

The study of influence of strategic orientation and marketing capabilities on performance of branches of public banks (case study: Ilam province)

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Abstract: The main purpose of this research is to estimate the effect of strategic orientations and marketing capabilities on performance of branches of Ilam Province's public banks. The survey method is of correlation manner. In this research the relationship of strategic orientations, marketing capabilities and performance branches is studied. The statistical population of this research includes all managers of Ilam Province's public banks and sampling method is not used because statistic population is limited to 102 individuals by census and the 390 customers of these banks are selected by random sampling. In order to collect information two questionnaires was used which one of them was for the branches' managers and the other one was designed for customers. Cronbakh Alpha coefficient for the first and second questionnaires was %824 and %769, respectively. Research data was analyzed by LIZREL software which in descriptive statistic level, the frequency percent and circle diagram was used and in the inferring statistic level Freedman test and structural equation were used. Research findings imply that all research hypotheses are approved. Therefore, Strategic Orientations and Marketing Capabilities have positive and meaningful effect on performance of public banks' branches.

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1. Introduction

Lack of confidence due to two components of change and complexity on the one hand, and ambiguity due to ever- increasing information in the present environment on the other hand, establish some stress in organization and finally this led to organization's failure. In these conditions, having strategy is a useful means and it determines specified orientation for organization; so that it goes farther than one – dimensional look at goals, then accommodates strength and weakness or opportunity and threat. How to use strategy in organization in order to conform or change its environmental aspects shows organization's commercial strategy type. Some of the management researchers know strategic organization, competitive strategy and commercial strategy words as synonym. (Rahim Neya and sadeghiyn, 2011, p 117). Strategic orientation has deep effect on the different organization's dimensions, effectiveness and competitive advantage and it denotes to amount of organization's tendency to discovery, creation and preserving a set of agreeable responds with environment. (Marion, 2006). Marios Theodosiou et al. (2012) discussed four types of strategic orientations with the organization's performance which include: customer orientation, innovation orientation, competitor orientation and cost / internal orientation.

Also, marketing capabilities show knowledge and skill of companies' employees which cause customers satisfaction and better performance in organization.

Theorists showed that employees resources is a key element in organization's capability for making marketing values and financial incomes and protecting and keeping them. Marketing capabilities have a main role to combine a company's levels by using of the relationships' power between marketing capabilities, marketing incomes and financial performance. (orr and et al, 2011, pp, 1074 – 1081). In conformity with countries' stable development, paying attention to organizations' growth is one of the main strategies for all managers. Banks are not excepted from this matter. In modern banking, there are various elements which have influence on equipping process of monetary resources in Banks and Monetary Institutions.

Identifying and determining effect and relation of these elements with banks' successfulness in equipping monetary resources are very important. Today, conditions of financial institutions and banks are not the same so that some effective elements on monetary resources equipment in one branch may be different even in the same bank group. (Abbasghooli pour, 2010, p24).

2. statement of Issue

In today's competitive world, organizations try to have a superior performance over their competitors by using of effective strategies and they aim to exploit the resultant conditions in market, therefore they invest on the present resources and capabilities.

The number of strategic and financial goals which all organizations aim to reach, various environmental conditions and limited organizational skills and resources, steer all organizations toward simultaneous cooperation in the different strategic behaviors' sets. (olson and et al 2005). Marketing's literatures for two decades, confirmed main benefits of harmony with market orientations. However, market orientations are not extensive enough in order to be used as a strategic standard for accessing to a competitive advantage.

Organizations need to follow complement strategic orientations (Theodosiou and et al 2012, pp 1-12).

Strategic orientations are considered as steering principles which have influence on company's marketing and strategy – making activities. They show strategic routes toward proper behaviors in order to reach the best performance. (slater and et al, 2006, pp 1221- 23).

