

# MARKET ORIENTATION, LEARNING ORIENTATION AND ORGANIZATIONAL PERFORMANCE: EVIDENCE FROM BANKING INDUSTRY OF PAKISTAN

\* Masood Ul Hassan<sup>1</sup>, Saif Ullah Qureshi<sup>1</sup>, Amna Hasnain<sup>2</sup>, Iqra Sharif<sup>1</sup> and Rashida Hassan<sup>1</sup>

<sup>1</sup> Department of Commerce, Bahauddin Zakariya University, Multan

<sup>2</sup> Institute of Management Sciences, Bahauddin Zakariya University, Multan

\*Corresponding Author's email: masood@bzu.edu.pk

**ABSTRACT:** *This paper examines the relationship between market orientation, learning orientation and organizational performance in the banking industry of Pakistan. A quantitative research design provides the basis for the empirical investigation. Data were collected through survey questionnaire by visiting 300 bank managers working in 150 branches of 18 commercial and 2 Islamic Banks operating in four big cities of Pakistan. The relationships between the three study variables were examined using factor, reliability, correlation, and regression analysis. The findings showed that market orientation contributes positively to organizational performance via learning orientation. Finally, this paper also discusses the theoretical and managerial implications of the results along with limitations and suggestions for future research.*

**Keywords:** *Market Orientation, Learning Orientation, Organizational Performance, Pakistan.*

## 1. INTRODUCTION

Banking sector of Pakistan is playing a key role in the growth of Pakistani economy. During last two decades, the progress of banking industry can be attributed due to increase in advances, deposits, investment in securities & shares, weighted average rates on advances & deposits. Moreover, as on 31<sup>st</sup> December 2012, number of branch network of 44 public sector commercial, specialized, domestic private, and Islamic Pakistani and foreign banks has also been reached to 9,772 branches all over the Pakistan (www.sbp.org.pk). This high number of branch network of bank branches shows high competition among Pakistani and Foreign Banks. To remain in this competition, banks have to show high organizational performance by generating more profit, cash flow, and high return on sale and assets. To attain high organizational performance, marketing orientation and learning orientation play very important role [1]. Market orientation helps in customer retention and satisfaction that in result lead to excellent financial performance [2]. Market oriented behavior helps to achieve competitive edge and organizational performance only if it works in combination with learning orientation [3]. Learning orientation brings improvement in offered goods and services, produces innovative ideas for new goods and services, and helps in generating competitive strategies. Therefore, it is critical that banking managers identify and understand strategic orientations such as market orientation, and learning orientation to facilitate their banks to achieve competitive advantage that leads to greater organizational performance. A series of researches [1, 4, 5, 6, 7, 8] have been conducted to examine the relationship among learning orientation, market behavior, and firm performance. However, little attention has been paid in investigating the relationship among learning orientation, market oriented behavior, and firm performance in the banking industry [9, 10]. Another issue is that these variables have not been addressed collectively in banking sector of Pakistan. So a need have been raised to see the impact of learning

orientation and market orientation on the bank's performance. To the best knowledge of the authors of this study, this is the first research of its kind in Pakistan that addresses such particular topic.

It is very essential for the decisions taker of banking organizations to understand and measure the impact of market orientation on organizational performance through learning orientation. Therefore the key purpose of this study is to investigate the relationship among market orientation, learning orientation, and organizational performance in the banking industry in Pakistan. The research question of this study is: how market orientation and learning orientation are important for achieving high bank's performance? This study will help in adding knowledge to the existing body of literature by examining the impact of these variables in the banking sector of Pakistan. It will guide managers of the banks to understand the phenomena of market orientation, learning orientation that will help them boost bank's performance.

In the following discussion, this paper reviews the literature that will lead to a number of research hypotheses. This is immediately followed by a detailed specification of the research methodology. Thereafter, the empirical results are presented and discussed. The final part of the paper presents the discussions on the basis of the research findings, managerial implications, outlines some inherent limitations and offers some directions for future research.

