Antecedents And Consequences Of Market Orientation In Public Sector In The Kingdom Of Bahrain

Musa Dwairi, ImanAkour, and WaleedSayyer

Abstract—The primary purpose of the study was to extend [1] market orientation (MO) model in the public sector of Bahrain. To achieve this objective, the study used [1] scales of market orientation, antecedents of MO, and performance. Cross section sample of 250 managers and senior managers from public organizations in Bahrain, were participated in this study. Several statistical techniques were used to test the hypotheses. The study findings revealed that: (1) market orientation is still in its initial stages in the public sector in Bahrain; (2) managerial, structural, and organizational factors showed a different influence on the degree of market orientation in the public sector; (3) a significant relationship was shown between the market orientation and performance. Policy implications of these findings along with contributions to marketing and management literature are discussed. Finally, suggestions for future research are also provided.

Keywords—Bahrain, Market Orientation, Performance, and Public Sector.

I. INTRODUCTION

In today’s extraordinarily competitive environment, private as will public organizations’ success requires purposeful adaptation and accommodation to change. Researchers have identified market orientation as a key ingredient in an organization’s successful adaptation to environmental changes and challenges. The subject of market orientation has been of great interest to both practitioners and academicians to help organizations manage their environment and perform well[1] - [4]. Central to the interest in market orientation is the potential influence it may have on the performance of organizations [1], [5], [6]. A large body of research conducted in the United States and other developed countries has conceptually and empirically supported the notion that market orientation has a positive correlations with the performance of organizations [1], [2].

What is noteworthy is that most of the existing studies on market orientation have been conducted in the United States and other Western business settings and have had a domestic market focus [7]. Furthermore, the studies focused on the private sectors organizations.

Although, market orientation literature has taken a step toward internationalizing the concept, systematic studies on market orientation in a public sector organizations in developing country context are lagging behind [8],[9]. In the public sector, the complexity of the nature of public organizations services, identifications of target customers, and level of public management-customers relationship might hinder the applications of MO to the public sector [10]. Ironically, most academic studies of MO has focused on MO’s consequences, while little attention has been given into how an organization could become market oriented or what factors may drive or hinder market oriented activities (Harris, 1999). Although, [2] and [3] calls attracted researchers attention to the importance of market orientation for organizations, it was the work of [1] that empirically examined the antecedents of MO. This shortage exists in spite of the fact that many developing country economies and markets, like Bahrain, have been converting to free market economies and can provide appropriate grounds for robust tests for the association of market orientation and performance[11].

Reference [11] argued that, if developing countries continue implementing economic reforms, organizations need to be business oriented to grow and survive as these countries strive for economic development. Managers and policy-makers in developing countries are often in need for guidance regarding how to start and use market orientation to increase their competitive advantages. Also these managers are searching for answers to questions such as: (1) if market orientation plays a pivotal role in the achievement of superior business performance, then what are the factors that drive or hinder market oriented activities? (2) Can organizations operating in developing countries achieve superior performance by implementing market orientation like their counterparts in the United States and other developed countries?

Other research calls for investigating the applicability of MO into not-for-profit and public organizations and how these organizations could use this strategy to adapt for changes and challenges in their environments [8], [9]. Certainly, without answering these questions, managers in developing countries in general, and managers of public organizations in particular, cannot initiate organizational change processes directed at building market orientation in order to enhancing performance [14], [11], [15]. These issues are the main interest of this research as one its contributions to answer theses calls.
**Conceptual Model and Hypothesized Relationships**

The conceptual model of [1] was adopted to show the hypothesized relationships between variables of the study. The model indicated that the level of market orientation in the public service organization is dependent on the levels of top management factors, interdepartmental dynamics, and organizational systems. The model further specified that market orientation impact on the performance of public service organization. Figure 1 depicts the proposed model.

**FIGURE 1: A Contingency Model Antecedents and Consequences of Market Orientation**

![Diagram]


**II. LITERATURE REVIEW**

Many definitions of market orientation cited in the literature attempted to identify what market orientation really is. The most cited definitions in literature are those by [2] and [3]. MO was defined by [3] as "the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organizational-wide responsive to it" [3, p.6]. While [2] defined MO as "the organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for customers and, thus, continuous superior performance for the business" [2, p.21].


