**CHAPTER I**

**PROBLEM FORMULATION**

1.1 Introduction

This chapter formulates the problem of the study. It provides a brief literature on the concept of market orientation followed by the problem situation as observed by the study. Research questions and propositions follow the problem statement. Finally, a summary of the chapters of the study report are provided.

1.2 Market orientation

Marketing concept is the crux of marketing discipline but, little or no attention has been given to its implementation (otherwise known as market orientation). It is a business philosophy, policy, conduct, procedures, and credence for marketing company to follow (Barksdale and Darden, 1971). Market orientation can be defined as a form of organization culture through which employees continuously create and deliver superior customer value, and increase the company business performance. Epistemologically, it has been concluded that firms that engage in market orientation perform better than firms that are less market oriented. They responsively produce product and services to the needs and expectation of their customers than some marketing myopia companies whose sole aim is to produce product and service to the public for the purpose of profit (Gronroos, 2006). For companies to be better responsive to their customers, there is the need for the company to be highly oriented about the market and, they should put customers first in planning their business, thereby increases company profit, decreased cost, become distinctively competitive, and increase company business performance (Rapp, Schillewaert and Wei Hao, 2008).

Market orientation concept is concerned with the coordination of business intelligence, intelligence dissemination, and responsiveness to market information and data for effective and efficient management decisions (Kohli and Jaworski, 1990). The concept is also concerned about customer orientation, inter-functional coordination, and competitor orientation (Narver and Slater, 1990). This research shed lights on number of important organizational factors that are posited to help or hinder market orientation, and its impact on employees for superior customer satisfaction and better business performance.

Marketing theorists have arguably argued that market orientation origin can be traced form marketing concept, which invariably affects overall company business strategy (Carr and Lopez, 2007; Naver and Slater 1990; Kohli and Jaworski 1990). This marketing concept is concerned about innovation, customer orientation, and profitability which serve as inducement for customer satisfaction. Because customer needs continue to evolve and change overtime, so delivering superior customers product and services involves on-going tracking and change in responsiveness to market place i:e they need to be market oriented. A market orientation is posited to lead to greater customer satisfaction and commitment on the part of employees (Hunt and Morgan, 1995; Kohli and Jaworski, 1990; Naver and Slater, 1990). Often, many scholars have accepted the theories of market orientation as implementation of marketing concept or, as an organizational behaviour or, as the compartment of both analogies (Greenly, 1995). However, since the introduction of the concept four decades ago, only few companies practice and adopt the concept in their organization (Kotler 1994).From empirical studies, it is understood that market oriented behaviour in marketing new product and services leads to better performance, has a positive effect on customers satisfaction and, increases loyalty, continuous innovation and better employee cooperation and satisfaction (Gatignon and Xuereb, 1997).

**1.3 Problem situation**

North Cyprus is a small, island economy. It has a, de jure, population of 300, 000. However, it enjoys an economy lead by tourism, international universities and some agriculture. In parallel, the last 20 years have seen a boom in the number of both domestically owned and international banks, mainly from Turkey, opening their branches all over the country. The increase in the number of the banks has naturally escalated the competition amongst them. Today, a typical bank clerk in Northern Cyprus does not enjoy a fixed salary but she/he has to be actively involved in finding customers for the bank’s products to secure her/his income. Many of these banks are talking about concepts on customers, customer orientation and market orientation.

**1.3 Statement of the problem**

The problem of an organisation not market driven was hardly ever recognized and addressed by the earliest theories and practices of marketing management which focused mainly on production concept i.e. minimizing costs by producing more to achieve scale of economies. However, today management has recognized that market orientation is more or less important aspect of an organization, mostly in respect of drive toward customer satisfaction, profitability, and increased business performance. In today’s more sophisticated society, marketing orientation has increasingly been observed by most companies. Market orientation at work has now become a pressing issue. It is a common knowledge that companies who are market oriented perform better than those companies that are less market oriented. The performance of employees continually seeking to deliver superior customer service is a prerequisite for effective market orientation. But then, today’s’ customers don’t need companies to satisfy or delight them, what they want management to do for them is to “listen” and provide their needs according to customers’ specifications. Only in that way, can customer repeat their purchase leading to retention and loyalty, and inadvertently increase profitability and business performance.This study intended to measure the market orientation of a local bank, Near East Bank, which showed interest in measuring their degree of market orientation with a view to provide training to employees and/or change company policies accordingly.

