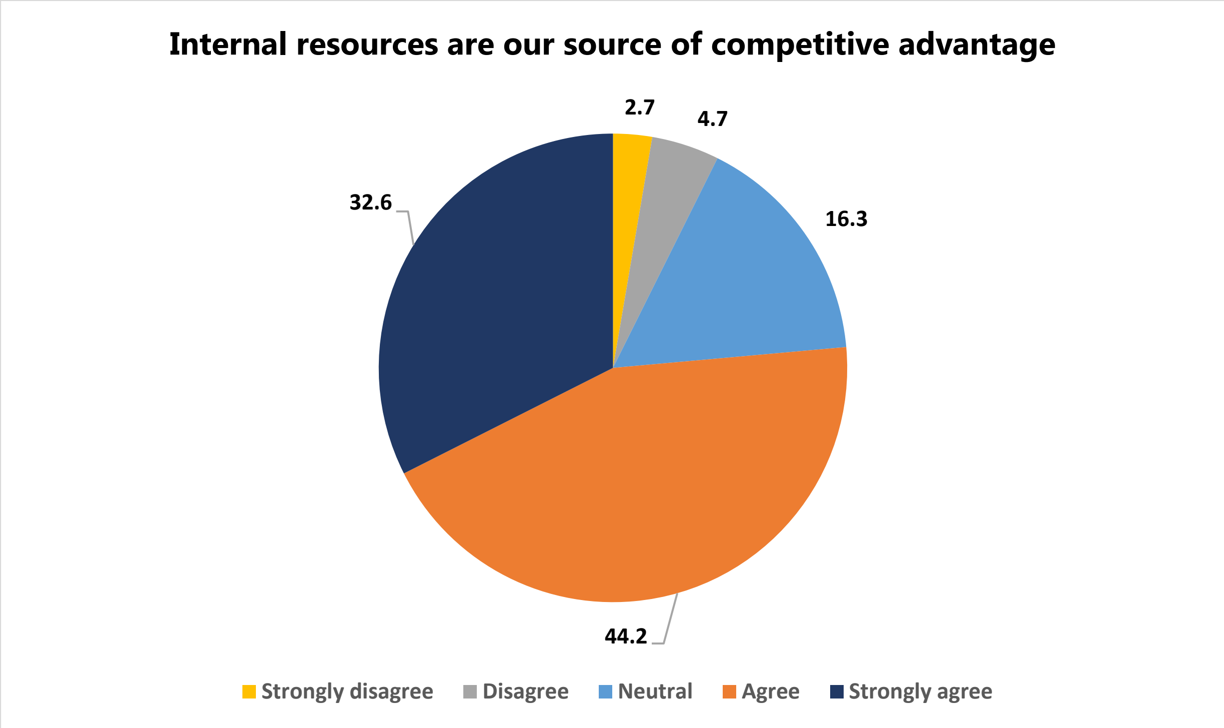

Figure 19: Internal resources are our source of competitive advantage

44.2% of participants agreed with the sustainable competitive advantage statement as depicted in Figure 19. They were supported by 32.6% of participants who strongly agreed with the statement. 16.3% of the participants were undecided and therefore were neutral with the statement. 4.7% and 2.7% of the participants surveyed disagreed and strongly disagreed respectively as they had a different view.

Table 2: Sustainable Competitive Advantage frequency distribution

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Our competitive advantage was built over time and competitors won't invest time doing the same	**0**	**1**	**8**	**18**	**16**
It's difficult for competitors to establish our source of competitive advantage	**0**	**3**	**10**	**18**	**12**
There is no value for competitors if they copy our competitive advantage	**0**	**5**	**14**	**13**	**11**
Copy rights and patents are used to legally protect our advantage	**0**	**4**	**4**	**13**	**22**
Our source of competitive advantage is employees and we retain them	**0**	**3**	**10**	**19**	**11**
Capabilities needed to attain sustainable competitive advantage are difficult to acquire	**3**	**4**	**10**	**15**	**11**
Total	**3**	**20**	**56**	**96**	**83**

Table 2 indicates the frequency distribution of sustainable competitive advantage of businesses in the metal industry. 69.4 % of participants are in agreement with all the sustainable competitive advantage statements as reflected in the total agree and strongly agree. 21.7 % of the participants were neutral with all the sustainable competitive advantage statements. 8.9% of the participants do not agree with the sustainable competitive advantage statements as reflected in the total disagree and strongly agree numbers.

4.2.5 Business performance descriptive analysis

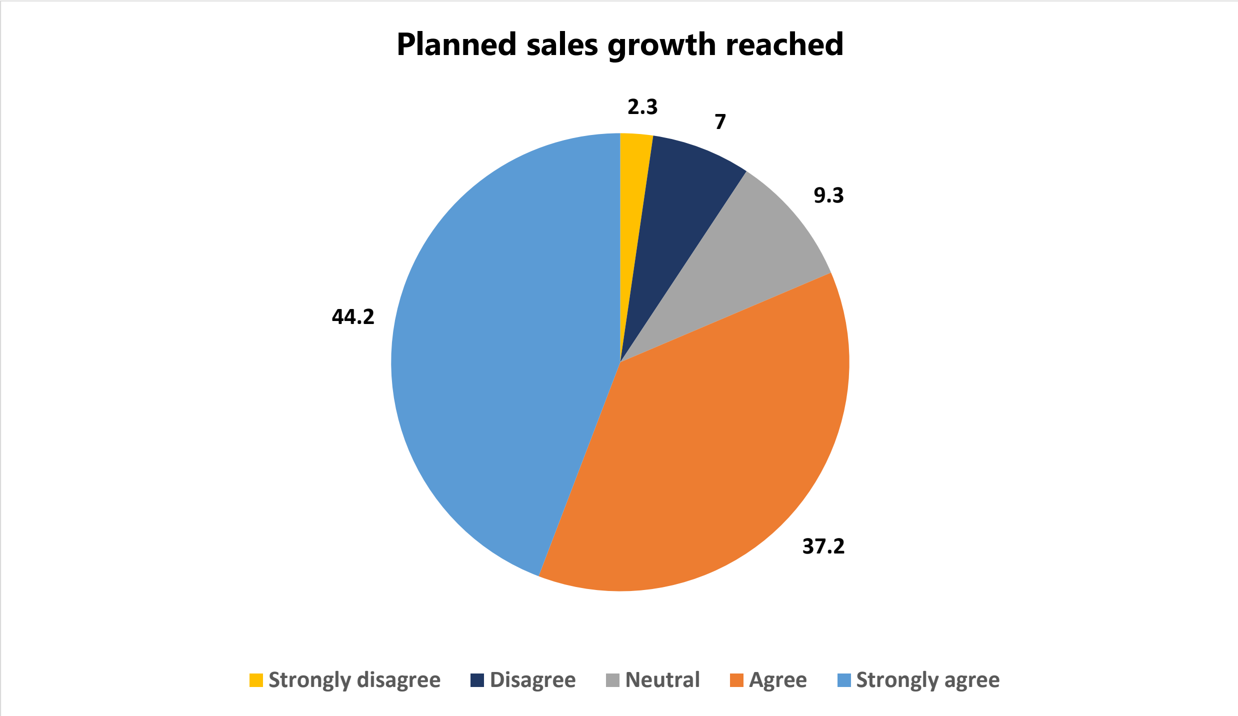

Figure 20: Planned sales growth reached

As depicted in figure 20, 44.2% of participants strongly agreed with the fact that their businesses achieved targeted sales volume. They were supported by 37.2% of the participants who also agreed with the business performance statement. 9.3% of the participants were undecided and therefore were neutral with the statement. 7.0% had a different perspective and therefore disagreed with the statement. The minority (2.3%) of the participants strongly disagreed with the statement.

