



# Determinants of market orientation in accounting firms

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Determinants of  
market  
orientation

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## Abstract

**Purpose** – Though market orientation has been studied extensively, in the context of goods and services, little is known of its practical application in professional services specifically. This study, therefore, aims to develop and validate a market orientation scale relevant to accountancy firms.

**Design/methodology/approach** – A conceptual framework was built from first principles and the literature, and a research questionnaire adapted from the widely used standard pattern. Data collected from 1,042 usable questionnaires completed by managers of accounting firms in Turkey were subjected to confirmatory factor analysis was employed, to test the model and analyze approaches and applications in practice.

**Findings** – Results suggest that Turkish accounting firms believe customer orientation to be the most significant construct within market orientation. The market environment is also considered important, but there is no strong support for competitor orientation, conventionally the third plank of market orientation, mainly because of the unique characteristics of the profession.

**Research limitations/implications** – Because the study focused only on accounting firms and the measurement scale was adapted accordingly, valid conclusions can be drawn for that particular sector of the professional service industry, and with due caution for service providers in general. The Turkish setting limits international applicability, but contains potentially transferable insights.

**Originality/value** – Market orientation has an important role in competition. The study reported here applies the concept in a practitioner context so far ignored by researchers, in a developing country interestingly positioned between the first and third worlds.

**Keywords** Market orientation, Professional services, Accountancy, Factor analysis, Turkey

**Paper type** Research paper

## Introduction

Growing competition forces firms to adopt particular operations in order to stay competitive. One major strategy for success under highly competitive economic conditions is to be market oriented.

The marketing literature, indicating a positive relationship between market orientation and performance, supports the importance of market orientation. Both manufacturers and service providers can adopt this approach (Chang and Chen, 1998). Research has demonstrated a positive effect on the performance of firms in the service sector, a recent example being the study by Agarwal *et al.* (2003). It can be argued that market orientation is more important for service firms because of the direct interaction with their customers (Hooley *et al.*, 2003), and other specific characteristics. Although market orientation has been a major stream in marketing literature since the 1990s, there is no consensus in terminology (Gray *et al.*, 1998) or measurement. While the definitions proposed by Kohli and Jaworski (1990) and Narver and Slater (1990) are widely accepted, various measurement scales have been applied in published studies.



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Because of the characteristics of services (intangibility, inseparability of production and consumption, heterogeneity and perishability), marketing activities in the sector have to be analyzed broadly, and different approaches to marketing are to be expected as between intangible services and tangible products. Marketing planners will have to think laterally about deployment of the marketing mix elements (Crittenden *et al.*, 2003). In the case of professional services, such as accountancy, characteristics and activities are particularly complicated. Kotler and Connor (1977) state that professional firms must cope with three major forces in the operating environment – codes of ethics, changing expectations of clients, and increased competition – and two further attitudinal barriers to the adoption of market orientation – disdain for commercialism and the equating of marketing with selling. Rexha *et al.* (2000) likewise assert that professional groups have values and beliefs which influence the implementation of market orientation in a somewhat negative way.

Apart from delivering service in general, professional firms should be qualified, advisory and problem-solving (De Brentani and Ragot, 1996), meaning that customers demand more than the routine work of that profession. Expertise is the core resource (Nachum, 1996). Professional services are characterized by intangible outputs, with qualitative rather than quantitative criteria as a measure of customer satisfaction (Harte and Dale, 1995)

Although research studies of the service sector have been published (Matear *et al.*, 2002; Perry and Shao, 2002; Van Egeren and O'Connor, 1998; Esteban *et al.*, 2002), development of market orientation scales for the evaluation of professional services is sparsely covered in the literature. At the more general level, the application of marketing principles to accountancy practices has been discussed extensively in recent years, because of an increasingly competitive marketplace, a tendency to variety seeking and the demand for quantitative services. For these reasons, professional accounting firms themselves also pay more attention to marketing. Ellingson *et al.* (2002) point out that, in general, accountants have positive perceptions of marketing today. Accordingly, it is to be expected that enlightened accountants will consider market orientation to be a practical tool for the achievement of competitive advantage.

