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Antecedents of market orientation in the microfinance industry of Pakistan

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The performance of microfinance providers in Pakistan is very weak whereas market orientation has been found to significantly influence performance of firms in the general business field. This study attempted to identify those factors (antecedents) that determine the level of market orientation of microfinance providers in Pakistan. The results of the study indicated that top management emphasis on market orientation and formalization had significant effects on the level of market orientation of microfinance institutions. This suggests that for a microfinance institution to be market oriented, it needs commitment and reinforcement from the top management to motivate employees at the lower level to be sensitive and responsive to the changing borrowers' needs and preferences. Further, policies, rules and regulations need to be in accordance with the market situations.

Key words: Market orientation, antecedents, Pakistan, microfinance, sustainability.

INTRODUCTION

The concept of market orientation has a long tradition in business and marketing literature and it has remained as one of the most thoroughly researched topics in the last three decades (Woller, 2002). It was designated as a high priority area for research by the Marketing Science Institute (MSI) in 1990s (Cravens et al., 1998) and is expected to hold this status in future too due to its high managerial relevance (Deshpande and Farley, 1996). The attention paid to market orientation by practitioners and academicians in speeches, text books and scholarly papers has made it the very heart of modern marketing management and strategy (Narver and Slater, 1990).

The foundation of market orientation was laid in 1950s by Peter Drucker when he considered customers as the very reason for existence of organisations and asserted that fulfillment of customers' needs should be the core purpose of every organisation (Ngansathil, 2001). Later on, other authors including Levitt (1960), Kotler and Levy (1969), McNamara (1972) and Lawton and Parasuraman (1980) supported Drucker's idea of customer orientation

and considered it as an essential part of everyday management practice. This idea of customer orientation became popular to be known as the marketing concept (Ngansathil, 2001).Different authors in the literature have used the terms such as 'customer focused' and 'market driven' to represent market orientation (Ngansathil, 2001).

The resurgence of interest in the field is mainly attributed to the works of Kohli and Jaworski (1990), Kohli et al. (1993), Narver and Slater (1990) and Slater and Narver (1994), who developed measures for market orientation and empirically investigated its relationship with business performance. Results of their work provided evidence that market orientation leads to improved performance in business organisations and this served as an impetus for subsequent researches examining the relationship between market orientation and performance (Pulendran et al., 2000). Literature is replete with studies that focused on examining the relationship between market orientation and business performance in1990s (Diamantopoulos and Hart, 1993; Greenley, 1995; Jaworski and Kohli, 1993; Ruekert, 1992; Ngai and Ellis, 1998; Deshpande and Farley, 1996).

Market orientation has been defined by many authors in several ways. However, the prominent amongst them

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are the ones by Narver and Slater (1990) and Kohli and Jaworski (1990).

Narver and Slater (1990) consider market orientation as an organisational culture consisting of three behavioral components, that is, customer orientation, competitor orientation and interfunctional coordination.

The customer orientation and competitor orientation consist of all those activities which are involved in acquiring information about the buyers and competitors in the target market, and disseminating it throughout the organisation. The customer orientation component helps in better understanding of the firm's present and potential customers and their current and future needs to create superior value for them continuously. Customer orientation requires a seller to understand the buyer's entire value chain, both current and future as it changes due to the internal and external forces in the environment (Day and Wensley, 1988). The competitor orientation component of market orientation means that a seller should understand the short term strengths and weaknesses, and long term capabilities and strategies of both the key current and potential competitors.

The inter-functional coordination component means that the information gathered about the customers and competitors should be disseminated throughout the organisation and not only to the marketing department. This will enable the firm to utilize the information resources of the firm in a coordinated manner to create superior value for the customers. Narver and Slater (1990) consider market orientation as a uni-dimensional construct in which all the components are stated to have equal importance.