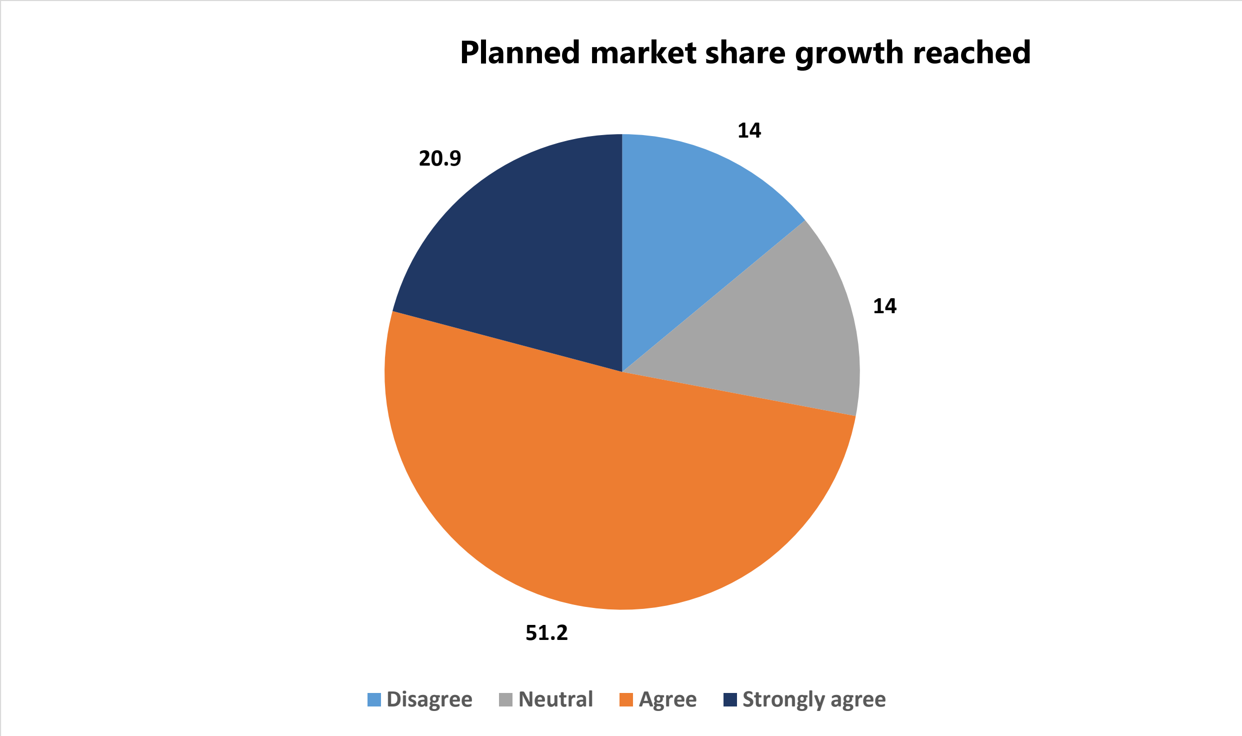

Figure 21: Planned market share growth reached

As depicted in figure 21, 51.2% of participants agreed with the fact that their businesses achieved planned market share growth. They were supported by 20.9% of the participants who strongly agreed with the business performance statement. 14% of the participants were undecided and therefore were neutral and also disagreed with the business performance statement.

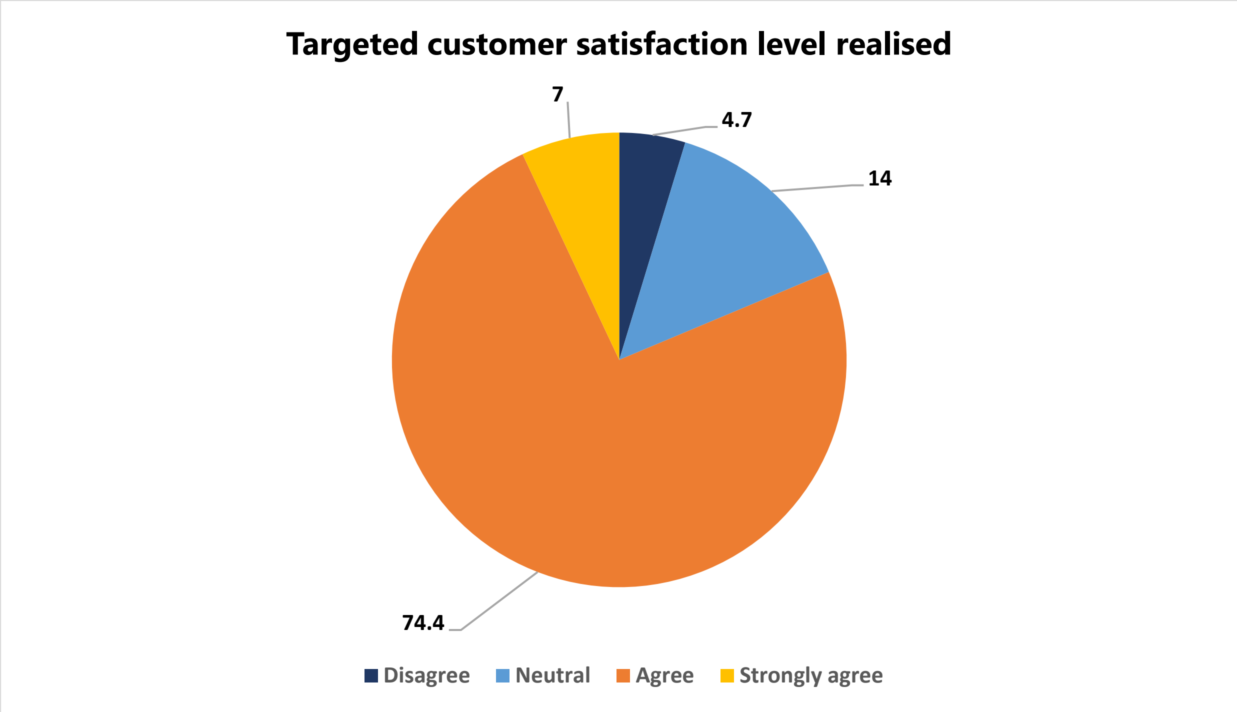

Figure 22: Targeted customer satisfaction level realised

As depicted in figure 22, 74.4% of participants agreed with the fact that their businesses achieved targeted customer satisfaction level. They were supported by 7.0% of the participants who strongly agreed with the business performance statement. 14% of the participants were undecided and therefore were neutral. The minority (4.7%) had a different view and therefore disagreed with the business performance statement.

