Relationship between Market Orientation and Corporate Social Responsibility with special reference to Sri Lankan Financial Sector

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Abstract
It is the role of the marketers to add value to the customers by identifying and fulfilling the needs and expectations of their customers. This process is known as market orientation. Meanwhile awareness of the social issues have increased among the society and customers in the past few decades. Therefore, society and customers expect marketers to be involved in socially responsible measures. Thus, it becomes necessary for the market oriented businesses to move towards corporate social responsibility to fulfill the social expectations of their customers and society. But so far no research has been carried out to analyze the relationship between market orientation and corporate social responsibility. Therefore, main purpose of this study is to investigate relationship between market orientation and corporate social responsibility. Hence findings of this study would be useful to the Sri Lankan financial sector to develop policies to foster socially responsible business behavior by improving their market orientation practices. This research was limited to the Sri Lankan financial sector which consists of banks and finance companies. Customer orientation, competitor orientation and inter-functional coordination are considered as the measurement variables of market orientation and it was derived from Narver and Slater (1990). Researcher adopted quantitative methodology and used structured questionnaires for data collection. Correlation analysis was used for data analysis. Results confirmed that there is a positive relationship between market orientation and CSR. From the findings it can be concluded that organization can improve its socially responsible business behavior by adopting market orientation practices.

Keywords: Market orientation, customer orientation, competitor orientation, inter-functional coordination, corporate social responsibility

INTRODUCTION
Customer satisfaction is the primary objective of marketers. Therefore, marketers have the responsibility to ensure superior value to their customers. According Narver and Slater (1990) organizations have to be market oriented to ensure superior value to their customers. Market orientation has become a prominent concept in marketing literature and in practice to ensure sustainable and superior customer value. Market orientation is the process of adding value to customers by knowing and understanding customers’ needs and wants. Thus market oriented businesses seek to understand customers’ expressed and latent needs, and develop superior solutions to those needs in order to add value to their customers. Meanwhile social responsibility and social issues have become the expectation to the society and customers. Jones, Comfort, and Hillier (2007) defined corporate social responsibility (CSR) as “managing the business process to produce an overall positive impact on society” (p.18). Meanwhile awareness level on social issues has increased among the society and customers in the past few decades. It has resulted in a phenomenon where customers have become socially conscious (Mohr, Webb, & Harris, 2001). Therefore it has become the expectation of customers and society that the marketers have to be socially responsible. Since there are customer expectations over marketers to be socially responsible, market oriented businesses have to undertake CSR activities thereby addressing customers’ expectations. However, if market oriented organization is not moving to CSR activities, customer expectations for such activities will not be incorporated and satisfied by organization. It results in unmet customer expectations. Therefore, there is a need for marketers to examine the relationship between market orientation and CSR. So that marketers can initiate measures to satisfy the social expectation of customers. But this relationship has not been confirmed in Sri Lankan context with special reference to Sri Lankan financial sector. This knowledge is lacking. Absence of this knowledge will leave marketers in ambiguity in adopting measures leading to CSR in organization. Thus there exists a clear knowledge gap. This knowledge gap becomes a problem to marketers in fostering socially responsible business behavior. Absence of such knowledge makes marketers unclear and difficult to satisfy expectations.
of the customers who are responsive to socially responsible issues. Researcher examines this problem in this study and attempts to fill this knowledge gap. Therefore the following research problem is advanced in this study

Is there any relationship between market orientation and corporate social responsibility practices with special reference to Sri Lankan financial sector?

**OBJECTIVES OF THE STUDY**

This research was carried out with the following specific objectives

1. To examine the relationship between market orientation and corporate social responsibility practices with special reference to Sri Lankan financial sector.
2. To analyze the relationship between customer orientation, competitor orientation and inter-functional coordination and corporate social responsibility practices of Sri Lankan financial sector organizations.