In contrast to Narver and Slater (1990) who consider market orientation as an organisational culture, Kohli and Jaworski (1990) consider it as the implementation of marketing concept and therefore, according to them a market-oriented organisation is one whose actions are consistent with the marketing concept. They define market orientation as the "organisation-wide generation of market intelligence pertaining to current and future customer needs dissemination of the intelligence across departments and organisation-wide responsiveness to it" (p.6).

Both conceptualizations have their own merits but the one by Kohli and Jaworski (1990) has been criticised both theoretically (Pelham, 1993) and methodologically (Farrell and Oczkowski, 1997), while the Narver and Slater's (1990) conceptualization has been found to be better in terms of both these criteria (Farrell and Oczkowski, 1997; Pelham, 1993). Pelham (1993) argues that the Kohli and Jaworski's (1990) conceptualization which is based on merely information gathering and dissemination is too narrow. He further adds that

"understanding the customers' needs and responsiveness to those needs requires more than information analysis and decision making based on that information" (p.21). Pelham (1993) suggests that an

appropriate operationalisation of market orientation should include measures which are relevant to understanding customer needs and which focus on how organisations provide value to customers. He considers the Narver and Slater's MKTOR scale to be superior to Kohli et al.'s (1993) MARKOR scale as the above mentioned aspects are better captured by their scale through measures such as customer satisfaction and after sales service. Pelham also found that MKTOR scale had greater reliability than the MARKOR scale.

The Narver and Slater's construct of market orientation and their measurement scale (MKTOR) have been replicated in several studies on market orientation conducted in various countries and industries. These include the studies of Pelham and Wilson (1996), Slater and Narver (1994), Greenley (1995), Ngai and Ellis (1998), Horng and Chen (1998), Appiah-Adu and Ranchhod (1998), Ngansathil (2002) and many others.

The fact that market orientation is an important determinant of institutional performance has been empirically supported through a number of studies (Narver and Slater, 1990; Ruekert, 1992; Jaworski and Kohli, 1993; Deshpande, et al., 1993; Raju et al., 1995). Market orientation can be described to have a positive impact on all stakeholders of an organisation, that is, it provides higher return to shareholders as a result of better performance, enhances employees morale and commitment (Jaworski and Kohli, 1993; Ruekert 1992), attracts new customers and retain existing customers (Kohli and Jaworski, 1990), and enhances chain relationships between suppliers and distributors (Siguaw et al., 1998).

Literature is replete with studies on market orientation, most of which have been conducted after the pioneering work of Kohli and Jaworski (1990), Jaworski and Kohli (1993), Kohli et al. (1993) and Narver and Slater (1990) who developed the conceptual frameworks and scales to measure market orientation. The scope of these studies is quite diverse. Beside large profit organisation, these studies encompassed small and medium businesses (Horng and Chen, 1998; Pelham, 1997); non-profit organisations (Wood, Bhuian and Kiecker,2000); government agencies / departments (Hurley and Hult, 1998; Caruana et a., 1999); health industry (Kumar et al.,1998); retail stores (Orvis, 1996) and biotechnology (Appiah-Adu and Ranchhod, 1998).

As mentioned earlier, these studies were initiated by Kohli and Jaworski (1990); Narver and Slater (1990) in United States, but later on, they were replicated in many other countries including Australia (Dawes, 2000; Farrell, 2000); UK (Greenley, 1995; Diamantopoulos and Hart, 1993; Harris, 2001); Japan (Deshpande et al., 1993); Taiwan (Chang and Chen, 1998; Horng and Chen 1998); Scandinavia (Selnes et al.,1996); Ghana (Appiah-Adu, 1998), Saudi Arabia (Bhuian, 1998); Germany (Fritz, 1996); Russia (Golden et al., 1995); Greece (Avlonitis and Gounaris, 1997); Malta (Caruana et al., 1995); India and Japan (Deshpande and Farley, 1999); Central

Europe (Hooley et al., 2000) and Korea (Kwon and Hu, 2000).