**A. Market Orientation Model in Relation to Public Organization in Bahrain**

Although this is might be the first study to explore the MO-performance relationship in the public organization in Bahrain, the researcher expects [3] and [1] market orientation model to be applicable in the context of public services organization in Bahrain. Specifically, the hypothesized relationships in the model are likely to hold in terms of their effects and directions [10], [16]. Moreover, [17] pointed out that the new public management (NPM) approach requires public organizations to undertake reforms to meet users expectations of higher performance to satisfying citizen’s and the customer’s needs. In response to changes in the public organizations environment, concepts like accountability, transparency, efficiency, effectiveness, and market orientation rapidly transposed from private sector to the domains of public and not-for-profit organizations [17], [9].

The public service organizations in Bahrain are providing a high range of services for local and non local clientele. The governmental policies encourage and required public organizations to provide a high level of services for their clientele. Bahrain free market economy policy encourages organizations, private and public; compete for providing a highly level of satisfaction for customers. The new trends in public management to “do more for less” is pushing organizations to be efficient and effective in carrying out their duties toward their clientele [18], [19], [16].

However, Hofstede [20] categorized Arab culture, including Bahrain as high on uncertainty avoidance, power distance, masculinity, and collectivism. Consequently Bahraini managers are likely to possess these attributes, which are mostly not favorable for market oriented activities. Thus, a study of market orientation in Bahrain would have been unimportant, if all managers of public sector managers in Bahrain have equally share Hofstede’s traits. Fortunately, this is not the case. First of all, scholars suggest that all the cultural dimensions of Hofstede’s typology can vary even within a single country [8]. Further, as mentioned earlier, many Bahraini managers are educated and trained in different countries and are more likely they have been exposed to the concepts of market orientation. Therefore, public sector in Bahrain can be considered a suitable case for testing [3] and [1] entire market orientation model. Thus, the researchers contents that the nature of the public organization is favorable for market oriented activities to evolve.

**B. Market Orientation-Performance Relationship**

In the last three decades, theoretical and empirical research illustrated that there is a positive relationship between MO and organizational performance [1] – [5]. Thus, the concept attracted the attention of non-profit and public organizations [1], [13], [9]. Furthermore, many scholars called for the application of the MO into the not-for-profit and public organizations [1], [8], [19], [5] in order for public organizations to respond for the increasing demand from users of the public organizations services.

Moreover, several studies that conducted in business and public oriented organizations used subjective measure of performance and revealed that there is a positive relationship between MO-performance [1], [8], [9]. Similarly, this study utilizes [1] multi-item subjective measure to evaluate the level of the relationship between
MO and performance of the public organizations. Based on the findings of previous studies, the researchers expect that market orientation will enhance performance of public organizations in Bahrain. Thus, this study poses the following hypothesis:

Hypothesis 1: In Bahrain, the greater the degree of a public organization’s market orientation, the higher organization performance.

C. Antecedents to Market Orientation In Bahrain

Reference [1] identified three categories of antecedents to MO that include top management characteristics, interdepartmental dynamics, and organizational systems. The findings of several studies showed that the level of these [1]; antecedents can promote or hinder the level of MO. The antecedents to MO are reviewed in the following sections. For the sake of the space and availability of research about the antecedents of MO, it will briefly presented with emphasizes on its application in the public organization in Bahrain.

D. Top Management Emphasis on MO

Top management plays a central role of shaping organizational values and culture [21]. As of that, top management’s belief, understanding, and commitment to customer services are important to promote market orientation as a strategy to enhance organization performance. For instance, [5] used leadership as a major construct of creating a market orientation culture.

An observation of top management behavior in Bahrain organizations, including Public organizations, demonstrates the impact of the business environment in shaping managerial style [22]. In a supply-economy, such as Bahrain, managers are more occupied in production and availability of finance than they are in marketing. Consequentially, marketing is not among their priorities. However, there are managers who have been exposed to the marketing concept through education and training in Western institutions and have begun to embrace market orientation. They encourage market research and customer surveys, maintain regular contact with certain customers and public officials, emphasize the importance of sharing information, train employees to use information technology, and adapt an open-door policy to encourage employee participation and feedback [23]. Therefore, the following hypothesis posed:

Hypothesis 2: In Bahrain, the greater the top management’s emphasis on market orientation, the greater the market orientation of the organization.