**SCOPE OF THE STUDY**

Sri Lankan financial institutions practice market orientation and corporate social responsibility. Therefore Sri Lankan financial sector has been considered for this study to examine the relationship between market orientation and corporate social responsibility. Thus the scope of this study has been limited to the Sri Lankan Financial Sector. This research is limited to the Sri Lankan financial sector. According to the Central Bank of Sri Lanka (2009), the Sri Lankan financial sector comprises of 4 major categories of financial institutions, namely licensed commercial banks (LCBs), licensed specialized banks (LSBs), registered finance companies (RFCs), and specialized leasing companies (SLCs). As at July 2009, there were 22 LCBs, 13 LSBs, 35 RFCs and 74 SLCs in Sri Lanka (Central Bank of Sri Lanka, 2009). LCBs, LSBs and RFCs are also involved in leasing business. Thus 59 of 74 LSBs (80 %) listed by Central Bank of Sri Lanka have been included in either one category of LCBs, LSBs and RFCs. To avoid repetition, researcher decided to limit the scope of his research only to licensed commercial banks (LCBs), licensed specialized banks (LSBs) and registered finance companies (RFCs) thereby specialized leasing companies (SLCs) was scoped out from this research. Moreover there are only 22 licensed commercial banks (LCBs) and 13 licensed specialized banks (LSBs) in Sri Lankan financial sector. Since the number of units in LCBs and LSBs are less than 30, segregate analysis was not possible. In order to perform segregate analysis LCBs and LSBs were combined as corporate banks.

**SIGNIFICANCE OF THE STUDY**

It is commonly known that satisfied customers will add value to organization there by adding value to the shareholders wealth and to the organization’s profitability. Therefore it is necessary for marketers to meet expectations of their customer to ensure their satisfaction. It has become the expectation of the society and customers that organizations must be involved in socially responsible activities. Therefore relationship between market orientation and CSR has to be studied; so that this knowledge will give an assurance to marketers as to whether they have to undertake CSR activities in order to fulfill social expectations of their customers. As a consequence satisfied customers will add value to shareholders wealth and profitability. Furthermore this research gives a new knowledge to the scientific community. So far no research has been done in Sri Lanka to examine the relationship between market orientation and social responsibility in the context of financial sector. Moreover as far as researcher knows no research has been done using the methodology of Narver and Slater (1990) to determine the relationship between market orientation and social responsibility. Thus the influence of individual components of market orientation on CSR has not yet been studied. Hence this research fills the knowledge gap identified by Narver and Slater (1990). Therefore this research proposes a valid and new knowledge to the scientific community.

**METHODOLOGY**

Researcher applied quantitative methodology for this study.

**Sample Selection**

According to the Central Bank of Sri Lanka (2009), as at July 2009 35 banks (licensed commercial banks and licensed specialized banks) and 35 finance companies were there in the Sri Lankan financial sector. All entities in these two categories were considered for this study. Hence researcher distributed questionnaire to whole population.

**Data Collection Methods and Instruments**

Structured questionnaires were used to collect data. These questionnaires consist of three parts. They are market orientation, corporate social responsibilities and profile of organization. Likert scale of 1-5 which ranges from “Strongly Disagree” to “Strongly Agree” was applied in the part I and part II of the questionnaire to identify responses. Furthermore each institution was considered as the unit of analysis. Therefore one questionnaire was given to the marketing manager in each institution.

**Data Analysis and Evaluation**

Inferential analysis was used for data analysis. In inferential analysis, correlation has been applied.
Correlation analysis was adopted because it is used to analyze the relationship between the variables. Thus Pearson bi-variate correlation was used to examine the relationship between market orientation variables and CSR. Statistical package of SPSS 13.0 has been used for this purpose.

LITERATURE REVIEW

The Concept of Market Orientation

The first measure of the success of any business is how well it serves the consumers by satisfying their needs. Therefore business adopted “Marketing” to provide customer satisfaction (Bell & Emory, 1971; Kotler & Levy, 1969). Identifying customers’ needs and expectations and satisfying such needs became the primary task for marketers (Barksdale & Darden, 1971). This is known as “Marketing Concept”. Kotler (1980) defined marketing concept as “management orientation that holds the key tasks of the organization is to determine the needs and wants of target market and to adapt the organization to delivering the desired satisfactions more effectively and efficiently than its competitors” (p. 09). Marketing concept became popular and widely acceptable among the marketers since 1950s. Marketing concept makes the marketers to be more responsive to customers’ wants and needs. Marketers realized that implementing marketing concept is not the duty and responsibility of the marketing department alone. Implementation of the marketing concept became the major challenge. It required the support of the whole organization. It is necessary that entire organization has to move towards satisfying customer needs. This process is known as “Market Orientation”. According to Kohli and Jaworski (1990) market orientation is the implementation of the marketing concept. Hence, a market-oriented organization is one whose actions are consistent with the marketing concept. Marketing concept is the base for the market orientation. Therefore market orientation is the operational manifestation of the marketing concept. In literature, different researchers have recommended varying definitions for “Concept of Market Orientation”. Narver and Slater (1990) have defined market orientation as “The culture that most effectively and efficiently creates the behaviors for the creation of superior value for buyers” (p. 21), and stated that market orientation consists of three behavioral components – customer orientation, competitor orientation, and inter functional coordination. Thus Narver and Slater (1990) have operationalized market orientation in terms of three variables; customer orientation, competitor orientation and inter functional coordination. Sørensen (2009) indicated that customers, competitors and inter functional coordination are major components of market orientation and it gives different types of information for decision makers. Chelariu et, al. (2002) have stressed that Narver and Slater’s (1990) method of operationalization reflects the market orientation towards various stakeholders such as customers and competitors and it can be applied in both early as well as matured stages of market orientation. Furthermore several other researchers such as Harris (2002) who explored into market orientation have agreed with the operationalization of Narver and Slater (1990).