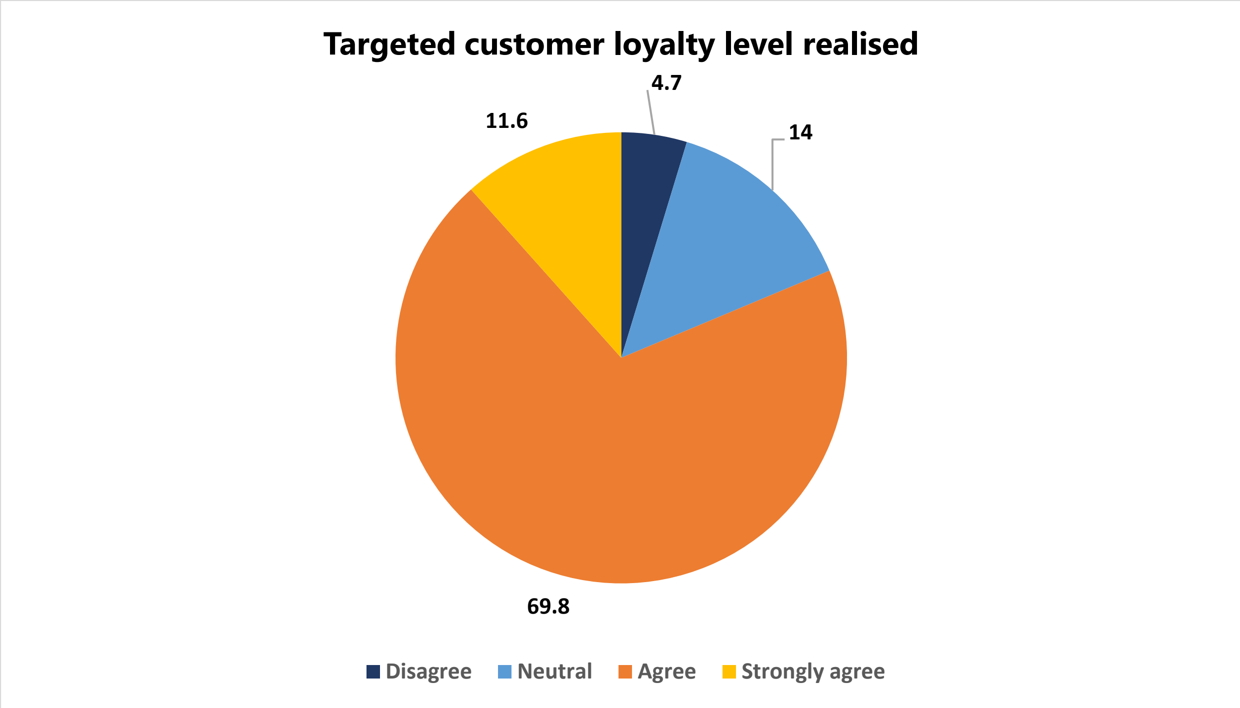

Figure 23: Targeted customer loyalty level realised

As depicted in Figure 23, 69.8% of participants agreed with the fact that their businesses achieved targeted customer loyalty level. They were supported by 11.6% of the participants who strongly agreed with the business performance statement. 14% of the participants were undecided and therefore were neutral. The minority (4.7%) had a different view and therefore disagreed with the business performance statement.

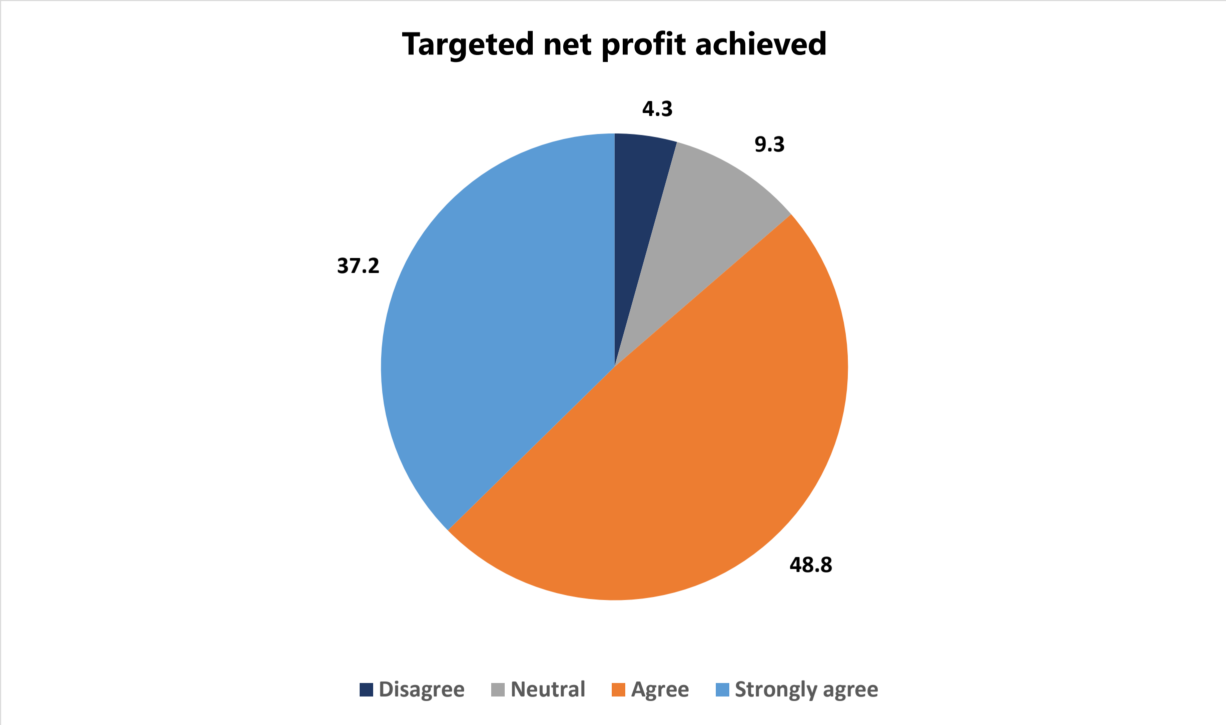

Figure 24: Targeted net profit achieved

As depicted in figure 24, 48.8% of participants agreed with the fact that their businesses achieved targeted net profit. They were supported by 37.2% of the participants who strongly agreed with the business performance statement. 9.3% of the participants were undecided and therefore were neutral. The minority (4.3%) had a different view and therefore disagreed with the business performance statement.