In Pakistan, like the many developing countries of the world, a huge potential exists for microfinance but a major part of this potential market is underserved as majority of the firms providing the microfinance services here are non-sustainable. Out of all Microfinance Providers (MFPs) in Pakistan, only four are financially sustainable (Pakistan Microfinance Network [PMN], 2008). The financial self-sufficiency of MFPs is below 80 percent which is much lower than the regional benchmarks of 91% in Africa, 102% in Asia and 111 % in Latin America, Caribbean, East Europe and Central Asia. The operational self-sufficiency of 89% is also much lower than the 106% in South Asia (Microfinance Infor-mation Exchange [MIX], 2006). One of the major reasons for the nonsustainabilty of these MFPs has been pointed out to be their lack of market orientation (Duflos et al., 2007). The positive link between market orientation and organisational performance in the general business field (Narver and Slater, 1990; Ruekert, 1992; Jaworski and Kohli, 1993; Raju et al., 1995; Deshpande, et al., 1993) suggests that performance in the microfinance industry can also be improved through market orientation. Many authors including Wright (2001), Hulme (1999) and Woller (2002) argue that based on the positive relation-ship between market orientation and organisational performance in the general business field, the performance of microfinance institutions can be improved if they become market oriented.

The positive relationship between market orientation and performance level of organisations in the literature makes it necessary to identify that what makes a firm to be more or less market oriented. Jaworski and Kohli (1993) have identified such factors, labeled as antece-dents to market orientation by them to influence the level of market orientation within an organisation. These factors act as either catalysts or deterrents to market oriented activities. Several authors (Slater and Narver, 1994; Pulendran et al., 2000; Jaworski and Kohli, 1993) have examined the influence of these antecedents on the level of market orientation of a firm while investigating the market orientation-performance linkage.

The commonly examined antecedents by these authors include top management emphasis on market orientation and their risk aversion, interdepartmental conflict and connectedness among departments, formalization, centralization and reward systems. The top management emphasis on market orientation, interdepartmental connectedness and market based reward systems have been found to enhance the level of market orientation within a firm (Pulendran et al., 2000; Jaworski and Kohli, 1993) whereas the top management risk aversive behavior, interdepartmental conflict, formalization and centralization have been found to hinder the level of market orientation within a firm (Siguaw et al., 1994; Pulendran et al., 2000; Jaworski and Kohli, 1993).

Objective of the study

Based on the support in literature for the relationship between market orientation and its antecedents in the general business field, their relationship in the microfinance industry of Pakistan needs to be examined so as to identify those factors which influence the level of market orientation of microfinance providers. The overall objective of this study, therefore, is to identify organisational factors (antecedents to market orientation) that determine the level of market orientation of MFPs in Pakistan.

Antecedents of market orientation

This study assumes top management emphasis on market orientation and their risk aversion, interdepart-mental conflict and connectedness among departments, formalization, centralization and reward systems as antecedents/determinants of market orientation. The relationship of these variables with market orientation and the relevant hypotheses are discussed as follows:

Emphasis of top management on market orientation

Top management has been found to play an important role in molding organisational values and nurturing market orientation within an organisation (Pulendran et al., 2000). Webster (1988) asserts that market orientation begins with top management of an organisation. According to Felton (1959), the most important com-ponent of market orientation is an appropriate state of mind and that can be attained only if the top management focuses on the need to develop it. Muffatto and Panizzolo (1995) recommend that full participation of employees from all over the organization can be obtained only when the top management motivates them to commit themselves towards customer satisfaction. In contrast , Managers who do not consider marketing to be a desirable activity within the organization are less likely to be motivated (Lovelock and Weinberg, 1984).Levitt (1969) argues that individuals within an organisation will be motivated to gather, disseminate and respond to market intelligence if there is an ongoing reinforcement from top management to do so. Jaworski and Kohli (1993) and Pulendran et al. (2000) found that top management emphasis on market orientation significantly enhances its level within an organisation. Top manage-ment emphasis on market orientation within MFPs is therefore, likely to be positively related with the level of market orientation within these firms. Thus it is hypothesized, that:

H_1: The more the top management of a microfinance provider emphasize on market orientation, the greater will

be its level of market orientation.