The purpose of the study reported here was to develop and validate a market orientation scale for certified public accountants practicing in Turkey. This paper will first present a review of the literature of market orientation. It will then explore where Turkish accounting firms stand with respect to market orientation, examine the factors influencing their approaches and analyze differences in the implementation market orientation corresponding to the different characteristics of the services and firms in question. Customer orientation, competitor orientation and market environment will be identified and discussed as the three main dimensions of market orientation in this context. A market orientation scale developed for the Turkish context will be validated by confirmatory factor analysis.

In recent years, new regulations have been introduced in almost all professional services in Turkey. The main impetus has been the drive towards accession status in the European Union, plus a general willingness to perform globally. The accountancy profession has featured prominently in these developments, having faced a number of challenges during the 1990s. The role of accounting services has changed in parallel with changes in global markets. Regulations framed by such international institutions

as IFAC (the International Federation of Accountants: [www.ifac.org](http://www.ifac.org)) were applied to Turkey, affecting national accounting firms' attitudes and behaviour with respect to marketing (Comunale and Sexton, 2005). In addition, an increase in the number of firms has brought about a commensurate increase in the degree of competition in the industry. As a result of all these developments, the Union of Chambers of Certified Public Accountants of Turkey (TURMOB) has actively encouraged its members to develop education and training programmes for marketing activities. Thus, studies relating to market orientation in Turkish accounting firms have an especially topical importance.

### Market orientation

Kohli and Jaworski (1990) defined market orientation as "organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it". In other words, to be market oriented, companies must actively respond to different factors in today's competitive environment. This is mostly because competitive advantage depends on supply and demand factors (Kohli and Jaworski, 1990). The latter are mainly related to the customers that companies focus on in implementing the marketing concept, while the former are concerned with the conditions in the marketplace that will affect decision making. According to most definitions of market orientation, customer focus is the most important aspect of market orientation. However, firms should not underestimate other factors that may have an important effect on the configuration of a firm's operations, such as its suppliers, businesses in different industries and government agencies,

In a study published concurrently with Kohli and Jaworski's, Narver and Slater (1990) defined market orientation as "the organization culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continuous superior performance for the business". Their corresponding measures of market orientation were customer orientation, competitor orientation, and interfunctional coordination (Narver and Slater, 1990).

Avlontis and Gounaris (1999) argue that determinants of market orientation are related to factors influencing the development of attitudes and practices that shape companies' efforts, which they classify as either company-specific or market-specific. The former category stresses the attitudes affecting company culture and specific practices affecting corporate behaviour. These are specially significant when companies need to adopt new strategies or to modify their strategies in order to fulfil the requirements to be a market-oriented company. They could be structural, related to organizational structures, systems and processes, or technological, relating to information and communication networks. Market-specific factors express the need for adaptation when a market does not remain stable or predictable.

Kohli and Jaworski (1990) found that high levels of interdepartmental connectedness had a positive effect on market orientation. They, therefore, place great importance on the sharing of information among departments within a firm, and on engaging their activities in a strategy to understand and meet customer needs. There should be a common goal of serving the customer, towards which all departments and individuals in the company should direct their efforts.

### Dimensions of market orientation

The literature is characterized by different approaches to the definition and description of the dimensions of market orientation. Kohli *et al.* (1993) developed the MARKOR scale for the measurement of market orientation, built on three key components: the generation of market intelligence, its dissemination and responsiveness to it. Narver and Slater (1990) proposed the MKTOR scale, based on three different dimensions of market orientation: customer orientation, competitor orientation and interfunctional coordination. Desphandé and Farley (1998) tested both scales, and synthesized a ten-item variant.

Customers are accepted as a main dimension for market orientation in almost all studies as in the studies of Kohli *et al.* (1993), Kohli and Jaworski (1990) and Narver and Slater (1990). According to these authors, customer focus is the central element of market orientation. The importance of customers arises from the activities for acquiring necessary information about the buyers. By doing this, it would be possible to create continuous superior value (Slater and Narver, 2000b; Narver and Slater, 1990). Narver and Slater (1990) also argue that information about the competitors in the target market is another necessary activity. Firms would understand their strengths and weaknesses by analyzing the competitors. We also believe that competitor orientation should be analyzed separately because of the limitations accounting firms have due to specific characteristics of accounting profession. Changing needs of the customers, changing conditions of the industry and the new services in the market could also be effective for the firms' implications. As Van Egeren and O'Connor (1998) indicate, the environment creates opportunities and threats for organizations. In addition, limitations related to market, for example prohibitions for advertising messages through regulations, also affect the decisions of accounting firms. Thus, we believe that market environment should be in the model.