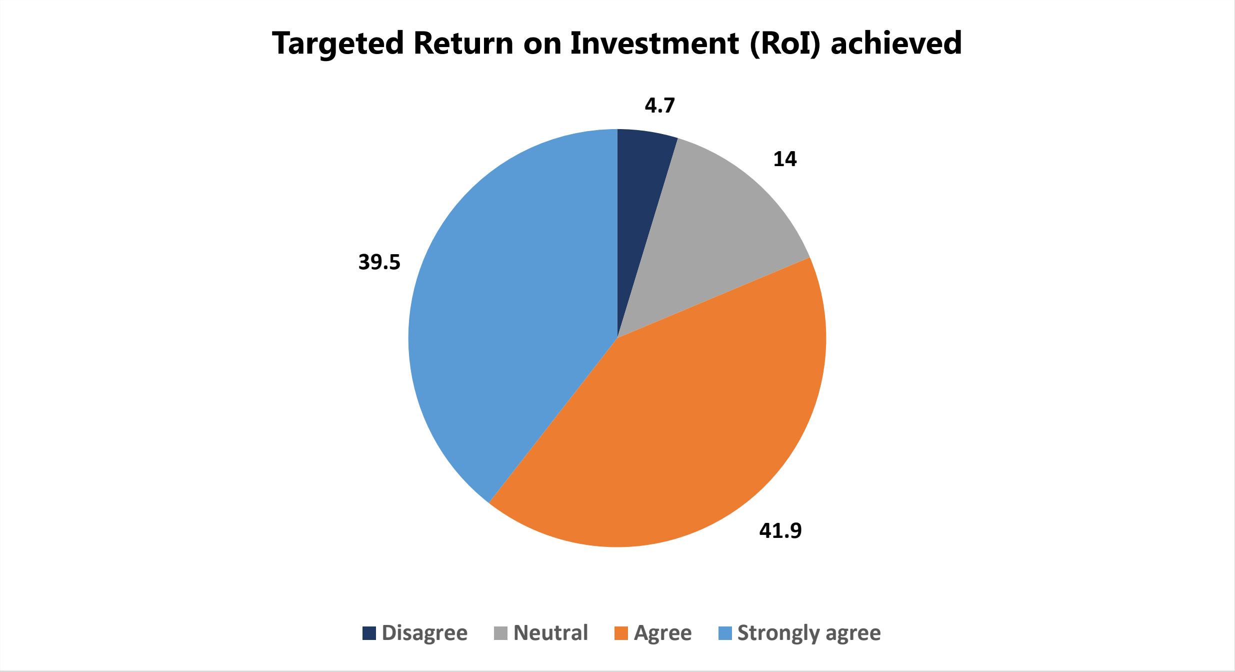

Figure 25: Targeted Return on Investment (RoI) achieved

As depicted in figure 25, 41.9% of participants agreed with the fact that their businesses achieved targeted return on investment. They were supported by 39.5% who agreed strongly with the business performance statement. 14% of the respondents were undecided and therefore were neutral. The minority (4.7%) had a different view and therefore disagreed with the business performance statement.

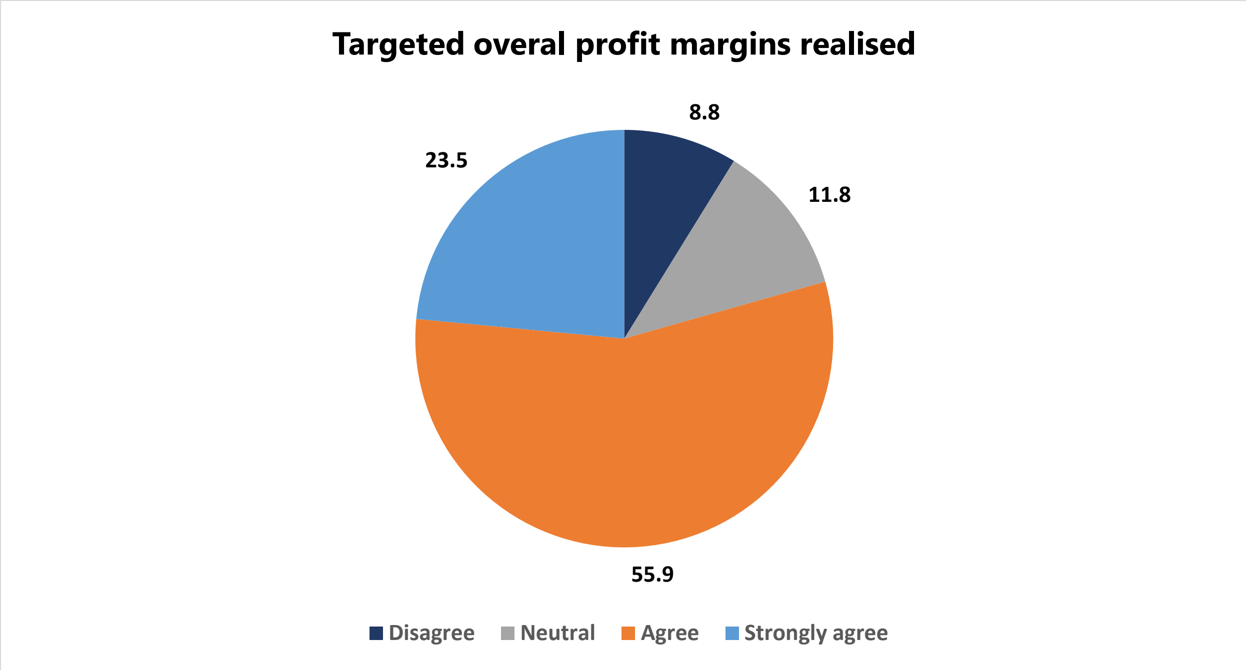

Figure 26: Targeted overall profit margins realised

As depicted in figure 26, 55.9% of participants agreed with the fact that their businesses achieved targeted customer satisfaction level. They were supported by 23.5% of the participants who strongly agreed with the business performance statement. 11.8% of the participants were undecided and therefore were neutral. The minority (8.8%) had a different view and therefore disagreed with the business performance statement.

4.3 STRUCTURAL EQUATION MODELLING (SEM) APPROACH

Structural Equation Model (SEM) was chosen as a preferred data analysis tool due to the advantages it offers. One of the key advantages and feature of the SEM is the ability to conduct both reliability and validity analysis at the same time (Nusair and Hua 2010. The SEM also offers the benefit of conducting path modelling to assess the relationship between observed and unobserved variables (Nusair and Hua 2010). Latent constructs of the measurement model were validated by using SEM as a confirmatory method. Confirmatory Factor Analysis (CFA) was conducted to assess validity of the results. CFA offers the researcher the ability to assess validity and reliability of latent constructs (Nusair and Hua 2010). The first step conducted was to perform a CFA analysis for all latent constructs. The four latent constructs assessed are market orientation, market capabilities, sustainable competitive advantage and business performance.

Cronbach's alpha was used to measure the internal consistency reliability of constructs (Bernstein and Nunnally 1994). The measurements ranged between zero and 1, and the acceptable Cronbach's alpha values ranges from 0.6 to 0.9. Additionally, Composite Reliability and Average Variance Extracted were used to measure the construct reliability and convergent validity. The rule of thumb suggests that factor loading for every item should be 0.5 or higher (Chinomona and Pretorius 2011).

A 0.7 or higher Composite Reliability Index (CR) is an indication of an internal consistency of the constructs under study (Nunnally 1967). Convergent validity of measurements was assessed by examining factor loadings for each construct. A loading of 0,5 or higher is deemed to be a good indicator of good convergent validity (Sarstedt, Ringle et al. 2014). A Variance Extracted Estimate of more than 0.5 is regarded as a good indication of the representation of the latent construct by the items (Sarstedt, Ringle et al. 2014).

4.3.1 Market Orientation

Table 3 represent the items collected through the survey and the construct they formed i.e. market orientation. It can be seen that all the standardised factor loadings are greater than 0.5 and they ranged from 0.698 to 0.873.

Table 4 shows the construct market orientation Cronbach's alpha, CR and AVE estimates. The Cronbach's alpha is 0.943, which is within the acceptable reliability range, while CR measure is 0.950 and AVE measure is 0.595, which exceed 0.5. Therefore, it can be concluded that market orientation has satisfactory reliability and convergent validity.