Furthermore, in the future research implications of the scholarly article on market orientation by Narver and Slater (1990), they suggested that the relationship between the degree of a business's market orientation and the extent of its social responsibility behavior has to be examined. In the same article, they further recommend that it would be interesting to include customer orientation, competitor orientation, and inter-functional coordination items with societal marketing dimensions to see whether they correlate highly with social responsibility. Therefore methodology proposed by Narver and Slater (1990) for market orientation is considered to be ideally suitable to study relationship between market orientation and corporate social responsibility.

Related Studies on the Concept of Corporate Social Responsibility

In the past several decades Concept of “Corporate Social Responsibility” has been evolving as an important concept among the managers. Even though varying views and definitions were advanced to the Concept of Corporate Social Responsibility since 1930, pioneer definition was given by Bowen (1953). He viewed CSR as the obligations of business people to develop policies, decisions and actions based on values and benefits of society. Areas, duties and limitations of business responsibilities were not identified clearly in his definition and therefore his definition was considered as an unclear and ambiguous definition. Davis (1960) suggested that “social responsibility is businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest” (p. 70). Davis (1960) has emphasized that CSR is beyond direct economic interest of the business. Since the scope of business responsibilities was widened further, businesses were expected to incorporate some more responsibilities. Accordingly McGuire (1963) claimed that the businesses have responsibilities to society which extend beyond economic and legal obligations.

In his definition he suggests that CSR is beyond legal obligations. Davis and Blomstrom (1966) described social responsibility as a person’s obligation to consider the effects of his decisions and actions on the whole social system. In their view corporate social responsibility is the consideration given over the whole social system. Thus, whole social system consists of
not only the society but other constituents as well. Hay and Gray (1974) considered CSR as the organization’s obligations to concern over its stakeholders inclusive of stockholders, workers, customers, suppliers, creditors, and community. These two definitions on CSR have given broader and advanced view of CSR. Thus responsibilities for various stakeholders are coming under the CSR domain. Carroll (1979) has proposed a clear view for social responsibilities of businesses. He included economic, legal, ethical, and discretionary expectations of the society under CSR. Furthermore Carroll has repeatedly stressed these four areas of CSR in his subsequent articles on CSR such as Carroll (1991); Carroll (2000) and Schwartz and Carroll (2003). Therefore Carroll’s (1979) operationalization on CSR has been widely recognized in the academic literature and it is still being applied by researchers. Meanwhile Maignan et al. (1999) defined CSR as “the extent to which businesses meet the economic, legal, ethical and discretionary responsibilities imposed on them by their stakeholders” (p. 459). Maignan et al. (1999) has agreed with the four dimensions of CSR proposed by Carroll (1979). Thus contemporary researchers still recognize his ideology. Therefore it is rationale to accept four dimensions of corporate social responsibility recommended by Carroll (1979).