#### *Customer orientation*

Market orientation has been expressed as being "close to customers" (Webster, 1988; Avlontis and Gounaris, 1999; Desphandé and Farley, 1998). These authors stress that, to be market oriented, companies have to focus on satisfying consumers' needs and should design their strategies to achieve customer satisfaction. In the study of Kohli and Jaworski (1990), customer focus is viewed as the central element of market orientation, and its importance is raised from the necessary information that will be obtained through customers about their needs and preferences. The importance of a focus on customers is also stressed by Slater and Narver (1999), who observed that "market oriented businesses seek to understand customers' expressed and latent needs, and develop superior solutions to those needs".

Customer orientation is also related to information. Being customer oriented involves taking actions based on market intelligence (Kohli and Jaworski, 1990). This proposition is strongly supported by Slater and Narver (2000a), who stress the importance of intelligence about customers' expectations and preferences, which are affected over time by external market factors. This implies the need to observe changes in customers behaviour and responses, especially for the development of new products and services intended to improve customer satisfaction. The very fact of being market oriented can in itself increase customer satisfaction, and will be the reason for repeat custom and acquisition of new customers (Kotler, 1998).

Management thinking is a major factor affecting the adoption of a market orientation (Jaworski and Kohli, 1993), which implies that customer-oriented values and beliefs are the responsibility of top management. Clearly, market orientation will become a tenet of corporate logic whenever management places sufficient importance on customers' needs and expectations. A study by Esteban *et al.* (2002) found support for this intuitively reasonable supposition in the shape of positive relationships between market orientation and customer satisfaction. Furthermore, if there is a strong market orientation in a service firm, greater customer orientation can be achieved. It is important that individual managers share the responsibilities and collectively follow the changing conditions (Jaworski and Kohli, 1993). This orientation should be evident during new product/service development, as top management encourage operational managers to respond to customers' changing needs and expectations.

Market-oriented firms will also develop a close form of relationship with their customers, facilitating awareness and understanding their needs and expectations (Slater and Narver, 1998). According to Rexha *et al.* (2000), when professional service firms have such customer-focused values, the degree of market orientation is higher.

In service firms, consumer expectations assume particular importance in the process of delivering customer satisfaction. Market orientation is positively related to the match between consumer expectation and managerial perception of those expectations. In the context of services, consumers form their opinions according to past experiences, personal needs and information from others (O'Loughlin and Szmigin, 2005; Clow *et al.*, 1998). Firms that do not systematically gather market intelligence will not be able to understand what consumers' expectations are (Guo, 2002). To be market oriented, firms have to interpret market intelligence and disseminate the outcome across the organization. It thus follows that a priority criterion of market orientation is the match between management perception and service quality expectations of the consumers (Grönroos, 1984). In addition, important ingredients of market orientation are the mode and level of service delivery, external communication, and consumers' perceptions of service quality (Agarwal *et al.*, 2003).

#### *Competitor orientation*

While firms will always pursue the goal of keeping current customers in their portfolio, the task of finding potential customers demands competitor orientation, as the competition simultaneously strives to retain or recruit them. Studies have shown that effective market orientation involves concentration on competitors as well as customers (Narver and Slater, 1990; Slater and Narver, 1994; Gray *et al.*, 1998). According to Narver and Slater, competitor orientation means that a firm's marketing strategists understand the short-term strengths and weakness, the long-term capabilities, and the marketing strategies of key current and potential competitors. Kohli and Jaworski (1990) also focus on market intelligence relating to a firm's competitors. Day (1994) asserts that market oriented firms should collect market intelligence for competitors just as they routinely do for customers. Understanding the capabilities and plans of the competitors and operating according to information gathered from the market is a key tool in market orientation, according to Slater and Narver (1998).