After exact literature review, our study is concentrated on four strategic orientations with company's performance have been determined empirically; they include: customer orientation, competitor orientation, innovation orientation and cost /internal orientation. These strategic orientations are concentrated on strategic behaviors of bank institutions at the local branch level. Also, marketing capabilities are origin of competitive advantage continuity which led to a better performance. Additionally, as krasniskov & Jayachandran (2008) noted, it is likely that marketing capabilities due to distribution nature and implied and personal aspects be secured against competition, however, they are a key distinctness for bank organizations in order to reach competitive advantage and keeping it. (vorhies and et al, 2009, pp 1310 – 1324).

In this research the main issue is that to investigate strategic organizations orientations and marketing capabilities conditions in Ilam province governmental banks' branches and it be determined that how these variables have influence on Ilam province governmental banks' performance. Therefore, this research aims to study conditions of these variables and their influences on Ilam province governmental bank's performance.

3. Research literature

3-1. strategic orientations

Strategic orientations are considered as steering principles which have influence on company's marketing and strategy – making activities. (Nobel and et al, 2002). After exact literature review, Our study is concentrated on four strategic orientations as other researches and their relationship with company's performance have been determined empirically; they include; customer orientation, competitor orientations innovation and cost / internal orientation. These strategic orientations are concentrated on strategic behaviors of bank institutions at the local branch level.

3– 1–1. customer orientation

Customer orientation is the company's conception about its customer's in order to create a continuous value for them. (narver and slater, 1990). Customer orientation definition include, Customer's needs conception and her / his needs satisfaction or understanding and decreasing her / his assumed losses. One definition near to other research's definition about customer orientation is provided by Hamburg (1988); as closeness to customer with truthfulness in giving information to them and having flexibility in transaction with them (customers); to show that how companies should have connection with their customers. Therefore, a customer – orientated company should have a durable relation with its real and potential customer's so that it can create a customer – orientated environment in this company.

3–1–2. competitor orientation

Competitor orientation reflects the manager's ability in understanding the short – term capabilities and her / his conception about probable main competitor's strategies. (narver and slater, 1990). In company with narver and slater (1990), we describe Competitor orientation as companies understanding of strength and weakness points, abilities and strategies of its main potential competitor. (Mueller and et al 2002, Pp 5-7).

3–1–3. innovation orientation

Innovation orientation is a strategic behavior which reflects openness to new ideas in addition to actively search for these ideas. (olson and et al, 2005). Customers prefer innovative and first – class.

Production and services , in orientation's relation which is base on market's recognition, this is discussed that customer needs conception is a key for customer's satisfaction and company's better performance. The relationship between innovation and market's orientation is a subject for many researches. (Cooper 1998, p 496).

3-1-4. cost / internal orientation

Cost / internal orientation reflects a company's emphasis on effectiveness in all parts of value chain and it has relation with porter's cost management strategy (1980). (olson and et al, 2005)

3-2. marketing capabilities

In recent studies, marketing capabilities have been defined as a process of using knowledge, skill

and orientations resources to create value added for goods and answering market's needs. Marketing capabilities is as a whole process in which companies use noticeable and unnoticeable resource in order to understand complexity of customer's specified needs, and to reach a relative distinction in their products for competitive superiority. (Song and et al, 2007).