E. Top Management Risk Aversion

Risk aversion refers to top management's propensity to avoid risks, or be risk-averse and be intolerant to failures [24]. However, [3] and [1] argue that the symbolism viewed in senior management’s willingness to take risks would encourage and facilitate organization-wide commitment to innovations and responsiveness. Top management’s willingness to take risks and to accept occasional failures will motivate other managers to propose and introduce new products in response to changes in customer needs. On the other hand, a risk-aversion approach adopted by senior managers will permeate the organization and inhibit the process of market intelligence generation, dissemination, and response to changes in the market place. Top management’s willingness to take risks plays a critical role in fostering or inhibiting market orientation. Employees’ trust of management is central to the development of a market-oriented culture because trust enables individuals to take risk without fear of penalty for failure [25].

According to [20] cultural typology of Arab culture, Bahraini managers are expected to be uncertainty avoiders and risk averse. Typical or traditional managers are less likely to take risks because of the uncertainty and potential of failure. Failure is shameful in this culture [20]. These typical managers have no incentive to take risks or tolerate employees’ creativity to promote market orientation. However, managers with education and training in Western institutions and organizations show more propensities to engage in risky actions such as the introduction of new products, new technology, new methods and procedures of production, marketing, or modification of marketing offerings. Such actions are often essential to promote the market orientations [23]. Based upon the previous discussions, the following hypothesis is posed:

Hypothesis 3: In Bahrain, the greater the risk aversion of top management, the lesser the degree of market orientation of the organization.

F. Interdepartmental Dynamics: Conflict and Connectedness

Interdepartmental conflict refers to the tension among departments arising from the incompatibility of actual or desired responses [26], [24]. While connectedness refers to the degree of formal and informal direct contacts among employees across departments [1]. Interdepartmental conflict could occur among or within departments as a result of group or departmental identification, observable differences, and frustration [27]. In contrast, connectedness in organizations manifest through interdependent departmental goals and functions that helpful for sharing and responding to marketing information [24].

In contrast to the common believe, traditionally, Bahraini managers are not confrontational, and they do not tolerate conflict. They resort to authoritarian measures when conflict begins. Because of cultural values, Bahrainis’ tend to keep distance from the center of power and authority and resort to informal means of “face-saving” to handle their conflicts [20]. Because labor laws are not effective, managers are supposed to be the final authority in solving conflict, and in cases of serious conflicts, they apply the written rules and regulations. However, it is noteworthy to mention that the informal mechanism of conflict resolution that originated from family or tribal connections plays a significant role in managerial decisions [28]. Furthermore, the cultural values of collectivism coupled with the tight labor market encourage nepotism and favoritism in hiring, promotion, and in other areas. All in all, these factors contribute to increasing interdepartmental conflict by discouraging trust, communication, coordination, and interactions, which are necessary elements for an organization to be market oriented. Therefore,
Hypothesis 4: In Bahrain, the greater the interdepartmental conflict, the lower the degree of market orientation of the organization.

Furthermore, different degrees of interdepartmental connectedness may be found among public organizations in Bahrain. Interconnectedness is likely to be more formal than informal. Information gathering, sharing, and utilization have to go through formal channels of communication. Although, interconnectedness might be geared more toward day-to-day operations than the implementation of a strategy, such as, long-term market orientation managers might use interconnectedness for improving social relationships and networking, which in turn may facilitate market-oriented activities[29]. Formal interdepartmental connectedness in Bahrainis; public organizations is expected to be strong because of the small size of the departments or the branches and the centralized approach of management, which enforces cooperation, communication, coordination, and integration. Based on this discussion the following hypothesis is posed:

Hypothesis 5: In Bahrain, the greater the interdepartmental connectedness, the greater the degree of market orientation of the organization.