## 2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

### 2.1 Market Orientation

Market orientation is a business philosophy representing the market concept [11]. Some scholars are of view that it is a set of behaviors that are used to represent the implementation of marketing concept [12, 13, 14]. Marketing concept holds that success of an organization lies in satisfying and meeting needs and wants of potential customers [15]. Kohli & Jaworski [12] put market

orientation as a behavioral perspective (intelligence generation, intelligence dissemination, & responsiveness) of the organization while Narver & Slater [13] focus on cultural perspective (customer orientation, competitor orientation, & inter-functional coordination) of market orientation. Market orientation is behavioral perspective of organization where highest priority is given to customer satisfaction and retention. Market oriented firms put their customers first when make business plan and as a result they gain high competitive advantage, customer retention, and high profits [12, 16]. Customer focus, competitor focus, and inter-functional coordination are three magnitudes of market orientation [13]. Customer focus means firm has complete understanding and information about the targeted customers and then communicate it across all the departments of the organization. Competitor orientation means that firm has a sufficient understanding about the strengths and weaknesses of the competitors and disseminates it across all the departments. Inter-functional coordination is very necessary between employees of the organization to achieve higher level of market orientation. Market orientation is a source for getting intelligence generation, dissemination and responsiveness to market facts so that firm can take marketing decisions effectively and efficiently [12]. Intelligence generation is the beginning point of market orientation and is used for the collection and examination of market data about the present and future needs of customers. It may also used for analysis of competitor data and government rules and regulations. Market data is generated through a variety of means. It may include meetings with customers and suppliers, customer responses, marketing surveys and direct communication with customers. Intelligence dissemination is the spreading and communication of market data, competitor data to all the functional departments of the organization. Responsiveness is the accountability of market data that is collected and communicated. Market orientation is cultured philosophy of firm where all employees are involved in generating significant value for customers [9, 12, 13].

## 2.2. Learning Orientation

Learning orientation is a process of transferring individual market information and knowledge to the organization so that it can be used by all the departments for performing superior performance [17]. Learning orientation is a process of getting and distributing information about customer demands, marketplace fluctuations, and opponent activities across all departments of organizations [18]. Learning orientation enlightens satisfaction level of a firm about its assumptions and practices [17]. Farrell [7] examines that basis for competitive advantage is based on learning behavior. Organizations have to give highest priority to learning orientation in managing practices. Learning orientation is important for the development of new techniques and technologies so that organization can create superior products and services than their competitors.

Sinkula, Baker, & Noordewier [8] argued that learning orientation tells interaction intensity of an organization with internal and external environment. According to them, three dimensions of learning orientation are: (1) commitment to learning, (2) open mindedness (non-judgmental attitude) and (3) collective or shared vision. Commitment to learning means all employees must be loyal to obtain objectives of organization. Organizational workforce must be stimulated to develop new innovative ideas those may have positive effect on organizational performance. Open-Mindedness involves continuous evaluation of the operations of organization. It involves rapid acceptance of new ideas as knowledge devolution is high now a days. Shared Vision includes sharing of organization's vision and objectives across all departments. Dickson [19] asserted that learning orientation is of great importance for gaining strong competitive edge. It enables an organization to sustain long run competitive advantage by bringing continuous improvement in new products and services more rapidly than competitors. Learning can be adaptive as well as generative. Dickson [19] further proposed that for gaining competitive advantage, adaptive learning is sufficient to bring improvements in planning, production and operations because in case of generative learning, there is a need to change and replace the fundamental theories, attitudes, assumptions, and beliefs. Learning orientation identifies opportunities for growth, and facilitate over all organizational performance. Learning orientation capabilities are important especially for the survival of small sized firms when operate in volatile environment [20]. The study of Lopez, Peon, & Ordas [21] asserts that learning orientation is a process of formation, assimilation, and integration of market information that is used to develop the capabilities of organization. Learning orientation promotes proactive approach rather than reactive approach. It means if any problem occurs, there is a need to modify firm's assumptions and theories rather than reacting to problem. Thus, learning orientation is the process of obtaining market facts about customers and opponents and then carefully communicates it across all departments of the organization.

## 2.3. Linkage between Market Orientation & Learning Orientation

Market oriented behavior in organization provides cultural framework to develop learning orientation. Market oriented organizations creates a culture that appreciate effective and efficient acceptance of market knowledge that leads to learning orientation [7]. The study of Slater & Narver [3] exhibits direct significant relationship between market oriented behavior and learning. Their study further emphasizes that to maximize the learning capacity of the organization, market orientation is vital that promotes organizational capabilities to obtain knowledge about markets, customers, competitors and processes and then disseminates that information throughout the organization.