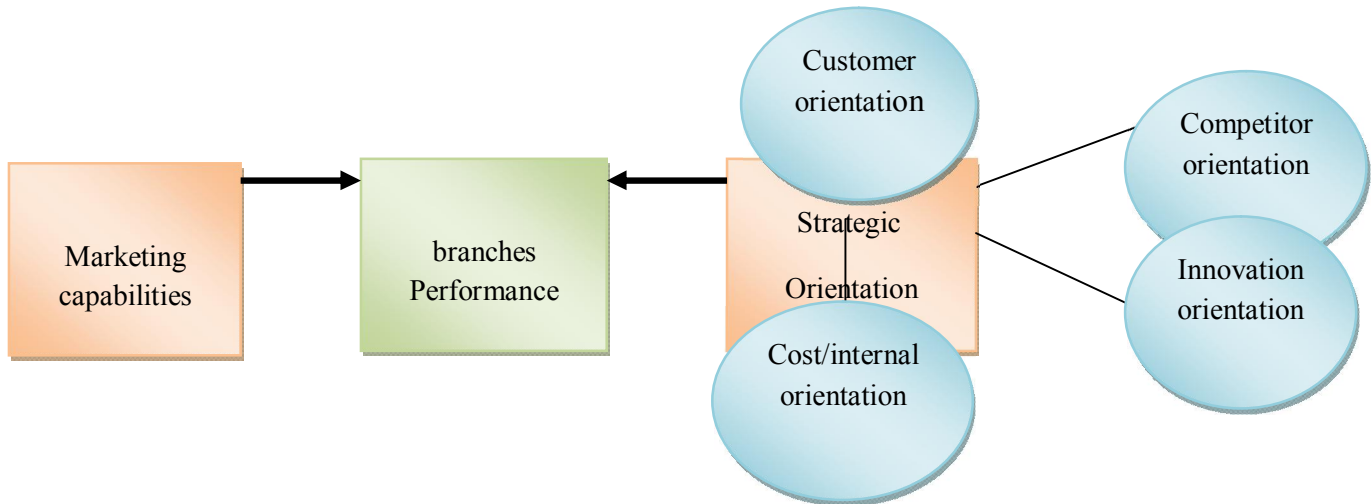
4. conceptual model

Figure 1: the relationship between strategic orientations have a positive and marketing capabilities with performance. resource: Marios Theodosiou and et al (2012).

5. research hypotheses and questions

Main hypothesis (1): strategic orientations have a positive and significant effect on performance of branches of Ilam province's public banks.

Sub – hypothesis (1-1): customer orientation has a positive and significant influence on performance of branches of Ilam province's public banks.

Sub-hypothesis (1- 2): innovation orientation has a positive and significant influence on performance of branches of Ilam province's public banks.

Sub-hypothesis (1-3): competitor orientation has a positive and significant influence on performance of branches of Ilam province's public banks.

Sub-hypothesis (1-4): cost/internal orientation has a positive and significant influence on performance of branches of Ilam province's public banks.

Main hypothesis (2): Marketing capabilities have a positive and significant influence on performance of branches of Ilam province's public banks.

6. Research Method

Research method in the present study is survey–descriptive of correlation manner. This research is applied one.

7. statistical population

In the present study we have two populations, one includes all managers of Ilam province's public banks which for selecting them no sampling method is used because statistical population is limited to 102 individuals by census and other population includes 390 customers of Ilam province's public banks which are selected by simple random sampling.

8. sampling

Because of two different population, we used two sampling method. For managers of branches' population, sampling method is not used due to limited population and by census total numbers of them were determined and 105 individuals were our sample size and the same number questionnaires were distributed and finally, 102 questionnaires were returned.

But, for customers due to unlimited statistical population, the simple random sampling was used and sample size was determined according to Cochran's Formula for unlimited population as 386 customers. So, 400 questionnaire were distributed among customers and about 390 customers answered their questions.

9. Data collection tool

For gathering information about research subject’s histories and theoretical ground works we used library resources, magazines, publications and Internet. Because it was field – work, researcher collected data from managers of public banks and their customers by using questionnaire.

10. Questionnaire’s validity and Reliability

10-1. research validity

In this research in addition to using a standard questionnaire, for measuring the content validity of questionnaire, we used viewpoints of experts, supervisor professor and adviser professor in order to come out the necessary reforms in questionnaire and finally, we ascertained that researcher’s intended characteristic is measured by this questionnaire

10-2. Reliability and α - coefficient

In this research for measuring questionnaire’s reliability cronbach’s Alpha coefficient for the first questionnaire was 824 percent and for the second questionnaire was 769 percent.

11. Research hypotheses testing with structural equations modeling

In order to test hypotheses and generalize their result, analytical statistic was used. Data analysis was done by : LIZREL software and for hypotheses testing

structural equations modeling was used. The main questions were tested by one model and the sub – hypotheses by another model separately. In deed, in one model effectiveness of the independent variables (marketing capabilities and strategic orientations) on the dependent variable (performance) were measured and in the next model, effectiveness of the independent variable’s dimensions (customer orientation, competitor orientations, cost / internal orientation and innovation orientations) on the dependent variable were considered.