Top management risk aversion

The main feature of market orientation is to identify the changing needs of customers and respond to them which often involves introduction of new products and services. However, the introduction of new products is often risky having high chances of failure. When the top management is willing to take risks and accept occasional failures, it encourages employees from all the departments to be committed to respond to customer needs by offering new products. In contrast, when top management is not willing to take risks and does not accept failures, then the subordinates feel discouraged and they are less likely to respond to customer needs (Jaworski and Kohli, 1993). The inverse relationship between the risk behaviour of top management and market orientation has been found in several studies (Ansoff, 1984; Avlonitis and Gounaris, 1999). Therefore, based on these findings and the arguments discussed above, a negative relationship is also expected between market orientation and the risk aversive behavior of top management. Thus it is hypothesized that:

H_2: The greater is the risk aversive behavior of top management of microfinance provider; the lower will be its level of market orientation.

Interdepartmental conflict

Interdepartmental conflict refers to the tension among departments and many authors believe that it inhibits the implementation of market orientation in a firm (Levitt, 1996; Lusch and Laczmiak, 1987; Felton, 1959). Market orientation requires a firm to collect information about the customers and competitors, disseminate this information throughout the firm and respond to it in collaborative manner. But if there is lack of cooperation and coordination among the employees of various departments, it will restrict interdepartmental conflicts restrict communication across departments and as a result, the dissemination of market intelligence and the subsequent organisation wide response to it is hindered (Ruekert and Walker, 1987; Jaworski and Kohli, 1993) leading to low level of market orientation of a firm. The negative relationship between interdepartmental conflict and market orientation has been identified by several studies including Harris and Piercy (1999) and Pulendran et al. (2000). Based on these findings, interdepartmental conflict is expected to have an inverse relationship with market orientation of MFPs. The following hypothesis is therefore, proposed.

H_3: The greater is the interdepartmental conflict in a microfinance provider; the lower will be its level of market

orientation.

Interdepartmental connectedness

The degree of formal and informal contact among employees of an organisation across all departments has been termed as interdepartmental connectedness (Jaworski and Kohli, 1993). Interdepartmental connectedness helps in easy and quick flow of information among departments. Interdepartmental connectedness is argued to encourage interdependency within the organisation where employees frequently interact and exchange information regarding the developments in the market and respond to them in a coordinated manner. Harris and Piercy (1999) and Pulendran et al. (2000) found a positive relationship between interdepartmental connectedness and the level of a firm's market orientation. These findings suggest that a positive relationship between them is also expected to exist within the MFPs. The following hypothesis is therefore, proposed.

H_4: The greater is the interdepartmental connectedness among departments of microfinance provider, the greater will be its level of market orientation.

Formalization and centralization

Formalization refers to the setting and strict follow up of formal rules and regulations within an organisation (Jaworski and Kohli, 1993). Centralization represents a situation in which the powers of all sorts of decision making are consolidated at a central point in an organisation (Pulendran et al., 2000). Market orientation calls for quick decision making to respond to the changing customer needs. However, both formalization and centralization are believed to hinder this process (Jaworski and Kohli, 1993; Aiken and Hage, 1966). Formalization results in bureaucracy, a term that is often associated with delayed decision making whereas centralization inhibits initiatives of employees to quickly respond to the changing customer needs. Several studies have found that both formalization and centralization are inversely related to market orientation (Pelham and Wilson, 1996; Avlonitis and Gounaris, 1999; Harris, 2000). The above arguments and findings suggest that market orientation is likely to be related inversely with formalization and centralization within the MFPs. Therefore, the following hypothesis has been proposed.

H_5: The greater are the (a) formalization and (b) centralization within a microfinance provider, the lower will be its level of market orientation.