In researching professional services, the distinctive characteristics of the profession under study will play an important part in the determination of the correct approaches.

In practice, such factors as strong regulation may mean that competitor orientation may not always be as important a factor than in the context of conventional product marketing.

#### *Market environment*

Factors other than customers and competitors affect a firm's performance, including in particular general market forces. Understanding the market is therefore one of the main priorities for any market oriented company. Reacting to customers' needs and preferences, and to competitors' actions, may be an inadequate basis for the achievement of competitive advantage. Kohli and Jaworski (1990) see market intelligence as the starting point of market orientation because such extraneous factors as government regulations, changing conditions industry-wide, technology and environmental factors can all affect performance. The way in which a firm reacts to its operating environment will affect its limitations, threats and opportunities (Avlontis and Gounaris, 1999), potentially in a positive direction. One central feature of all the many definitions of market orientation exist is learning about market conditions and adapting the businesses according to observed changes (Jaworski *et al.*, 2000). Innovation is considered to be a key ingredient of effective reaction (Gray and Hooley, 2002; Perry and Shao, 2002). The importance of the market is clear in the discussion of "market driven" strategy in Jaworski *et al.* (2000).

In the case of professional services, such as accountancy, government regulation assumes particularly high importance in firms, operations. Though it limits competitive actions, accountants still face strong competition for business, so effective information gathering and fast reactions to demands a full allocation of effort.

#### **Item generation and content validity**

Although the dimensions of market orientation are defined in a variety of ways in the literature, the survey of Turkish certified public accountants reported in this paper adopted customer orientation, competitor orientation and market environment as the basis of measurement.

Following an extensive review of working definitions and measurement scales in previous studies, a pool of 37 possible scale items was generated, within that three-dimension model, for the specific conditions under study. They are shown in Table I: CUSOR 1-17, corresponding to customer orientation dimensions, COMOR 1-10, relating to competitor orientation dimensions, and MAREN 1-10, addressing market environment dimensions.

It is argued that professional service firms have characteristics that differ from those of service firms in general, and that these differences are especially marked in the case of accountancy practices, for reasons identified in the introduction and literature review. The items were mainly inspired by and adapted from the work of Kohli *et al.* (1993), Jaworski and Kohli (1993), Narver and Slater (1990), Desphandé and Farley (1998) and Gray *et al.* (2002), as adapted to the accountancy context. They are shown in Table I.

Content validity focuses on the adequacy of the items in measuring. One of the most critical operations in generating valid items is conceptually defining the domain of the characteristics (Churchill, 1995). For this study, instruments validated in earlier studies were adopted, in line with the discussion of secondary data source in business research

*Customer orientation*

CUSOR1	Our business objectives are driven primarily by customer satisfaction
CUSOR2	Our top managers from every function regularly visit our current and prospective customers
CUSOR3	We freely communicate information about our successful and unsuccessful customer experiences across all business functions
CUSOR4	Our strategy for competitive advantage is based on our understanding of customer needs
CUSOR5	Our business strategies are driven by our beliefs about how we can create greater value for our customers
CUSOR6	We measure customer satisfaction systematically and frequently
CUSOR7	We give close attention to after sales services
CUSOR8	All of our managers understand how everyone in our business can contribute to creating customer value
CUSOR9	The customer's interest should always come first, ahead of the owners
CUSOR10	We poll end-users at least once a year to assess the quality of our products and services
CUSOR11	Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis
CUSOR12	Customer complaints fall on deaf ears in this business unit
CUSOR13	When we find that customers would like us to modify a product or service, the departments involved make concerted efforts to do so.
CUSOR14	We define quality as the extent to which our customers are satisfied with product or services
CUSOR15	Somehow we tend to ignore changes to our customers' products or services needs
CUSOR16	If we find out that customers are dissatisfied with the quality of our products/services we immediately take corrective actions
CUSOR17	We have a strong commitment to our customers