12. Considering structural model (course analysis) and main hypotheses (hypotheses testing)

For measuring main hypothesis, structural Equations model (SEM) was used. In the below illustrated model (Model 1), effect of the independent variables (strategic orientations and marketing capabilities) on the dependent variable (performance) were measured. The following diagram shows the levels of significant in gained parameters and coefficients of measurement model, if their significant test individually is more than 1.96 or less than -1.96; the resultant coefficients are significant. These significant numbers indicate a significant model.

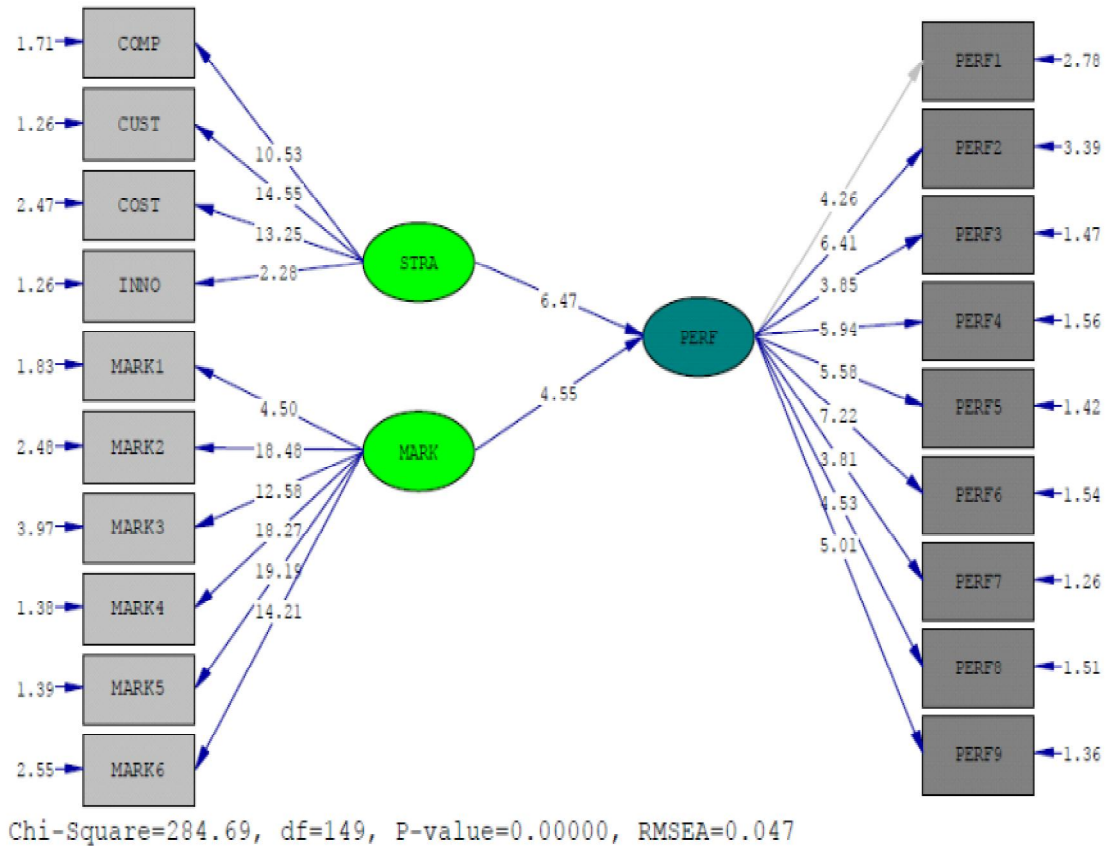


Figure 2: main hypothesis model

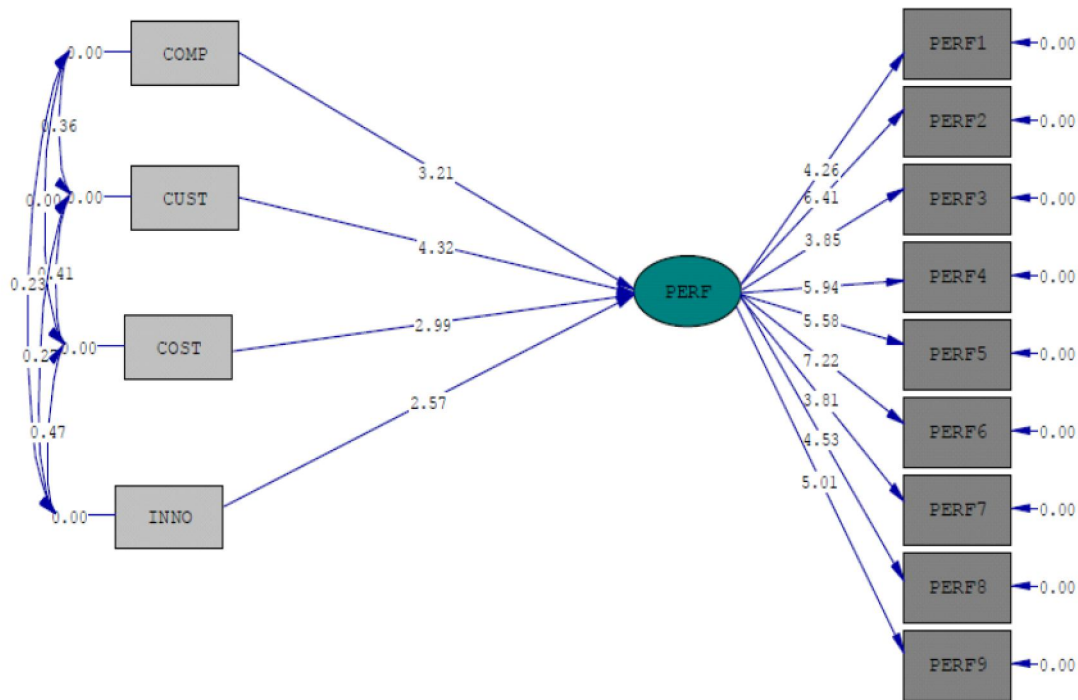
Table (1): main hypotheses testing

| Hypotheses | Standard coefficient | T- value | Independent variable | Dependent variable | Test result |
|---------------------|----------------------|----------|------------------------|----------------------|-------------|
| Main hypothesis (1) | 65% | 6.47 | Strategic orientations | Branches performance | confirmed |
| Main hypothesis (2) | 43% | 4.55 | Marketing orientations | Branches performance | confirmed |

According to acquired (t) for all hypotheses which is more than 1.96, so all hypotheses are confirmed.

13. Sub-hypotheses testing

For Sub – hypotheses testing, it is necessary to study influence of the independent variable indices (strategic orientations) on the dependent variable (branches performance). For reaching this goal, structural equations model (SEM) has been used.



Chi-Square=223.69, df=121, P-value=0.00000, RMSEA=0.067

Figure 3: sub – hypotheses model

Table (2): sub-hypotheses testing

| Hypotheses | Standard coefficient | T- value | Independent variable | Dependent variable | Test result |
|-----------------------|----------------------|----------|----------------------------|----------------------|-------------|
| Sub- hypothesis (1-1) | 47% | 4.32 | Customer orientations | Branches performance | confirmed |
| Sub- hypothesis (1-2) | 23% | 2.57 | Innovation orientations | Branches performance | confirmed |
| Sub- hypothesis (1-3) | 35% | 3.21 | Competitor orientations | Branches performance | confirmed |
| Sub- hypothesis (1-4) | 28% | 2.99 | Cost/internal orientations | Branches performance | confirmed |

According to acquired (t) for all hypotheses which is more than 1.96, so all hypotheses are confirmed.