Reward systems

Reward systems of an organisation have been found to

influence the behavior of its employees (Jaworski and Kohli, 1988; Siguaw et al., 1994). For instance, Webster (1988) argues that the level of market orientation of a firm depends on the evaluation and rewards systems of its employees. He points out that if employees are evaluated on the basis of short term factors such as sales, they are likely to neglect long term factors such as customers' service and customer satisfaction. On the other hand, if they are evaluated on the basis of customer satisfaction and service, they are more likely to gather market intelligence and respond to customer needs in a coordinated manner. The support for a the positive relationship between market based reward systems and market orientation has been found by many studies including those of Siguaw et al.(1994), Pulendran et al. (2000) and Jaworski and Kohli (1993). Based on the above arguments and findings that suggest a positive relationship between market based factors for rewarding employees and the level of market orientation , the following hypothesis is therefore, proposed.

H_6: The more a microfinance provider relies on market based factors for evaluating and rewarding employees, the greater will be its level of market orientation.

METHODOLOGY

To test the hypotheses of the study, the following methodology was used.

Instrument

This study conceptualized the concept of market orientation as consisting of three components, that is, customer orientation, competitor orientation and interfunctional coordination (Narver and Slater, 1990).For measuring the market orientation of MFPs, a 14-item scale developed by Narver and Slater (1990) was used whereas for measuring antecedents to market orientation, the scales developed by Jaworski and Kohli (1993) and Aiken and Hage (1966, 1968) were used. A five point Likert scale (Strongly Disagree to Strongly Agree) was used for all the items in the study. The use of Narver and Slater's (1990) construct and the measurement scale has been further validated for this study through various tests of reliability and validity. The content validity of the scale was confirmed through experts in the microfinance industry (Cooper and Schindler, 2006) and the construct validity (convergent and discriminant validity) was confirmed through the Partial Least Square (PLS) method. The reliabilities of different measures in this study were assessed by computing the Cronbach's coefficient alphas through SPSS and composite reliability through the Partial Least Square (PLS) method. The reliability of four measures of the antecedents of market orientation, that is, top management emphasis on market orientation, interdepartmental conflict, interdepartmental connectedness and centralization were below the minimum threshold recommended by Nunnally (1978). Therefore, some items were removed which improved the reliability of these measures. The values after adjustments were then well within the acceptable range (Appendix A). The minimum value of alpha was 0.704 (top management emphasis) and the maximum value was 0.924 (formalization).In addition, the permission for using the construct and measure was sought from the authors through an email and it was readily

granted.

Sample

All MFPs operating in Pakistan were considered as the target population for the study. The population frame for this study was the list of MFPs which reported their financial data to PMN. The list consisted of 19 MFPs representing the different categories of microfinance providers. These MFPs account for approximately 95% of the total active outreach of the microfinance sector in Pakistan (PMN, 2007). The financial data provided by them undergo proper screening and is considered very authentic. The government and non-governmental institutions quote and rely on the data provided by PMN.

Procedure

A census approach was used for the selection of MFPs to collect data from them. The use of census approach was made convenient by the limited number of MFPs operating in Pakistan. Further, primary data for measuring the level of market orientation of firms was collected through 200 fully structured questionnaires from the area / branch managers of these MFPs who were randomly selected from the lists provided by their senior management.

Data analysis

Preliminary data analysis was conducted to check that the data has met all the necessary conditions and was ready for empirical testing. The mean, standard deviation and variance in the data gives the researcher a good idea of how the respondents have reacted to the items in the questionnaire and how good the items and the measures are. The descriptive Statistics as given in Appendix B shows that the data met all the necessary conditions for empirical analysis.