Relationship between Market Orientation and Corporate Social Responsibility: The Conceptual Approach

Customer satisfaction was the key aspect in the marketing concept and no or minimal was attention paid on social welfare in marketing applications became questionable after some time. Because as noted by Abratt and Sacks (1988) pure customer orientation can give only a short term profit and it will fail to generate a long term profit. In addition customers can not be focused in isolation of society and the ultimate objective of marketers to provide goods and services for the consumption of society. Therefore pure customer orientation was considered to be insufficient. Meanwhile Knowledge level of the public has increased in past few decades. It has resulted in a situation where society and customers have become aware of social issues. Thereby customers have become socially sensitive. As a consequence, customers have social expectations over their marketers (Maignan, 2001). Mohr et al. (2001) has proven that customers expect their marketers to contribute to social activities. As such customers in the banking sector in particular expect banks to be socially responsible (Poolthong, 2009). Thus customers expect their marketers to be socially responsible. Meanwhile market orientation is the process of value creation by identifying the needs and expectations of the customers (Narver & Slater, 1990). It appears that market oriented business must address CSR issues. Therefore it can be inferred that there is a relationship between market orientation and corporate social responsibility.

Relationship between Components of Market Orientation and Corporate Social Responsibility

According to Narver and Slater (1990) there are three behavioral elements of market orientation; customer orientation, competitor orientation and inter-functional coordination.

Customer Orientation and Corporate Social Responsibility

Customer orientation refers to the marketers’ knowledge on target customers in order to create superior value (Bell & Emory, 1971; Harris, 2002; Hise, 1965; Kohli & Jaworski, 1990; Narver & Slater, 1990; Sorensen, 2009). Thus marketers have to understand needs, wants, expectations, preferences, behavioral responses, and perceptions of current and potential customers. Meanwhile researchers have proven that customers respond to the corporate social responsibility of business. Mohr et al. (2001) has found that consumers are becoming socially conscious and they favor socially responsible business organizations. Furthermore they also emphasized that corporate social responsibility involvement of businesses, affect customers’ attitudes towards the business and there are some segments of customers who base their purchase decisions on CSR issues. Handelman and Arnold, (1999); Jones et al. (2007); and Singh (2009) have indicated that consumer have positive feelings, attitudes and responses towards the business that practice more CSR. Moreover CSR influences on customer satisfaction (Luo & Bhattacharya, 2006). As a result certain segment of customers have now adopted socially responsible purchasing behavior which means that a person base his purchasing decisions on a desire to minimize or eliminate any harmful effects and maximize long run beneficial impact on society (Mohr et al., 2001). Meanwhile primary task of the customer oriented marketers is to understand expectations, perceptions, responses, attitudes and behavior of their customers. Therefore it appears to be necessary for customer oriented marketer to be knowledgeable on what customers prefer, respond and perceive on CSR; so that marketers can incorporate their expectations and responses to their CSR programmes. Thus customer orientation is leading to CSR. Hence it can be derived that there is a positive relationship between customer orientation and CSR.

Competitor Orientation and Corporate Social Responsibility

Competitor orientation means understanding competitors’ strengths, capabilities and weakness in
order to create superior value to their customers than their competitors. Moreover information collection, competitive intelligence and competitor’s awareness are also part of competitor orientation (Narver & Slater, 1990).

Meanwhile in business arena competition seems to be increasing in the rapid rate. Therefore marketers are searching for new bases of differentiation to overcome competition. In that sense marketers have now adopted corporate social responsibility as new way of differentiation. Detchev (2004); and Werther and Chandler (2006) have acknowledged that competitive pressure urge managers to move towards corporate social responsibility thus in future competitive success can be built upon CSR contribution of the business. Hence CSR is becoming a competitive tool and it leads to competitive advantage. Furthermore Werther and Chandler (2006) demanded for the knowledge creation on competitor’s actions and operations to initiate CSR measures targeting their competitors. Thereby knowledge creation on competitors is essential to move for CSR measures. Moreover Graafland (2003) suggested that marketers must be aware of their competitors and their CSR activities, so that they can take distinctive CSR activities. Such awareness will assist the marketers to initiate their CSR campaign which is distinctive from their competitors; therefore it will add comparatively better value to their customers as well as to the firm it self. Hence relationship between competitive orientation and corporate social responsibility can be formed.

Inter-functional Coordination and Corporate Social Responsibility

Inter-functional coordination refers to the coordinated utilization of company resources in creating superior value for target customers (Narver & Slater, 1990). Thus collective support of all departments, functions, levels and units is of vital importance to ensure value addition to their customers. Meanwhile inter functional coordination is essential to ensure social responsibilities of business. Thus support of all departments is necessary to address CSR issues. Similarly Silberhorn and Warren (2007) indicated that coordination of all functions and departments is necessary to move to CSR. As such consensus of managers at all levels needs to be established to develop CSR campaigns. In that sense support of whole organization has to be sought to foster socially responsible business behavior (Oliver, 1997). Schiebel and Pochtrager (2003) emphasized that internal coordination of a company leads to CSR. With the support of this literature, relationship between inter-functional coordination and CSR can be advanced. Hence it becomes clear that there is a relationship between the components of market orientation and corporate social responsibility. Thus it establishes a relationship between customer orientation, competitor orientation and inter-functional coordination with corporate social responsibility.