14. Freedman Test

For determining degree of importance in each effective factors which have influence on performance of branches of Ilam province’s public banks, freedman test was used.

Table (3): Freedman test for main hypotheses

| Rank | Mean | |
|------|------|------------------------|
| 1 | 3.66 | Strategic orientations |
| 2 | 4.12 | Marketing orientations |

According to above table (table 3); it can be concluded that strategic orientation as compared with marketing capabilities is more important factor for performance of branches of Ilam province's public banks.

Table (4): Freedman Test for strategic orientations dimensions

| Ranks | | |
|-------|------|----------------------------|
| Rank | Mean | |
| 2 | 2.86 | Competitors orientations |
| 1 | 2.21 | Customer orientations |
| 3 | 3.11 | Cost/internal orientations |
| 4 | 3.74 | Innovation orientations |

According to above table (table 4); it can be concluded that customer orientation is in the first rank, Competitor orientation is in the second rank, Cost/internal orientation is in the third rank, and Innovation orientation is in the fourth rank.

15. Discussion and conclusion

The present research aims to study the effect of strategic orientations and marketing capabilities on performance of branches of Ilam province's public banks. Theodosiou et al (2012) found that both strategic orientations and marketing capabilities have a positive influence on performance of branches of banks. Results of the present research have been confirmed. Theodosiou et al findings.

According to our findings, strategic orientations and marketing capabilities have a positive influence on performance of branches of Ilam province's public banks, but strategic orientation is more effective than marketing capabilities. Also, among these four strategic orientations' dimensions which include customer orientation, competitor orientation, innovation orientation and cost / internal orientation, it was clear customer orientation is in the first priority, competitor orientation is in the second priority, cost / internal orientation is in the third priority, Innovation orientation is in the fourth priority.

The present research's finding researches and we will mention some of them as below: Robert E. Morgan and et al (2003) studied commercial performance and strategic orientation dimensions in their research and found that dimensions of strategic orientation – analytical, supportive and advancement – have relationship with company's performance. Prith viragenes et al. (2010) studied the effect of marketing capabilities, operational capabilities and diversity strategy on performance, and their results showed that marketing capabilities have a key role on better financial performance of the companies.

Niel. E. Morgan et al.(2009) studied the relationship between market orientation, marketing capabilities and company's performance, and found that market orientation and marketing capabilities are complementary capital which are involved in the excellent performance of companies.

16. Applied suggestions

This research's findings can be useful for managers of branches of public banks. Research's banks. Research's suggestions are as follow:

According to results of the first main hypothesis, these suggestions are provided.

- It is suggested that managers in bank's organizations move toward creating strategic orientations and organizational structure so that they can enhance their performance.
- In order to positive reinforcement of performance and competitive advantage, it is suggested that managers spread a strategic orientation's culture for each organization's member and at organizational levels, effectively. Also, in service organizations managers are forced to rely on their employees in order to carry out a strategy and satisfy their customers.
- Managers should consider their environmental conditions constantly in order to be able to identify and control needs changes and their customers' priorities, to pursue incentives and to predict their competitor's actions and reactions. By analyzing these outer factors, companies will be able to pursue proper strategic routes which will led to customer's satisfaction and competitive advantage.
- Providing new services for satisfying the present and future needs of customers.
- Measuring customers' satisfaction constantly and regularly.
- Appraisal of strength and weakness in their main competitors.

- Paying attention to customers who may be an opportunity to create competitive advantage.
- Having information about performance and goals of their key competitors.
- Improving operational effectiveness and decreasing operational costs.
- searching managers actively in order to discover new ideas.
- creating an environment and condition for employees to be able to provide their innovative ideas willingly.

According to results of the second main hypothesis, these suggestions are provided:

- using advertising tools to increase services' sale and to gain more marketing's share.
- Environmental considerations to gain more information.
- paying more attention to public relations as a key element for reaching goals.
- Developing and performing marketing programs in branches of banks.
- providing various bank's services to satisfy different needs in customers.
- speed in providing bank's services for their customers.

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