A correlation analysis was also carried out to check the presence of multicollinearity amongst the explanatory variables and explore the associations between the independent and dependent variables. To check the presence of multicollinearity amongst the explanatory variables and explore the strength of associations between the variables, different guidelines have been suggested by many authors. Berry and Feldmann (1985) suggest that multicollinearity exists between the independent variables when the inter-correlation between them is above 0.8. In this study, the bivariate Pearson product-moment correlation test was applied and it was subjected to a one tailed test of statistical significance at two different levels, that is, highly significant ($p < 0.01$) and significant ($p < 0.05$). The results of the correlation analyses of the variables used in this study are shown in Appendix C. The Table shows that top management's risk aversion (r = -0.408, p = .046), interdepartmental conflict (r= -0.443, p =0.033) and formalization (r = -0.550, p = 0.009) are negatively associated with market orientation. The signs of the association are in the same direction as expected. Centralization was expected to be negatively associated with market orientation but interestingly, the association has been found to be positive. However, this association has been found to be insignificant (r = 0.292, p = 0.121). Based on the above results, it can be seen that all the antecedents to market orientation, except centralization are significantly associated with market orientation and in the direction as expected. The Results of correlation analysis also indicated that the correlation between all explanatory variables, except the top management emphasis on market orientation and the interdepartmental connectedness where the value was slightly high, were well within the acceptable range. Moreover, the stepwise regression procedure also eliminates the correlated explanatory variables.

Table 1. Relation between market orientation and its antecedents

Independent Variable	Dependent Variable	Standardized Coeff. Beta	T Value	Significance (One Tail)
Top Mgt. emphasis	Market Orientation	0.711	5.567	0.000
Top Mgt. risk aversion	Market Orientation	-0.040	-0.286	0.779
Interdepartmental Conflict	Market Orientation	-0.123	-0.913	0.377
Interdepartmental connectedness	Market Orientation	0.002	-0.011	0.991
Formalization	Market Orientation	-0.361	-2.826	0.013
Centralization	Market Orientation	0.006	0.048	0.962
Reward system	Market Orientation	0.031	0.207	0.839

For empirical testing, the data was analyzed through step wise regression. To test the hypotheses given in the previous section, a single equation was built. The equation included market orientation as the dependant variable and all the hypothesized antecedents as the independent variables.

The regression equation is as given:

$$Y = \alpha + \beta_1 {}^*X_1 + \beta_2 {}^*X_2 + \beta_3 {}^*X_3 + \beta_4 {}^*X_4 + \beta_5 {}^*X_5 + \beta_6 {}^*X_6 + \beta_7 {}^*X_7 + e_i$$

Where, Y= Market Orientation, X_1 = top management emphasis on market orientation, X_2 =top management risk aversion, X_3 = interdepartmental conflict, X_4 = interdepartmental connectedness, X_5 = formalization, X_6 = centralization and X_7 = rewards systems.

RESULTS

The result of the relationship between market orientation and its antecedents is shown in Table 1. The results of stepwise regression analysis indicated that top management emphasis on being market oriented had a significant positive relationship with market orientation (β = 0.711, P = 0.000) and formalization had a significant negative relation with market orientation (β = -0.361, P = 0.013). Beside these two variables, none of the other variables had a significant relationship with market orientation. The model fit was significant with F statistic significant at 0.001 level. The value of R^2 is 0.772 which indicated that the two variables together explained 77 percent of the variation in market orientation.

According to the results as shown in Table 1, it could be concluded that only top management emphasis on market orientation and formalization had significant relationship with market orientation. The directions of the relationships were similar to what was expected. Therefore, based on these results, the hypotheses H_1 and $H_5(a)$ were supported whereas hypotheses H_2, H_3, H_4, $H_5(b)$ and H_6 were not supported.

DISCUSSION

Top management emphasis on being market oriented was hypothesized to have a positive relationship with market orientation. The result supports this hypothesis which is consistent with the results of many studies

(Jaworski and Kohli, 1993; Bhuian, 1998; Pulendran et al., 2000).The top management of an organisation has therefore, been found to play an important role in shaping an organisation's market oriented culture (Webster, 1988; Felton, 1959).

The top management risk aversion was hypothesized to have a negative relationship with market orientation. However, no significant relationship has been found. This finding is consistent with the findings of Jaworski and Kohli (1993) and Pulendran et al., (2000) who also found that risk aversion has no effect on the firms' level of market orientation. The finding is only in contrast to the Avlonitis and Gounaris's (1999) findings which suggest that risk aversion by top management leads to low level of market orientation.