Learning organizations have exceptional ability to evaluate opportunities in the turbulent markets. According to study of Baker & Sinkula [22], market orientation and learning orientation have synergistic effect. Organizations with lower learning capacity are less adaptive and flexible. While learning oriented firms not only generate and disseminate market information but also find and investigate new ways to market development. Baker & Sinkula, [22] further proposed that market data processing is required for an organization to become market oriented. It raises the need of learning orientation because it encourages learning commitment, open mindedness and dissemination of market data across all departments of organization. Market orientation and learning orientation are interdependent and both are associated with organizational culture and norms. Market orientation facilitates generative as well as adaptive learning [23].

#### **2.4. Linkage between Learning Orientation & Organizational Performance**

Khandekar & Sharma [24] found that organizational learning is reflected out of human resource management practices and it is crucial in enhancing the performance of the firm through teamwork, rapid new knowledge adoption, flexibility, and HR learning strategies. Farrell [7] shows that leadership style and upper level management behavior have great influence on implementation of learning orientation practices that in turn positively impact the organizational performance. The findings of Farrell [25] imply that learning in the organization can be enhanced by decentralization. Because in decentralization flow of information is consistent at all levels of organization, it promotes team work, employee commitment, spirit to achieve the objectives. Results also describe that firms are more learning oriented in turbulent markets, where there is a need to have an eye upon change in customer behavior along with latest technology and developments. The findings of Lopez, Peon, & Ordas [21] exhibit that organizational learning improves comparative effectiveness and efficiency of the firm that in turn provide high competitive advantage and better organizational performance. According to Aydin & Ceylan [26], learning oriented organizations can respond better and more quickly to technological changes and new developments. Moreover, learning orientation enhances the satisfaction level of both employees and potential customers that leads to higher profitability of the organization. Study of Calantone, Cavusgil, & Zhao [18] asserts positive linkage between learning orientation and organizational performance. According to results of their study, learning oriented organization has sufficient knowledge about its customers, rivals, and latest technology. Furthermore, learning orientation facilitates shared vision and communication of market facts across all departments. The study of Zahid & Ali [27] exhibits positive and supportive relationship among learning orientation, innovation, and organizational

performance. Results suggest that there is a need to create a learning culture across all the departments of organization. Learning orientation boosts intensity of innovation which in turn increases organizational performance. All these studies have statistically significant results ( $p < .05$ ) with positive Pearson's correlation coefficient ( $r$ ) ranging from .19 to .51.

#### **2.5. Linkage between Market Orientation & Organizational Performance**

Tsiotsou [28] provides that customer orientation is the only direct determinant of service performance, whereas competitor orientation and inter-functional coordination exhibit indirect effects through customer orientation. Although the study of Carmen & Jose [29] shows the linkage of market orientation with organizational performance; however, firm's performance can be increased by using innovation as a mediator. Innovation in the firm's philosophy supports market oriented strategies so that firm can achieve excellence performance and competitiveness. The study of Schalk [9] exhibits market orientation as a cultural philosophy of the organization where all the employees are involved in creating better-quality for their consumers to enhance organizational performance. The study of Liu, Luo, & Shi [30] describes that organizations with higher level of market orientation have high competitive advantage, greater emphasis on entrepreneurship, and high overall profitability than organizations with lower level of market orientation. Slater & Narver [31] see market orientation as a significant cultural factor and this cultural factor positively correlates with organizational performance. This study has enhanced the importance and reliability of market orientation and firm's performance linkage. Narver & Slater [13] denote positive association between market orientation and organizational profitability. Results assert that profitability of organization is increased by effective and efficient response to cultural changes. It's a major resource of getting competitive advantage. The study of Lings & Greenley [32] exhibits positive relationship between market orientation & organizational performance. Findings imply that, to achieve the objectives of the firm, there is a need to better understand the needs & wants of the potential customers. Managers must have the ability to generate needed information regarding needs and wants of customers by using different techniques. Also there is a need to disseminate information through all the departments of organization. Rose and shoham [33] stated that market orientation is actual a scale which define the needs and wants of the customer that must be fulfilled by the product. For the better organizational performance market orientation is necessary. All the above mentioned studies have statistically significant results ( $p < .05$ ) with positive Pearson's correlation coefficient ( $r$ ) ranging from .10 to .87.