Hypotheses Development

Researcher developed three hypotheses to examine the relationship between market orientation and corporate social responsibility based on the literature survey.

**H1:** The higher the customer orientation, the more will be the corporate social responsibilities of the business

**H2:** The higher the competitor orientation, the more will be the corporate social responsibilities of the business

**H3:** The higher the inter functional coordination, the more will be the corporate social responsibilities of the business

DATA ANALYSIS, FINDINGS AND DISCUSSION

Correlation values were found to determine the relationship between the variables of marketer orientation and CSR.

Table 1 Correlation between Market Orientation and CSR

<table>
<thead>
<tr>
<th>Variables</th>
<th>Correlation with CSR</th>
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<tbody>
<tr>
<td>Market Orientation</td>
<td>.624**</td>
</tr>
<tr>
<td>Customer orientation</td>
<td>.531**</td>
</tr>
<tr>
<td>Competitor orientation</td>
<td>.543**</td>
</tr>
<tr>
<td>Inter-functional coordination</td>
<td>.422**</td>
</tr>
</tbody>
</table>

As presented in table 1, there is a positive relationship between customer orientation and CSR since the correlation value (0.531) between customer orientation and CSR is positive and significant. It means that the more a marketer understand needs, wants, expectations, preferences, behavioral responses, and perceptions of current and potential customers, the more he undertakes CSR measures. Therefore it confirms the first hypothesis (H1) that says that “The higher the customer orientation, the more will be the corporate social responsibilities of the business”.

Similarly there is a positive relationship between competitor orientation and CSR because the correlation value (0.543) between competitor orientation and CSR is positive and significant. It reveals that more the marketer understand competitors’ strengths, capabilities and weakness, the more he initiates socially responsible activities so that superior value to their customers can be created than their competitors. Hence it confirms the second hypothesis (H2) that says that “The higher the competitor
Correlation between inter-functional coordination and CSR has taken a value of 0.422 and this has been positive and significant. Therefore it can be derived that there is a positive relationship between inter-functional coordination and CSR. Hence it shows that more a marketer establishes collective support of all departments, functions, levels and units in the organization, the more he can carry out CSR activities to ensure value addition to their customers and society. Thus it accepts the third hypothesis (H3) that says that “The higher the inter-functional coordination, the more will be the corporate social responsibilities of the business”. As in table 1 correlation value between market orientation and CSR is positive and these values have been significant at the P-value of less than 1% (P<0.01). This reveals that market orientation is positively correlated with CSR. Hence there is a positive relationship between market orientation and CSR. In addition, correlation values between the variables of market orientation; customer orientation, competitor orientation and inter-functional coordination and CSR also have been positive and significant. It reveals that there is a positive relationship between customer orientation, competitor orientation and inter-functional coordination with CSR. Hence all market orientation variables are positively correlated with CSR.

Market orientation is the process of identifying and satisfying the needs, wants and expectations of their customers thereby adding value to their customers (Kohli & Jaworski, 1990). Meanwhile customers and society have the expectations on marketers to undertake CSR measures (Mohr et al., 2001; Poolthong, 2009). Therefore when an organization is moving towards their customers, they want to be involved in CSR activities in order to incorporate interest of their customers and society. Therefore there is a positive relationship (0.624) between market orientation and CSR.

CONCLUSIONS
Conclusions have been derived to meet the research objectives. From this study it has been found that variables of market orientation; customer orientation, competitor orientation and inter-functional coordination are positively related to corporate social responsibility. Therefore it can be derived that there is a positive relationship between market orientation and corporate social responsibility. Thus the more an entity incorporate needs, wants and expectations of the customers, the more it can initiate measures satisfying the social expectations of their customers. Hence, if an organization wants to improve its socially responsible business behavior it has to move towards market orientation practices such as customer orientation, competitor orientation and inter-functional coordination.

REFERENCES