Table 3: Market orientation factor loadings

Items	Construct statement	Factor loadings
MO_1	Service to customers is monitored on an ongoing basis	0.826
MO_2	Competitors information is shared amongst sales people	0.757
MO_3	Customer satisfaction is at the centre of our objectives and strategies	0.740
MO_4	Response to counter act competitors action is achieved promptly	0.807
MO_5	Key customer engagements are conducted by top management	0.873
MO_6	Customer information is accessible through the organisation	0.730
MO_7	Customer needs are at the centre of our competitive strategies	0.803
MO_8	Market needs are at the centre of our business function integration	0.828
MO_9	Increase in customer life time value drives our business strategies	0.701
MO_10	Systematic and frequent customer satisfaction is assessed and enhanced	0.725
MO_11	After sales services are monitored closely	0.762

MO_12	Strengths and weaknesses of competitors are discussed by top management on a regular basis	0.698
MO_13	Employees value to customers is understood by our managers	0.751

Table 4: Market orientation validity

Construct	Cronbach's Alpha	Composite Reliability	AVE
Market Orientation	0.943	0.950	0.595

4.3.2 Marketing capabilities

Table 5 represents the items measured through the survey and the construct, namely, marketing capabilities. The factor loadings for the items are greater than 0.5 and they range from 0.513 to 0.901.

Table 5: Marketing capabilities factor loadings

Items	Construct statement	Factor loadings
MC_1	We have a sound financial management function.	0.513
MC_2	We have a good human resources management function	0.774
MC_3	Operations management expertise are maintained and enhanced	0.706
MC_4	Marketing management abilities are maintained and enhanced	0.901
MC_5	Markets, customers and competitors information is sourced on a regular basis	0.807
MC_6	Customer needs and requirements are clearly understood	0.767
MC_7	Key customers relationships are created	0.630
MC_8	Key customer relationships are maintained and enhanced	0.697

Table 6 shows the construct market capabilities Cronbach's alpha, CR and AVE estimates. The Cronbach's alpha is 0.873, which is within the acceptable reliability range, while measure is 0.901 and AVE measure is 0.537. Therefore, we can conclude that market orientation has satisfactory reliability and adequate convergent validity. The recommended threshold for AVE is than it must be more than 0.5 (Chun-Che Huang 2013).

Table 6: Marketing capabilities validity

Construct	Cronbach's Alpha	Composite Reliability	AVE
Marketing Capabilities	0.873	0.901	0.537

4.3.3 Sustainable competitive advantage

Table 7 represents the items collected through the survey and the construct they formed i.e. sustainable competitive advantage. It can be seen that all the standardised factor loadings are greater than 0.5 and they ranged from 0.590 to 0.769.

Table 7: Sustainable competitive advantage factor loadings

Items	Construct statement	Factor loadings
SCA_2	Customers value of our products and services.	0.678
SCA_3	Customer switching costs from our products and services to competitors are high	0.590
SCA_4	Internal resources are our source of competitive advantage and cannot be copied	0.593
SCA_5	Our competitive advantage was built over time and competitors won't invest time doing the same	0.611
SCA_6	It's difficult for competitors to establish our source of competitive advantage	0.666
SCA_8	Our source of competitive advantage is employees and we retain them	0.747
SCA_9	Capabilities needed to attain sustainable competitive advantage are difficult to acquire	0.769

Table 8 shows the construct sustainable competitive advantage Cronbach's alpha, CR and AVE estimates. The Cronbach's alpha is 0.795, which is within the acceptable reliability range, while CR measure is 0.848 and AVE measure is 0.506, which is above 0.5. Therefore, it can be concluded that sustainable competitive advantage has satisfactory reliability and adequate convergent validity.

Table 8: Sustainable competitive advantage validity

Construct	Cronbach's Alpha	Composite Reliability	AVE
Sustainable competitive advantage	0.795	0.848	0.506

4.3.4 Business performance

Table 9 represents the items collected through the survey and the construct they formed i.e. business performance. It can be seen that all factor loadings are greater than 0.5 and they ranged from 0.772 to 0.879.

Table 9: Business performance factor loadings

Items	Construct statement	Factor loadings
BP_1	Planned sales growth reached	0.844
BP_2	Planned market share growth reached	0.781
BP_3	Targeted customer satisfaction level realised	0.788
BP_4	Targeted customer loyalty level realised	0.830
BP_5	Targeted net profit achieved	0.865
BP_6	Targeted Return on Investment (RoI) achieved	0.772
BP_7	Targeted overall profit realised	0.879

Table 10 shows the construct business performance Cronbach's alpha, Composite Reliability (CR) and Average Variance Estimates (AVE). The Cronbach's alpha is 0.920, which is within the acceptable reliability range, while CR measure is 0.936 and AVE measure is 0.678, which is above 0.5. Therefore, it can be concluded that business performance has satisfactory reliability and adequate convergent validity.

Table 10: Business performance validity

Construct	Cronbach's Alpha	Composite Reliability	AVE
Business performance	0.920	0.936	0.678

4.3.5 The Measurement Model Fit Assessment

The t-statistics figures for all five hypotheses are outlined in Table 11- 15. The t-statistics values ranged from 0.165 to 4.445. According to (Hulland 1999), the recommended limit for t-statistic values to be deemed significant is 2. Four of the five t-statistics values were above the recommended threshold. The fifth one (H1) was less than the recommended threshold. The research model explained more than 56% of endogenous variables as reflected by R^2 for LI and SMEP in figure 40. According to (Tenenhaus, Vinzi et al. 2005) the goodness of fit can be calculated using the following formula:

$$\text{GoF} = \sqrt{\overline{\text{AVE}} * \overline{\text{R}^2}}$$

The recommended threshold for Goodness of Fit is that it must be more than 0.36 (Wetzels, Odekerken-Schröder et al. 2009). Using (Tenenhaus, Vinzi et al. 2005) formula, calculated GoF was 0.69 and well above the recommended threshold. This suggests that the model under consideration was a good fit.

4.4 Structural Equation Model

This section presents the Structural Equation Model (SEM), with maximum likelihood estimation method in Smart PLS which was used to assess the association between variables. The variables of interest were business performance, market orientation, sustainable competitive advantage and market capabilities.

Figure 40 represent the path diagram, which explains the relationship between variables. The diagram is represented by thirty five observed variables (in square) and four latent variables (in oval).