#### **2.6. Linkage between Market Orientation, Learning Orientation, & Organizational Performance**

Jimenez-Jimenez & Cegarra-Navarro [6] recommends that market orientation and firm's performance has constructive and direct relationship if learning orientation acts as a mediator. This study also shows that organizational learning positively correlates with firm's performance. According to outcomes, firms which increase their skills and market knowledge to identify and meet the needs of their potential customers and which have an eye upon their competitors are more profitable firms. Results also exhibit that learning is crucial to sustain the competitive advantage for long period of time. Learning stimulates team spirit, flexibility, employee empowerment in the organization. Mavondo, Chimhanzi, & Stewart [34] exhibit positive relationship among learning orientation, market orientation and firm's performance. Correct interpretation of quality & stuff of learning orientation enhances the organizational performance. Also learning orientation lightens flexible environment for the organization and discover new opportunities for rapid growth. Mahmoud & Baba [4] describes that market orientation and learning orientation are crucial for better organizational importance. Market orientation helps in customer retention and satisfaction that in result lead to excellent financial performance. Learning orientation brings improvement in offered goods and services, produces innovative ideas for new goods and services, and helps in generating competitive strategies. The study of Hoe [35] exhibits positive linkage between organizational learning, market orientation, and firm's performance. Long run survival of an organization depends on its capacity to gain from external atmosphere and continuously generation and dissemination of latest market knowledge. Firms can gain superior competitive advantage by focusing on customer orientation and competitors' orientation. According to Lee & Tsai [1], market orientation and learning orientation are important for effective and efficient administration of organizational activities. Ways of managing organizational activities are rapidly changing because of globalization and technological advancements. So market orientation and learning orientation ought to be incorporated in organizational activities. Results of Farrell [7] imply positive relationship among market orientation, learning orientation and organizational performance. The study suggests that market oriented culture is very essential for an organization to become learning oriented. Also this study verifies that market orientation is a cultural philosophy of organization and learning orientation is necessary for achieving competitive advantage in long run. The study of Nikoomaram & Ma'atoofi [36] demonstrates positive relation among organizational learning, market orientation, and organizational performance. Results delineate that market orientation is a resource to achieve competitive edge and superior organizational performance and learning positively correlates with market orientation. Organizations can gain superior performance and competitive edge by meeting and fulfilling the demands and desires of their customers through market orientation and

learning orientation. Santos-Vijande et al [37], demonstrate positive relationship among learning orientation, market orientation and firm's performance. Learning orientation energizes enforcement of market orientation and also helps in building strong relationships with customers in long run. Both learning orientation and market orientation lead toward higher profitability of the organization, long term customer relationships and sustainable competitive advantage. Study of Baker & Sinkula [22] exhibits positive linkage between market orientation, learning orientation, and organizational performance. Market orientation and learning orientation are major sources to gain competitive advantage. Market orientation considers environmental factors that may create hindrance in maximizing customer satisfaction and customer retention than their competitors. Learning orientation consider that how to gain sustain competitive advantage through reorganizing systems and processes according to customers' needs and demands. All the above mentioned studies have statistically significant results ( $p < .05$ ) with positive Pearson's correlation coefficient ( $r$ ) ranging from .23 to .75.

## 2.7. Mediating role of Learning Orientation

Market orientation and learning orientation both are necessary to gain sustainable competitive advantage and superior performance [38, 39]. Results of some studies reveal that market orientation is a key to gain superior performance only when it works in combination with learning orientation [3, 6, 7]. Market orientation generates current knowledge about customers, competitors, technological innovation, and target markets and then communicates it across all the departments. While learning oriented behavior enhances the abilities and capabilities of organization by adopting new ideas, latest technology in planning, production, processes and operations [15, 22]. Thus, learning orientation mediates the relationship between market orientation and organizational overall performance [22].

## 2.8. Hypothesis Development and conceptual model

By taking into account the above literature, following hypotheses have been put forward.