*Competitor orientation*

COMOR1	Our salespeople regularly share information within our business concerning competitors' strategies
COMOR2	We rapidly respond to competitive actions that threaten us
COMOR3	We know our competitors well
COMOR4	We have good sense of how our customers value our products or services
COMOR5	We are more customer focused than our competitors
COMOR6	We compete primarily based on product or service differentiation
COMOR7	Our products/services are the best in the business
COMOR8	If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately
COMOR9	We are quick to respond to significant changes in our competitors' pricing
COMOR10	We regularly monitor our competitors' marketing efforts

*Market environment*

MAREN1	We target customers where we have an opportunity for competitive advantage
MAREN2	In this business unit, we do a lot of in-house market research

(continued)

**Table I.**  
Items for market  
orientation scale for  
accounting firms

MIP 24,6	MAREN3	We are slow to detect changes in our customers' product preferences
	MAREN4	We are slow to detect fundamental shifts in our industry
	MAREN5	We periodically review the likely effect of changes in our business environment on customers
598	MAREN6	When something important happens to a major customer or market, the whole business unit knows about it in a short period
	MAREN7	We do a lot of marketing research to assess customer perceptions of our products/services
	MAREN8	We collect industry information on an informal basis
	MAREN9	The products/services we sell are determined more by internal politics than market needs
	MAREN10	We periodically review our service development efforts to ensure that they are in line with what customers want.

Table I.

by Cowton (1998). An interview with a professional accountant tested whether the measures fitted the aim of the study, and resulted in minor changes before the version of the research questionnaire administered in a pre-test.

### Methodology

The chosen scale items were translated into English, and back-translated into Turkish to avoid translation errors and minimise loss or dilution of meaning. Further, a member of the profession with a good understanding of the aim of the study refined them for the accountancy context. A pilot questionnaire containing the items in Turkish was administered to 40 accountants, to test for clarity and ambiguity. The outcome of this pre-test was revisions to three items. All questions were to be answered on a five-point Likert scale of agreement with statements containing the items, ranging from "strongly agree" to "strongly disagree".

The survey sample consisted of 2,000 certified public accountants in Turkey, selected by quasi-random systematic sampling from the membership list of the TURMOB. The final questionnaire yielded 1,042 usable returns after elimination of those containing inaccurate or invalid answers. The response rate of 52.1 per cent is unusually high for a questionnaire-based survey, perhaps because of the specialist subject and sample, giving little cause for concern about representativeness.

### Analysis and results

Bartlett's test of sphericity and the Kaiser-Meyer-Olkin (KMO) measure of adequacy were employed to test the appropriateness of the data for factor analysis (Bagozzi and Yi, 1998). The KMO value was considerably higher than the suggested level of 0.60, at 0.927. The Bartlett's  $\chi^2$  value of 10201.069 and significance level of 0.000 showed that there were some relationships between variables. Thus, factor reduction could be applied to the data (Table II).

To analyze the data and validate the scale, exploratory factor analysis was conducted to purify items, followed by confirmatory factor analysis using LISREL 8.2 (Jöreskog and Sörbom, 1998). After determining that the data were reducible, Principal Axis Factoring with varimax rotation was performed as a factor extraction method. Individual items where factor loading was higher than the chosen cut-off value of 0.40 were selected as cut-off point to determine the elements of the factors (Table III).



The result was a 14-item scale, in which customer orientation was represented by seven items, competitor orientation by two items and marketing environment by five items.

To determine the accuracy of measurement instrument, internal reliability analysis was assessed by calculating Cronbach's  $\alpha$  values (Table IV). For the customer orientation dimension, the reliability coefficient was 80.35. Although above the generally accepted cut-off point of 0.70 (Nunnally, 1978), this result indicated that reliability coefficient would be 85.17 if one item (CUSOR15) was deleted. For the market environment dimension, the reliability coefficient of 70.58 was just above the acceptable level. The reliability of two competitor orientation dimensions (COMOR3 and COMOR10) was below the cut-off level, and they were duly eliminated. The final outcome was a two dimension 11-item scale, and an overall reliability coefficient of 85.03. Thus, the model was reliable for the sample.