The reason for the non-significant relationship between the risk aversive behavior of top management and market orientation may be the stable and non-competitive nature of the microfinance industry of Pakistan where these conditions do not demand the top management to take big financial risks.

Interdepartmental conflict was hypothesized to have an inverse relationship with market orientation. The findings of Jaworski and Kohli (1993), Bhuian (1998) and Pulendran et al. (2000) suggested that inter departmental conflict inhibit communication across the various departments resulting in hampering of market intelligence dissemination and the organisation wide response to it. The result of this study is however, different from these findings and no significant effect of interdepartmental conflict on market orientation has been found. The finding is however, consistent with that of Ngansathil (2001) who investigated this relationship in the domestic and export market of Thailand and found no relationship. Ngansathil (2001) provided the reason for the non significant relationship to be nature of the culture of Thailand where conflict may exist but it is not made explicit and is resolved through compromises. The same may apply to Pakistan where a collectivist culture exists and the conflicts are not made explicit. Another reason for this non significant relationship may be the small sizes of MFPs in Pakistan which do not have specialized depart-ments like the general business field. This may have resulted in better coordination among the employees and

therefore, there may be very little interdepartmental conflict.

Interdepartmental connectedness was hypothesized to be positively related to the level of market orientation on the assumption that connectedness among departments facilitate interaction and exchange of information leading to a coordinated response to it (Ruekert and Walker, 1987; Jaworski and Kohli, 1993). The result however, shows insignificant relationship between these variables. The insignificant relationship seems to be because of the multicollinearity which exists between interdepartmental connectedness and top management emphasis on market orientation, another independent variable. The correlation analysis of antecedents to market orientation showed that interdepartmental connectedness had a higher association ($r = 0.782$, $p = 0.000$) with the top management emphasis than with the market orientation ($r = 0.634$, $p = 0.002$). Furthermore, interdepartmental connectedness had a high Variable Inflation Factor (VIF) value (2.574) and its minimum tolerance value was also very low (0.388). These factors suggest that there was a multicollinearity problem and that the top management emphasis on market orientation made more significant contribution to market orientation than the interdepartmental connectedness. It therefore, has not been selected by the stepwise regression analysis to have a significant relationship with market orientation.

Contrary to many studies in the market orientation literature (Jaworski and Kohli, 1993; Pulendran et al., 2000; Ngansathil, 2001), and in accordance with the hypothesis, formalization has been found to have a significant negative influence on the level of market orientation of a microfinance service provider. This means that the strong emphasis on those rules and regulations within the organisations that are less adaptive to the external environment negatively influence the level of a firm's market orientation.

Market Orientation calls for empowering employees at all levels to make quick decisions in accordance with the changing needs of the customers. Centralization, however, hinders this process by converging the decision making power at a single point in the organisation (Pulendran et al., 2000). Based on this argument, centralization was hypothesized to have a negative influence on the level of market orientation of a microfinance service provider. The result however, shows no significant relationship between market orientation and centralization. The reason might be the stable and non-competitive nature of the microfinance market in Pakistan where the tasks performed by the branch/area managers are quite routine and involve managing standardized products in limited markets. Ruekert et al., (1985) argue that centralization of internal organisational structures can lead to better coordination and control of activities associated with tasks when the tasks are routine, frequently performed, easily accessed and performed in stable noncomplex environment.

Jaworski and Kohli (1993) and Pulendran et al. (2000), suggested that if employees in organisations are rewarded on the basis of customer satisfaction, then these organisations are likely to be more market oriented. Therefore, it was hypothesized that greater reliance on market based factors for evaluating and rewarding employees will lead to greater market orientation of MFPs. The results however, do not provide any support for the existence of this relationship.