G. Organizational Systems: Formalization, Centralization, and Reward Systems

Formalization refers to the degree to which written documentations define rules, procedures, authority relations, communications, norms, and sanctions, which prescribe rights and duties of employees [24]. Centralization refers to the level of hierarchy and the amount of delegation of decision-making authority throughout an organization and the extent of participation by organizational members in the decision-making processes [1], [24]. Formalization and centralization are the two variables commonly used to differentiate between organic and mechanical structures. Whereas formalization and centralization are characteristics of a mechanical structure, less formalization (informal) and decentralization are characteristics of organic structures[24]. Management and marketing literature are in consensus in relating an organization’s abilities to successfully respond to its environments with organic versus mechanical structure [1], [5]. Organizations rely on these organizational structures and systems to achieve standardization and control across employees and departments, and to maintain or alter patterns in organizational activities and behavior [22]). However, an organizational structure has to fit its needs. Otherwise, when an organization structure is out of alignment with the organization’s needs, one or more of the following symptoms of structural deficiency appear: the creation of bureaucracy, heightened levels of uncertainty, interdepartmental conflict and competition, hindered communication flows, slower decision-making processes, and a less innovative response to a changing environment [24].

Moreover, [1] postulate that formalization, and centralization, have been found to be negative correlates of market oriented activities. In a formal and centralized context, work-related behaviors are largely controlled by restrictive rules and procedures, which create barriers to communication flows, leave little room for individual freedom and limit the number of participants in the decision-making processes. These conditions lower employees’ and managers’ commitments and incentives to participate in developing effective market formalization, and centralization. Lack of which discourages the exchange of information and ideas and hinders the generation, dissemination, and utilization of market intelligence [5].

The call to restructure organizations to enhance their strategic capabilities shows that the traditional organizational structure model can no longer cope with environmental changes and be adaptive to market orientation [30]. Some public managers became aware of the limitations of the traditional organizational structure. Thus, different degrees of formalization and centralization may be found among public organizations. Thus, the following hypotheses are posed:

Hypothesis 6: In Bahrain, the greater the formalization, the lower the degree of market orientation of the organization.

Hypothesis 7: In Bahrain, the greater the centralization, the lower the degree of market orientation of the organization.

H. Reward System

The concept of rewarding employees and their managers is a puzzling issue in organizational and administrative behaviors literatures. While there is an agreement among scholars about the importance of rewards to creativity and performance, there is no agreement on what reward will be effective in motivating employees [24].

Traditionally, the reward system in public organization has less direct link to customers’ satisfaction or even to performance. There is a uniform wage standard in the public organizations based on governmental policy of wages and the labor market [28]. Furthermore, based on Arab traditions and Islamic teachings, Bahrainis managers, like other Arab managers, are oriented toward group welfare, rather than individual welfare that are prevalent in Western organizations [28], [8]. Cultural values and governmental regulations do not even encourage assessment of individual employees’ performance. On the contrary, they encourage equality in rewarding employees [31]. Even in case public organizations have a system of performance assessment, they more likely to evaluate the overall performance of the organization and equally rewarding their employees.

However, the development of New Public Management and the sweeping waves to reform and reengineer public organizations to apply a variety of business practice initiatives, such total quality Management (TQM), Just-In-Time (JIT), and recently to be market driven and focus on customers satisfaction are noticeable in public organizations in Bahrain[32]. It is the belief of the researcher, that the new generation of managers is strong believers in the importance of the reward system for promoting creativities and better performance. Thus, the following hypothesis posed:
Hypothesis 9: In Bahrain, the greater the reliance on market-based factors for evaluating and rewarding, the greater the degree of market orientation of the organization.

III. COLLECTION OF DATA

Data were acquired from a total of 250 managers and senior managers in public service organizations in Bahrain. Each of the participants was hand-delivered one copy of the questionnaire. A total of 160 completed questionnaires were returned, 27 of them were unusable, resulting in a 133 usable copies with response rate of 53 percent. The characteristics of the sample indicate that 100 percent of the respondents were in managerial positions. The majority (86 percent) had majored in business, and over 90 percent had bachelor or higher degrees. Two-thirds of the respondents had six or more years of experience in their current positions. Hence it is very likely that the respondents were responsible persons and had answers to questions asked in this study.

A. Measures of the Constructs

Because this study replicates [3] and Jaworski and Kohli’s [1] market orientation model, their scales for all the constructs have been adopted. All 9 constructs have a total of 75 items.