Even though reliability is important to measure, it is not sufficient for developing the scale. Confirmatory factor analysis is needed to evaluate, refine and result the scales (Gerbing and Anderson, 1988). Furthermore, this analysis procedure tests the scale according to the results of exploratory factor analysis (Steenkamp and Van Trijpp, 1991). Using confirmatory factor analysis ensures the unidimensionality of the scales measuring each construct in the model (Gursoy and Gavcar, 2003). Thus, after exploratory factor analysis, the scale items were subjected to analysis by LISREL 8.2.

The most popular ways of evaluating model fit are those that involve the  $\chi^2$  goodness-of-fit statistic (Kelloway, 1998) supplemented by fit indices (Hu and Bentler, 1995). As shown in Table V, the test result for the final scale was unsatisfactory. Next, maximum likelihood estimated values and *t*-values were used to determine the validity

KMO measure of sampling adequacy.		0.927
Bartlett's test of sphericity	Approx. $\chi^2$	10201.069
	Df	666
	Sig.	0.000

**Table II.**  
KMO and Bartlett's test

Extraction	
CUSOR6	0.435
CUSOR10	0.485
CUSOR12	0.545
CUSOR13	0.522
CUSOR14	0.527
CUSOR15	0.408
CUSOR16	0.502
COMOR3	0.426
COMOR10	0.550
MAREN3	0.593
MAREN4	0.619
MAREN5	0.451
MAREN7	0.475
MAREN10	0.483

**Table III.**  
Excluded factors

MIP 24,6	Items	$\alpha$ if item deleted
600	CUSOR	
	CUSOR6	0.7644
	CUSOR10	0.7725
	CUSOR12	0.7721
	CUSOR13	0.7588
	CUSOR14	0.7625
	CUSOR15	0.7627
	CUSOR16	0.8517
	$\alpha$ for the dimension: 80.35	
	MAREN3	0.6401
	MAREN4	0.6534
	MAREN5	0.6649
	MAREN7	0.6609
	MAREN10	0.6634
	$\alpha$ for the dimension: 70.58	
	COMOR3	–
	COMOR10	–
$\alpha$ for the dimension: 66.94		

**Table IV.**  
Reliability analysis

Table V. Results for confirmatory factor analysis (Model 1)	$\chi^2$	Df	RMSEA	SRMR	Fit statistics					
					GFI	AGFI	NNFI	CFI	IFI	NFI
	845.19	43	0.134	0.078	0.87	0.80	0.81	0.85	0.85	0.85

of the scale. Values exceeded required level of 0.70 for all dimensions but two (MAREN3 and MAREN4), as shown in Table VI. Therefore, both items were deleted, in order to obtain better goodness of fit statistics.

In the resulting Model 2, SRMR values were lower than the accepted cut-off of 0.05, while GFI, NNFI, CFI, IFI, and NFI exceeded required level of 0.90. Only AGFI was less than required level, and close to it at 0.86. Though the root mean square error of approximation was higher than 0.10, and is preferred to be lower than 0.05 for a very good fit, Steiger (1990) suggests that values of this order can indicate a good fit to data. RMSEA was also higher than required level but close to the recommended level. With 26 degrees of freedom, the  $\chi^2$  value was 402.02 ( $p = 0.000$ ) (Table VII). While lower values represent good fit and larger bad fit to the data, our model fits the data with a large sample, given that  $\chi^2$  values rise as sample size increases (Kelloway, 1998).

Table VIII shows the outcome of validity and reliability testing of Model 2. Overall scale reliability was 88.88, and each dimension exceeded the required level. Maximum likelihood and  $t$ -values were also satisfactory. Convergent validity refers to the homogeneity of the constructs, meaning that each measure correlates with others and measures the same construct (Churchill, 1995). It is suggested that convergent validity exists when  $t$ -values are larger than 2.58 and items have standardized loadings higher than 0.70. It can also be evaluated by examining the correlations among the items in the same constructs. When those are greater than zero, convergent validity is proved;