**1.4 Research objectives**

The main objective of this study was trying to understand market-oriented companies and the relationship between market orientation and company performance. Near East Bank, a commercial bank in Northern Cyprus, was opted as a case studyto understand the marketing practice at such an organisation and to empirically investigatethe main objective of the study.

**1.5 Research propositions and questions;**

The following propositions and questions were formulated in parallel to the objectives of this research:

**Research propositions:**

1. There is a relationship between market orientation and financial performance.
2. There is a relationship between market orientation and market performance.

**Research questions:**

1. What are the observed characteristics of a market-oriented organisation?
2. Is there any relationship between market orientation and business performance?
3. What impact can management have on the level of market orientation?
4. Can market orientation really help companies to understand and deliver customer needs and wants?

**1.6 Significance of the study**

There is an escalating competition amongst the commercial banks in North Cyprus. Many bank managers are concerned about their competitiveness and are seeking research results that will lead them in the right thither. The significance of this study is embedded in its formulation of a market orientation instrument borrowed from the current literature but adapted in parallel to local cultures. The findings will assist similar research in North Cyprus mainly in adapting and designing measuring tools appropriate for similar purposes.

The significance of the study also is that, it will enhance the already established need for bank employees to be better oriented about the company and the bank. It is hoped that the study will make fact available to Near east bank employees on seeking new ways of orientating their employees for better commitment to continuously to create customers wants satisfactorily because, market oriented company performs better than less market oriented companies. This in essence means that the outcome of this survey will be found useful for application by Near East bank, and other financial institutions (be it public or private), as they will know whether they should continuously to imbibe the culture of market orientation.

**1.7 The limitations of the study**

The study intends to investigate the degree of market orientation in the case of Near East Bank of Northern Cyprus. It is a case study such that its findings will be limited with the case study organisation selected, however, further research replicating this study on a number of organisations may well generate research findings.

**1.8 Chapter summaries**

**Chapter two**

This chapter is review of the literature on market orientation. It depicted different views on market orientation widely discussed by popular scholars including the work of Kholi and Jaworski (1993) who were opined that intelligence generation, dissemination of information and responsiveness are empirical for market orientation. Narver and Slater’s work was also of viewed on market-oriented companies and the link between business performances.

**Chapter three**

This Chapter portrays the environment that this study took place: Banking sector in Northern Cyprus and the Near East Bank.

**Chapter four**

This chapter discusses the research methodology used in this study. It explains the choice of study design, the survey method, survey instrument and sample. The MARKOR questionnaire was designed and explained specifically to measure the level of market orientation. Then the choice of the MARKOR questionnaire as a survey instrument is explained in more detail.

**Chapter five**

This chapter depicts the findings from the MARKOR questionnaire conducted with the Near East Bank employees and the analysis of the Bank’s financial statements and the considerations of the Bank’s managers as to the performance of their company. The major findings of all the empirical results are also listed in this chapter.

**Chapter six**

This chapter finalises the report of this study by listing the major theoretical and the empirical findings to be able to provide answers to the research questions and the conclusions on the propositions that had been made. It also discusses the limitations of the study before also offering recommendations on possible future research.

**1.9 Conclusion**

This chapter formulated the problem of the study. It provided a brief literature on the concept of market orientation followed by the problem situation as observed by the study. Research questions and propositions follow the problem statement. Finally, a summary of the chapters of the study report were provided. The next chapter is review on market orientation literature.