B. Validation of the Measures

Exploratory factor analysis and coefficient alpha were estimated to assess the psychometric proprieties of the scales [33]. The results of exploratory factor analyses identified 28 items with factor loadings less than 0.40 out of a total of 75 items. Consequently, 12, 2, 2, 3, 3, 2, 1, and 2 items were dropped from market orientation, top management emphasis, top management risk aversion, interdepartmental conflict, interdepartmental connectedness, formalization, centralization, and reward system. Cronbach alphas ranged from 0.55 to 0.80 [34].

C. Method of Analysis and Results

We estimated four regression models to test all the nine hypotheses. The results are given in Table I. The models are:

HI. According to the result of model1MO has a significant positive impact on the public organization performance. This means HI was supported. Where results of model 2 demonstrated variations on the impacts of the antecedents variables on the level of MO. For instance top management emphasis, interdepartmental connectedness, are all significantly and positively related to market orientation. That means, H2, and H5 are supported. Also, as per H3, H4 and H6 top management risk aversion, conflict, and formalization are all significantly and negatively related to market orientation. Further, centralization and reward system are not related to market orientation. This means H7 and H8 are not supported.

### TABLE 1

<table>
<thead>
<tr>
<th>Regression Model</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
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<td>DC .060</td>
<td>DC .450</td>
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<td>FM .060</td>
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<td>RS .165</td>
<td>RS .844</td>
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Where:

MO: market orientation
OP: organization’s performance
ME: management emphasis
RA: management risk aversion
DF: interdepartmental conflict
DC: interdepartmental connectedness
FM: formalization
CT: centralization
RS: reward system

Models 3 and 4 were undertaken to examine the variation between the independent variables, the antecedent’s factors, and the degree of performance on public organization. Model 3 showed that a slight change was noticed in the variation of the independent variables which was insignificant. In the same token, in model 4, the antecedent variables with MO were regressed on performance of the OP. The result of model 4 also demonstrated no significant change on the impact of variables from models 1 and 2.

D. Discussion and Conclusion

This study replicated [3] and [1] entire market orientation model within a highly growth oriented emerging Middle-Eastern economy, namely, Bahrain. Not only market orientation research is rare in such a context but also the context has the characteristics that allow for a robust test for the complete market orientation model. The study findings generally resonate with the results of [1] and offer one more support for the robustness of [1] market orientation model. A recent replication of model also generated similar results [35]. In our study, out of eight hypotheses, six were supported and two were unsupported.

However, a closer look into the results reveals some interesting insights. First, the influence of top management traits on market orientation is fairly stable across diverse contexts. All replications have been consistent about these relationships (Bhuian, 1998; Kuada...
and Buatsi, 2005). That is, top management is a crucial factor for an organization to become market oriented. Second, organizational factors, both structural and interpersonal or interdepartmental, as determinants of market orientation are not completely decisive. Most studies regarding these linkages have produced some inconsistencies [35], [8]. The study found centralization and reward system not having any roles in the market orientation model. Therefore, no firm conclusion can be made regarding how different organizational factors relate to market orientation. Even though it seems that managerial and organizational factors play a role in the market orientation model, the nature of that role is still unclear. Similar to the results of previous studies, we also found some inconsistencies on how these factors correlate with market orientation. Perhaps the nature of the correlations of antecedent factors and market orientation is much more complex. Fourth, this study may have proved that within-country variations in Hofstede’s cultural typology is possible. Hofstede identified Bahrain as having a fixed set of cultural traits that are not conducive for market orientation as discussed earlier. However, a successful test of the model shows that adequate variations exist in market orientation and in other constructs in the model within Bahrain. Thus, market orientation model may not be culture-bound. Finally, this study confirms that further attention to most scales in the market orientation model is essential. Most scales including that of market orientation did not remain intact. Hypotheses tests were pursued with respecified scales and this is pervasive across market orientation research. Much more attention is needed in refining these scales.

E. Implications for Researchers
Market orientation studies in Bahrain are limited to few studies. Gathering data from that part of the world is still problematic. This study represents an initial attempt to explore information about the impact of market orientation on public organizational performance in Bahrain. The results might serve as a benchmark to stimulate additional research in this area in emerging market economies. One direction for future research we suggest is to replicate [1] model in other industries and other cultures to enhance the model’s generalizability in non-Western cultural settings. Another avenue for future research is to duplicate this study at a future date and to explore whether managers’ and employees’ perceptions of market orientation change over time.

REFERENCES
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