Dimensions	Items	Model 1			T-values	Determinants of market orientation
		MLE	SE			
CUSOR	CUSOR6	0.68	0.03		24.24	<b>601</b>
	CUSOR10	0.73	0.03		26.61	
	CUSOR12	0.78	0.03		26.61	
	CUSOR13	0.76	0.03		28.00	
	CUSOR14	0.76	0.03		28.18	
	CUSOR16	0.78	0.03		29.21	
MAREN	MAREN3	0.39	0.03		12.36	
	MAREN4	0.38	0.03		12.05	
	MAREN5	0.72	0.03		25.61	
	MAREN7	0.77	0.03		28.18	
	MAREN10	0.76	0.03		27.38	

**Table VI.**  
Validity of Model 1

$\chi^2$	Df	RMSEA	SRMR	Fit statistics						NFI	Table VII. Results for confirmatory factor analysis (Model 2)
				GFI	AGFI	NNFI	CFI	IFI			
402.02	26	0.118	0.044	0.92	0.86	0.91	0.93	0.93	0.93		

Dimensions	Items	Factor loadings	SE	Model 2		Reliability coefficient	Table VIII. Validity and reliability of Model 2
				T-values			
CUSOR	CUSOR6	0.69	0.03	24.34		85.13	
	CUSOR10	0.74	0.03	26.92			
	CUSOR12	0.78	0.03	28.93			
	CUSOR13	0.76	0.03	27.98			
	CUSOR14	0.76	0.03	28.10			
	CUSOR16	0.78	0.03	29.21			
MAREN	MAREN5	0.72	0.03	25.61		74.08	
	MAREN7	0.77	0.03	27.89			
	MAREN10	0.75	0.03	27.14			

the higher the value, the stronger the validity. Since inter-item correlations for each construct were about 0.50, the convergent validity of the model is verified.

Discriminant validity is confirmed when the measure of a construct is not correlated with the measures of other. Since correlation between the constructs was not estimated as 1.00, it can be considered that discriminant validity was also verified (Jones and Suh, 2000). However, correlation between two dimensions was high, suggesting that they could be combined. However, the result for a third model with this refinement was no better than that for Model 2.

Table IX shows that the values for squared multiple correlations (explained variance) were relatively high, between 0.47 and 0.61. The highest values were 0.61 (CUSOR16) and 0.60 (CUSOR 12), meaning that these two customer orientation items

MIP 24,6	Items	SMC <sup>a</sup>
<b>602</b>	CUSOR6	0.47
	CUSOR10	0.54
	CUSOR12	0.60
	CUSOR13	0.58
	CUSOR14	0.58
	CUSOR16	0.61
	MAREN5	0.52
	MAREN7	0.59
	MAREN10	0.57
	<b>Table IX.</b> Explanation values of the model	<b>Note:</b> <sup>a</sup> Squared multiple correlation

explained most of the variance in the model, and that the accounting firms in the sample considered customer orientation to be the most important dimension of market orientation. However, the squared multiple correlations for the market environment items were close to those for customer orientation. Thus, it can be said that this dimension is at least a significant element of market orientation, for accounting firms.

### Conclusions

Service-sector firms recognise the importance of customer orientation in the quest to perform effectively under the increasing pressure of competition. In Turkey, they are, nowadays, aware of the importance of marketing in general and customer relationships in particular, within the limits set by government regulation in the particular case of accountancy.

The study reported here devised a three-element model to measure how Turkish certified public accountants adopted and implemented the market orientation. The results of a questionnaire-based survey, collecting data relating to nine scale items across the three elements, show that they are well aware of the need to satisfy their customers (the customer orientation element of market orientation) and know that they must monitor the market in order to do so (the market environment element). However, they do not consider the customer orientation element of market orientation to be as important. This finding is probably explained by the similarity of the services offered by all firms and the impact of government regulation on the nature of that service offering. Since the scope for innovation is thereby limited, they do not feel the need to observe the competition closely. This is not to say, of course, that firms ignore their competitors. But they set out to compete by focusing on current and potential customers, in a market configured by changing regulations and new financial instruments.

In order to have an idea about how successful they are, firms aim to measure customer satisfaction in some way. Service quality is seen as one of the main factors in satisfaction, and customer complaints are considered an effective tool for maintaining that quality and improving the services offered. If suggestions for modification of the service arise, they too are taken into consideration and efforts are made to react accordingly.