The results of the study provide useful insights for the management of microfinance service providers in Pakistan. The finding that market orientation within a microfinance institution can be enhanced through top management emphasis suggest that if top management within these organisations want to be market oriented, then they should develop effective communication systems to enable them to communicate regularly with their employees. They need to reinforce their commitment to market orientation by continuously reminding the employees to be sensitive and responsive to the customers' needs. The top management should also modify all those rules and regulations which are inconsistent with the market trends. A market oriented culture requires quick response to the changing customer preferences whereas formalization has been found to inhibit market oriented activities. Therefore, if a microfinance provider wants to be market oriented, the management should make flexible rules and regulations so that quick decisions can be made when the need arise.

Limitations of the study and suggestions for future research

One of the limitations of this study was the small number of microfinance providers as target population of the study. Although a census of all these firms was taken and two hundred respondents representing these firms participated in the primary data collection but as a mode of the responses of all employees representing each firm had to be used to have a corresponding one value of market orientation. This resulted in a total number of 18 observations only. This small number of observations might have influenced the findings of the study. A large sample is possible if subjective data is used for both the independent and dependent variables as each respondent will then provide separate data regarding the independent and dependent variables which may overcome the problems attached with the small sample.

Finally, it was observed in the later part of this study that some other antecedents such as the education background of the management and their training might influence the way they understand the impact that market orientation activities have on their firm. Therefore, these factors should be included in the future studies to determine their influence on a firm's level of market orientation.

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Appendix A. Descriptive statistics

Variables	N	Mean	Std. D	Variance	Skewness Statistic	Std. Error	Kurtosis Statistic	Std. Error
Market Orientation	18	50.39	6.78	46.01	0.243	0.536	0.471	1.038
Top Management emphasis	18	10.50	2.03	4.14	-0.071	0.536	0.823	1.038
Top Management risk Aversion	18	16.67	3.20	10.23	-0.641	0.536	-0.783	1.038
Interdepartmental conflict	18	12.50	1.80	3.20	-0.795	0.536	1.722	1.038
Interdepartmental connect	18	14.833	2.38	5.67	-0.365	0.536	1.276	1.038
Formalization	18	29.61	3.76	14.13	-0.906	0.536	1.134	1.038
Centralization	18	8.89	2.95	8.70	0.587	0.536	-1.139	1.038
Reward systems	18	12.78	3.33	11.12	-0.0574	0.536	-0.399	1.038

Appendix B. Reliability of scales

Variables	Items	Cronbach alpha	Composite reliability
Market Orientation	15	0.836	0.863796
Top Management Emphasis	03	0.704	0.842117
Top Management Risk Aversion	05	0.809	0.874846
Interdepartmental Conflict	06	0.712	0.785061
Interdepartmental Connectedness	04	0.751	0.847446
Formalization	07	0.924	0.936760
Centralization	03	0.804	0.873869

Appendix C. Correlation analysis of antecedents to market orientation

Variables	1	2	3	4	5	6	7	8
Market Orientation	1	0.807(**)	-0.408(*)	-0.443(*)	0.634(**)	-0.550(**)	0.291	0.459(*)
Top Management Emphasis	0.807(**)	1	-0.397	-0.395	0.782(**)	-0.265	0.274	0.520(*)
Top Management Risk Aversion	-0.408(*)	-0.397	1	0.205	-0.108	0.258	-0.104	-0.140
Interdepartmental Conflict	-0.443(*)	-0.395	0.205	1	-0.241	0.162	-0.045	0.039
Interdepartmental Connectedness	0.634(**)	0.782(**)	-0.108	-0.241	1	-0.218	0.341	0.506(*)
Formalization	-0.550(**)	-0.265	0.258	0.162	-0.218	1	-0.248	-0.186
Centralization	0.291	0.274	-0.104	-0.045	0.341	-0.248	1	0.147
Rewards System	0.459(*)	0.520(*)	-0.140	0.039	0.506(*)	-0.186	0.147	1

$**p < 0.01$ (1-tailed);$*p < 0.05$ (1-tailed)