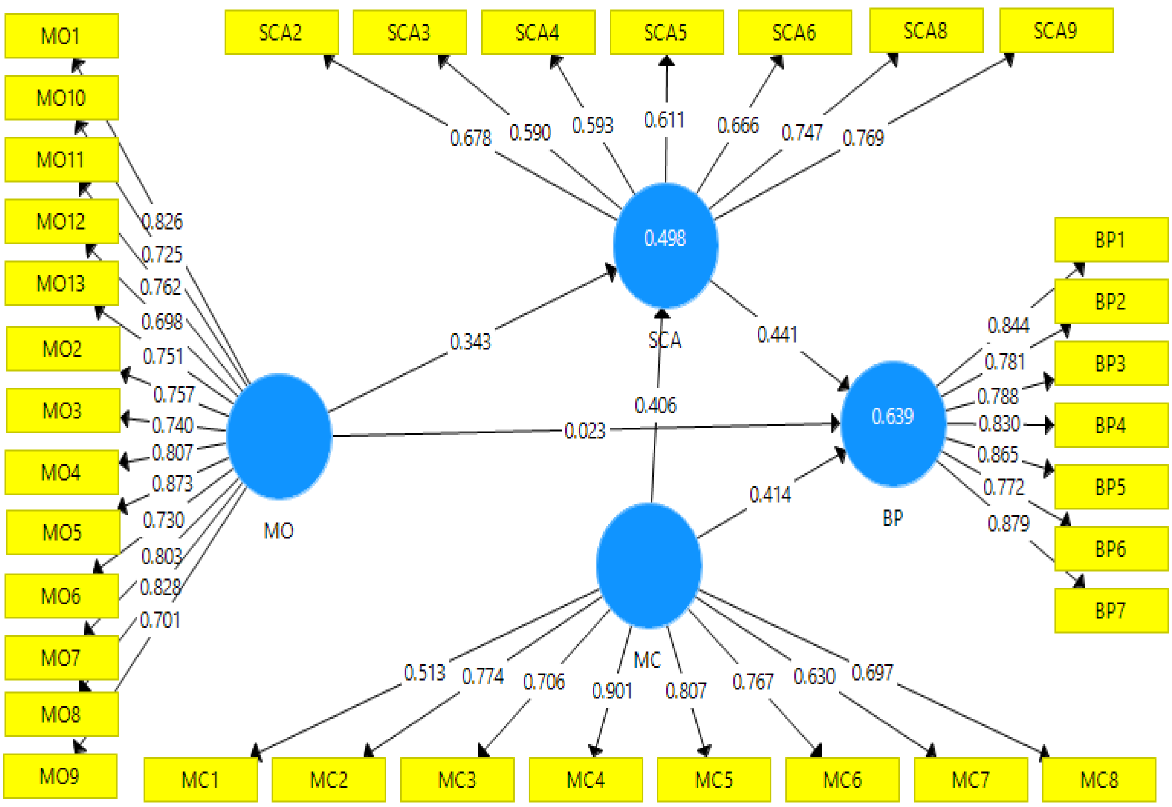

Figure 27: Structural Equation Model (SEM)

4.4.1 Hypothesis results and discussion

The hypotheses were tested at 1% level of significance, and the outcome was either rejecting or not rejecting the null hypothesis at the specified level of significance.

The outcome of each proposed hypothesis with Structural Equation Modelling is discussed below.

4.4.1.1 *H1- Market Orientation is positively related to Business Performance*

Path coefficient for H1 (market orientation and business performance) is shown in Table 11 below and was positive, ($\boldsymbol{\beta}$ = 0.023), this implied that market orientation has a positive relationship with business performance, but it is not statistically significant as (t = 0.165, p> 0.870). The recommended threshold for t statistics is that it must be higher than 1.96 (Chinomona, Lin et al. 2010). Therefore, we can conclude that there is no enough statistical evidence that business performance is affected positively by market orientation.

Table 11: H1 – Market orientation is positively related to business performance

Hypothesis	**Hypothesis statement**	**Path coefficient**	**T-values**	**P- values**	**Supported/ Rejected**
H1	Market Orientation to Business performance	0.023	0.165	0.870	Supported But insignificant

4.4.1.2 *H2 - Market Orientation is positively related to Sustainable Competitive Advantage*

Path coefficient between market orientation and sustainable competitive advantage shown in Table 12 and is positive ($\boldsymbol{\beta}$ =0.343) and statistically significant as (t = 2.326, p> 0.024). Therefore, there is evidence to conclude that market orientation is positively related to sustainable competitive advantage.

Table 12: H2- Market Orientation is positively related to Sustainable Competitive Advantage

Hypothesis	Hypothesis statement	Path coefficient	T-values	P- values	Supported/ Rejected
H2	Market Orientation to Sustainable competitive advantage	0.343	2.326	0.024	Supported and significant

4.4.1.3 H3 - Marketing Capabilities are positively related to Business Performance

A positive path coefficient ($\boldsymbol{\beta}$ = 0.414), between market capabilities and business performance is shown in Table 13 and is statistically significant as (t = 2.799, p> (0.007)). Therefore, there is statistical evidence to conclude that marketing capabilities are positively related to business performance.

Table 13: H3 - Marketing Capabilities are positively related to Business Performance

Hypothesis	Hypothesis statement	Path coefficient	T-values	P- values	Supported/ Rejected
H3	Marketing Capabilities to Business performance	0.414	2.799	0.007	Supported and significant

4.4.1.4 *H4 - Marketing Capabilities are positively related to Sustainable Competitive Advantage*

Marketing capabilities are positively related to sustainable competitive advantage as the path coefficient is positive (β = 0.406), and is statistically significant as (t = 2.913, p>0.005). There is sufficient statistical evidence to conclude that marketing capabilities are positively related to sustainable competitive advantage.

Table 14: H4 - Marketing Capabilities are positively related to Sustainable Competitive Advantage

Hypothesis	Hypothesis statement	Path coefficient	T-values	P- values	Supported/ Rejected
H4	Marketing Capabilities to Sustainable competitive advantage	0.406	2.913	0.005	Supported and significant

4.4.1.5 H5 - Sustainable Competitive Advantage is positively related to Business Performance

A positive path coefficient (β = 0.441) between sustainable competitive advantage and business performance is shown in Table 15 and is statistically significant at 1% level of significance (t = 4.442, p>0.000). There is sufficient statistical evidence to conclude that business performance is affected positively by sustainable competitive advantage.

Table 15: H5 - Sustainable Competitive Advantage is positively related to Business Performance

Hypothesis	Hypothesis statement	Path coefficient	T-values	P- values	Supported/ Rejected
H5	Sustainable competitive advantage to Business performance	0.441	4.442	0.000	Supported and significant

4.4.2 Overall analysis of hypotheses testing results

The path coefficients of all five hypotheses were positive and ranged from 0.023 to 0.441. A positive relationship was found to exist amongst variables of interest. Of the five hypotheses, the fifth one i.e. sustainable competitive advantage and business performance proved to be the one with a higher path coefficient (0.441). This suggests that sustainable competitive advantage has more effect on business performance compared to the other four variables.

4.5 SUMMARY

This chapter presented the results and analysis of the data collected. In the first phase of this chapter, descriptive statistics was conducted to assess the background and profiles of participants. Responses received for the four constructs under consideration were also presented. The next phase of this chapter was to assess the reliability and validity of the measurements. Once that was conducted, and assessment of the association of the four variables was conducted using Structural Equation Modelling (SEM).

All the tested hypotheses H1, H2, H3, H4 and H5 showed positive path coefficients, meaning there was positive relationship between the two constructs (market orientation and business performance). Four hypotheses (H2, H3, H4 and H5) were found to be statistically significant suggesting that they are a true reflection of the population. The fifth hypotheses (H1) relationships was not statistical significant.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The main objective of this chapter is to draw a conclusion based on the outcome of the analysis conducted in Chapter four. The major findings and implications on the current research will be highlighted and conclusions with recommendations will also be made.

5.2 Overview of findings

The aim of the study was to establish whether market orientation has an effect of business performance in businesses operating in the metal industry in South Africa. The study also aimed to understand whether there is an association between marketing capabilities, sustainable competitive advantage, market orientation and business performance. The outcome of the study is presented below.