Since accounting firms are thus strongly focused on customers, external factors affecting consumer needs and preferences have priority in strategies for meeting customer requirements. They monitor changes in the market environment, and seek to understand how those might influence customers. Responses to change have to be considered in relation to regulations and restrictions, which demands effective information-gathering to plan how customers' quality perceptions and developments in the market can be harmonized.

Professional service firms adapt their version of market orientation to the unique characteristics of professional service and the profession itself. In the particular case of accountancy, industry-level regulations, restrictions and conditions related to industry are accorded great importance, resulting in specialised approaches to market orientation. Some dimensions of market orientation proposed in the literature with respect to physical goods and even services in general may not be applicable to professional services. Because of restrictions on advertising and various other marketing applications, accounting firms may be expected to have a special perspective on marketing operations. Internationally, there is a trend towards the advertising of accountancy services, and regulations are subject to debate in Turkey as elsewhere. Mangos *et al.* (1995) assert that "younger" accounting firms tend to be more positive towards the role of advertising. While accounting firms in Turkey do not consider competition as an important element of market orientation, this could relate to marketing in general rather than to advertising in particular.

Corporate image, based on professional status and reputation, could be a major competitive tool in maintaining clients or acquiring new ones (Mangos *et al.*, 1995), and relationships with customers are therefore important for creating and conveying it effectively. The results of this study confirm the importance of customers in market orientation, so customers should be the starting point of any such marketing initiative by an accounting firm. Customer-focused marketing provides a means for small firms to compete effectively with larger ones, which at present achieve higher levels of customer satisfaction, according to Mangos *et al.* (1995). This advantage probably stems from the corporate image that the larger firms have already established in the marketplace. Responding to change in the market is therefore a strategic imperative because, as customer satisfaction increases, so expectations may also rise. Turkish accounting firms should cope by offering counselling rather than bookkeeping.

Marketing research is another vital activity for modern accounting firms seeking to achieve market orientation. Market intelligence is especially important for defining the market environment. The scope of research needs to be sufficient to determine where marketing advantages lie, analyze needs, respond to competition and take account of regulatory changes (Ahmad and Hopson, 1990).

Accounting firms in Turkey need a clearer understanding of where they stand in relation to competitors, what are their unique characteristics they have, and what can afford them greater competitive advantage. In addition, according to many authors, the most important success factor for service firms is effective employment of human resources. This is important both for customer relationships and for understanding the market environment. Since effective customer relationship management by the people who work in the firms is the main determinant of service quality, monitoring change and responding to the market requires appropriate and effectively marketing training of accounting professionals.

Service quality dominates the marketing approach of accounting firms, with a strong focus on customer satisfaction. This is acquired by monitoring satisfaction levels and taking corrective action as necessary, to better satisfy the needs of customers. Thus, the customer relationship is crucial. However, firms should seek to differentiate their offerings. While routine work is relatively undifferentiated across firms, image provides the opportunity to be seen as different. From the market orientation point of view, it is clear that this can be achieved by effective customer relationship, status and reputation. This may be the most important dimension of market orientation that firms can bring into play against the competition, yet most accounting firms seem unaware of its potential. Managers should believe that marketing is not just for them but also for their customers.

The Turkish accounting system has started to require adaptation to globally accepted accounting standards. This tendency will probably extend to marketing, especially in legal matters, meaning that firms may in future find wider scope for advertising and other presently restricted marketing initiatives (Simga-Mugan and Hosal-Akman, 2005). As Mangos *et al.* (1995) observe economic and cultural conditions in a country can pose distinctive challenges for accounting firms. In such developed countries such as Australia, the USA and UK, they have become increasingly competitive and generally learnt how to use marketing strategies for competitive advantage. Even though momentum has not developed to the same extent in Turkey, as a developing country, changes in the domestic economic and political situation will present the same kind of opportunities (as well as threats) as Mangos *et al.* (1995) anticipate for Hong Kong. This can be expected to be an especially relevant consideration as Turkey's case for admission to the European Union proceeds.

In short, it is highly desirable that accounting firms adopt a market orientation and embrace marketing management as an important component of their total professional performance.

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