5.2.1 Market Orientation (MO) and Business Performance (BP)

The results suggest that market orientation is positively related to business performance. Organisations are impacted positively when a culture of market orientation exists (Ruekert, 1992:226). Studies conducted by (Jaworski and Kohli (1993:467–477); Kumar (2002:371–376); Narver and Slater (1990:20–35); Pelham and Wilson (1996:27–43); (Jaakkola, Möller et al. 2010); Slater & Narver (1994:46–55)) support the existence of a positive association between business performance and market orientation. The results of the current study conquer with the findings of other researchers.

5.2.2 Market Orientation (MO) and Sustainable Competitive Advantage (SCA)

Market orientation has a positive relationship with sustainable competitive advantage. This was expected, since competitive advantage is as a result of market orientation (Aziz & Yassin, 2010:156). Market orientated businesses are expected to gain sustainable competitive advantage. Thus, the findings confirm that sustainable competitive advantage is affected positively by market orientation.

5.2.3 Marketing Capabilities (MC) and Business Performance (BP)

The results indicated that business performance is affected positively by marketing capabilities which suggests that effective marketing capabilities have a strong impact on business performance. The manner in which marketing capabilities affect business performance is significant. The findings confirm that superior business performance is achieved when marketing capabilities are better utilised.

5.2.4 Marketing Capabilities (MC) and Sustainable Competitive Advantage (SCA)

Findings indicated that marketing capabilities have a positive relationship with sustainable competitive advantage. Effective marketing capabilities can assist a business to gain a sustainable competitive advantage. The manner in which marketing capabilities affect sustainable competitive advantage is significant. The findings endorse that when there are effective marketing capabilities, a business is likely to achieve sustainable competitive advantage.

5.2.5 Sustainable Competitive Advantage (SCA) and Business Performance (BP)

The results also confirmed that business performance is affected positively by sustainable competitive advantage. This thus means that sustainable competitive advantage has the strongest impact on business performance. The manner in which sustainable competitive advantage affect business performance is very significant. The outcome of the research confirmed that when there is a sustainable competitive advantage, the overall performance of a business is likely to be superior.

5.3 Implications of the study

The findings have produced some inferences for the study. They are discussed below.

5.3.1 Market Orientation (MO) and Business Performance (BP)

Findings have revealed that this relationship is insignificant (t-statistic of 0.165). This means that market orientation does not influence business performance in a significant way. This implies that business performance is not strongly influenced by market orientation when compared to other factors. Therefore, management of a businesses operating in the metal industry in South Africa should prioritise other factors that have a strong influence on business performance such as marketing capabilities to achieve superior performance.

5.3.2 Market Orientation (MO) and Sustainable Competitive Advantage (SCA)

Findings indicate that this relationship is significant (t-statistic of 2.326). This also means that while market orientation has a positive association with sustainable competitive advantage, the relationship is significant. This implies that sustainable competitive advantage is strongly influenced by market orientation. Management of a business should prioritise market orientation in order to influence and gain sustainable competitive advantage.

5.3.3 Marketing Capabilities (MC) and Business Performance (BP)

This relationship also appeared to be significant (t-statistic of 2.799). This means that marketing capabilities have a positive and significant effect on business performance. Thus, by implication, marketing capabilities have a significant influence on business performance compared to the direct effect of marketing orientation with the same variable. Therefore, management of a business should prioritise marketing capabilities in order to influence business performance.

5.3.4 Marketing Capabilities (MC) and Sustainable Competitive Advantage (SCA)

This relationship also appeared to be significant (t-statistic of 2.913). This means that marketing capabilities have a positive and significant effect on sustainable competitive advantage. Thus marketing capabilities influenced sustainable competitive advantage is strongly when compared to the direct effect of market orientation on sustainable competitive advantage. Therefore, management of a business should prioritise marketing capabilities in order to influence sustainable competitive advantage.

5.3.5 Sustainable Competitive Advantage (SCA) and Business Performance (BP)

This relationship also appeared to be significant (t-statistic of 4.442). This means that sustainable competitive advantage have a positive and significant effect on business performance. Thus business performance is strongly influenced by sustainable competitive advantage when compared to market orientation and marketing capabilities. Therefore, management of a business should prioritise achieving a sustainable competitive advantage in order to influence business performance.

5.4 Overall implications of the study

The findings of the research suggest that the theoretical proposition is acceptable. It is also evident that market orientation and marketing capabilities have a significant influence on sustainable competitive advantage. Marketing capabilities and sustainable competitive advantage also emerged to have a significant influence on business performance. However, market orientation also emerged to have an insignificant influence on business performance. This implies that businesses should allocate resources to enhance marketing capabilities whilst ensuring that market orientation activities are also developed and monitored on a regular basis. The ultimate aim being to improve and sustain business's competitive advantage that is proven to have an effect on business performance.

5.5 Conclusion

The first objective of this study was to examine the influence of market orientation on business performance, and it was found that market orientation has to some extent a direct effect on business performance. However, such influence is not that significant compared to that of marketing capabilities and sustainable competitive advantage. Therefore, it can be accepted that market orientation has a positive direct influence on business performance.

The second objective of this study was to examine the influence of market orientation on sustainable competitive advantage, and the findings reveal after analysis revealed that market orientation has a positive influence on sustainable competitive advantage. The outcome of the study suggests that the effect of market orientation on sustainable competitive advantage is significant, however, market orientation affects sustainable competitive advantage more than it affects business performance.

The third objective of the study was to assess how business performance is influenced by marketing capabilities, and the outcome of the study suggests marketing capabilities affects and influence business performance in a significant manner. The study suggests that when practitioners attempt to improve business performance, they must do so by improving marketing capabilities, because they have a stronger effect on business performance.

The fourth objective of the study was to establish the effect of marketing capabilities on sustainable competitive advantage can be proven empirically, and it became evident that sustainable competitive advantage is affected and influenced by marketing capabilities. The conclusion is that when businesses want to gain sustainable advantage, they must do so by improving the allocation and utilisation of marketing capabilities.

The fifth objective was to establish as to whether business performance is affected and influenced by sustainable competitive advantage. The outcome of the study suggests that business performance is indeed affected and influenced by sustainable competitive advantage in a significant manner. The association between sustainable competitive advantage and business performance is more significant than any other variables under study.

It was identified that marketing capabilities and market orientation are predictors of business performance. However, sustainable competitive advantage has a more compelling effect on business performance.

The findings of the study are similar to the results of the research conducted by (Jaakkola, Möller et al. 2010) in Finland.

5.6 Recommendations

The outcome of the study will contribute to better understanding of how business performance is affected by market orientation by monitoring and evaluating business performance.

Organisations should strive for market orientation in order to enhance their business performance. It is recommended that market orientation should be used to impact on other important variables in order for it to have optimal impact on business performance. Perhaps, should be utilised to impact on factors such as sustainable competitive advantage which are indicated in this study to have a stronger impact on business performance.

It is further recommended that their efforts to achieve a sustainable competitive advantage, the management of a business should pay more attention to have a market oriented business. Managers of a business should utilise marketing capabilities since they have a strong impact on business performance.

Managers and business owners are also encouraged to enhance marketing capabilities in order to improve business performance. Due to the fact that sustainable competitive advantage is attained by allocating internal business resources effectively, it can be used as an organisations differentiator from its competitors and therefore enhance business performance.

5.7 Limitations and suggestions for future studies

The study was limited to only the metal industry. The results cannot therefore be generalised to apply to the whole manufacturing sector. Perhaps, future studies should consider conducting a similar study for the whole manufacturing sector in South Africa. The researcher only investigated the relationships between market orientation and marketing capabilities on sustainable competitive advantage and business performance. It is recommended that future studies be undertaken where other variables that may have an effect on the business performance and market orientation relationship are studied. The outcome of such studies will provide interesting insights to business managers in the manufacturing sector.

5.8 Summary

Key findings were highlighted in this chapter together with their implications for the current study. Conclusion and recommendations based on literature and the outcome of the study were suggested. Areas for future research and limitations of the study were also addressed.

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APPENDIX A

Wits Business School

Sculpting global leaders

QUESTIONNAIRE TO BE FILLED BY EXECUTIVES, SENIOR AND MIDDLE SALES & MARKETING MANAGERS

Dear Participant (s)

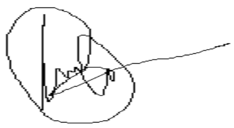
I am conducting a research on "Effect of market orientation on business performance: Experimental study of the South African metal industry". This research is conducted in partial fulfilment of the Masters in Business Administration (MBA) with Wits Business School. The survey is intended to study the extent to which businesses in the metal industry are market oriented and how market orientation influences their business performance through the mediation effect of marketing capabilities.

Please note that the survey is developed to be anonymous and confidentially. I hereby request your participation in this study by completing the questionnaire below. If you choose to participate in this survey, it will not take more than 7 minutes of your time. Please note that your participation in this research is voluntary and you may choose to withdraw any time. The researcher will keep any individual information provided herein confidential, not to let it out of his possession, analyse the feedback received only at a group level and use responses solely for the purpose of this research.

It will be a great contribution if you may complete all the items covered in the questionnaire since your opinion is of utmost importance. I thank you in advance for sharing your valuable experience and time in completing the questionnaire.

If you require any further information, want feedback on the study or need to contact the researcher about any aspect of this study; please do not hesitate to do so through the address given hereunder. If you agree to participate in the survey, you may proceed to the next page.

Best regards



Lungelo Ntobongwana
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082 319 0123

QUESTIONNAIRE

SECTION A

This part of the questionnaire covers items related to the profile of the business. Where applicable, please complete the tables below by crossing the relevant grid.

1. Businesses surveyed:

☐ Iron and steel ☐ Non-ferrous metals ☐ Metal products ☐ Ferro alloys

2. Number of employees employed by businesses: ☐ < 100 ☐ 100 - 500 ☐ > 500

3. Participants position in the businesses: ☐ Middle ☐ Senior ☐ Executive
4. Years the businesses has been operating: ☐ < 5 years ☐ 5 -10 years ☐ > 10

SECTION B

This part of the questionnaire covers items related to market orientation dimensions. Please indicate how much you agree or disagree with each of the following statements by ticking on the number that best represents your opinion. Please only tick one box for each statement. 1 indicates strongly disagree (SDA), 2 indicates disagree (DA), 3 indicates neutral (N), 4 indicates agree (A) and 5 indicates strongly agree (SA).

Market orientation		SDA	DA	N	A	SA
1	Service to customers is monitored on an ongoing basis	1	2	3	4	5
2	Competitors information is shared amongst sales people	1	2	3	4	5
3	Customer satisfaction is at the centre of our objectives and strategies	1	2	3	4	5
4	Response to counter act competitors action is achieved promptly	1	2	3	4	5
5	Key customer engagements are conducted by top management	1	2	3	4	5
6	Customer information is accessible through the organisation	1	2	3	4	5
7	Customer needs are at the centre of our competitive strategies	1	2	3	4	5
8	Market needs are at the centre of our business function integration	1	2	3	4	5
9	Increase in customer life time value drives our business strategies	1	2	3	4	5
10	Systematic and frequent customer satisfaction is assessed and enhanced	1	2	3	4	5
11	After sales services are monitored closely	1	2	3	4	5
12	Strengths and weaknesses of competitors are discussed by top management on a regular basis	1	2	3	4	5
13	Employees value to customers is understood by our managers	1	2	3	4	5
14	Our competitive advantage is the driving force behind market targeting	1	2	3	4	5

SECTION C

This part of the questionnaire covers items related to marketing capabilities. Please indicate how much you agree or disagree with each of the following statements by ticking the number that best represents your opinion. Please only tick one box for each statement. 1 indicates strongly disagree (SDA), 2 indicates disagree (DA), 3 indicates neutral (N), 4 indicates agree (A) and 5 indicates strongly agree (SA).

Marketing capabilities		SDA	DA	N	A	SA
1	We have a sound financial management function.	1	2	3	4	5
2	We have a good human resources management function.	1	2	3	4	5
3	Operations management expertise are maintained and enhanced.	1	2	3	4	5
4	Marketing management abilities are maintained and enhanced.	1	2	3	4	5
5	Markets, customers and competitors information is sourced on a regular basis	1	2	3	4	5
6	Customer needs and requirements are clearly understood.	1	2	3	4	5
7	Key customers relationships are created.	1	2	3	4	5
8	Key customer relationships are maintained and enhanced.	1	2	3	4	5

SECTION D

This part of the questionnaire covers items related to sustainable competitive advantage. Please indicate how much you agree or disagree with each of the following statements by ticking the number that best represents your opinion. Please only tick one box for each statement. 1 indicates strongly disagree (SDA), 2 indicates disagree (DA), 3 indicates neutral (N), 4 indicates agree (A) and 5 indicates strongly agree (SA).

Sustainable competitive advantage		SDA	DA	N	A	SA
1	Customers value of our products and services.	1	2	3	4	5
2	Customer switching costs from our products and services to competitors are high.	1	2	3	4	5
3	Internal resources are our source of competitive advantage and cannot be copied.	1	2	3	4	5
4	Our competitive advantage was built over time and competitors won't invest time doing the same	1	2	3	4	5
5	It's difficult for competitors to establish our source of competitive advantage	1	2	3	4	5
6	There is no value for competitors if they copy our competitive advantage	1	2	3	4	5
7	Copy rights and patents are used to legally protect our advantage	1	2	3	4	5
8	Our source of competitive advantage is employees and we retain them	1	2	3	4	5

9	Capabilities needed to attain sustainable competitive advantage are difficult to acquire	1	2	3	4	5

SECTION E

This part of the questionnaire covers items related to business performance. Please evaluate the performance of your business over the past year relative to your competitors by ticking on the number that best represents your opinion. Please only tick one box for each statement. 1 indicates strongly disagree (SDA), 2 indicates disagree (DA), 3 indicates neutral (N), 4 indicates agree (A) and 5 indicates strongly agree (SA).

Business performance		**SDA**	**DA**	**N**	**A**	**SA**
1	Planned sales growth reached	1	2	3	4	5
2	Planned market share growth reached	1	2	3	4	5
3	Targeted customer satisfaction level realised	1	2	3	4	5
4	Targeted customer loyalty level realised	1	2	3	4	5
5	Targeted net profit achieved	1	2	3	4	5
6	Targeted Return on Assets (RoA) achieved	1	2	3	4	5
7	Overall targeted net profit margins realised	1	2	3	4	5

Thank You!