**H1:** Market orientation is positively related to learning orientation.

**H1a:** Intelligence generation is positively related to commitment to learning.

**H1b:** Intelligence generation is positively related to open mindedness.

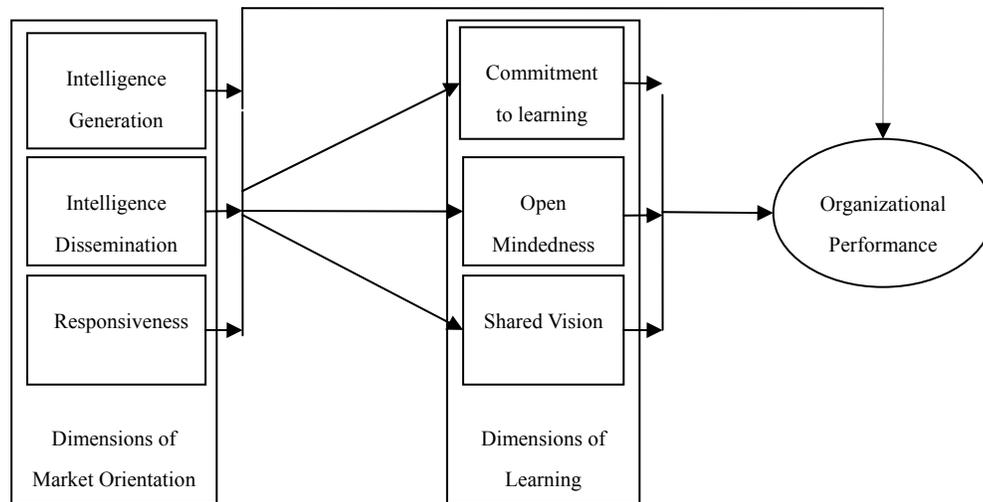
**H1c:** Intelligence generation is positively related to shared vision.

**H1d:** Intelligence dissemination is positively related to commitment to learning.

**H1e:** Intelligence dissemination is positively related to open-mindedness.

**H1f:** Intelligence dissemination is positively related to shared vision.

**H1g:** Responsiveness is positively related to commitment to



learning.

**H1h:** Responsiveness is positively related to open-mindedness.

**H1i:** Responsiveness is positively related to shared vision.

**Figure 1: Research Framework**

**H2:** Learning orientation is positively related to organizational performance.

**H2a:** Commitment to learning is positively related to organizational performance.

**H2b:** Open-mindedness is positively related to organizational performance.

**H2c:** Shared vision is positively related to organizational performance.

**H3:** Market orientation is positively related to organizational performance.

**H3a:** Intelligence generation is positively related to organizational performance.

**H3b:** Intelligence dissemination is positively related to organizational performance.

**H2c:** Response is positively related to organizational performance.

**H4.** Market orientation is positively related to organizational performance when learning orientation acts as a mediator.

On the basis of the hypotheses, conceptual model has been shown in figure 1.

**3. RESEARCH METHODOLOGY**

**3.1. Data collection**

All Commercial banks and two Islamic banks of Punjab Pakistan were selected for data collection. Data were collected from four big cities of Pakistan (Lahore, Islamabad, Multan, and D. G. Khan) by visiting respondents in May and June, 2012. Total 300 questionnaires were distributed among different branches of Banks, 170 were returned back. Questionnaire was presented for data collection to Branch manager, Operations manager, Credit department manager, Human resource manager, relationship

manager, trade manger, or assistant manager of each branch. Questionnaire was presented along with covering letter in U.S English version. There were three sections of questionnaire instrument. In first section, managers were

required to provide demographic information that includes bank name, designation, number of employees, contact number. Second section was about integrated market orientation. In second section there were three sub sections representing three sub variables of market orientation. Third section was about learning orientation. In third section there were three sub sections representing three sub variables of learning orientation.

SPSS 17 version has been used for factor analysis, correlation, regression analysis and reliability analysis of learning orientation, market integrated orientation and organizational performance. A likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) was used for each construct.

**3.2. Market orientation measures**

Market orientation was measured by using proposed scale of Kohli & Jaworski [12]. It has three dimensions that are intelligence generation, dissemination of intelligence, and response. 30 items of three dimensions of market orientation have acceptable Cronbach’s alpha values (0.866; 0.854; & 0.836) in the study of Santos-Vijande et al [37].

**3.3. Learning orientation measures**

Learning orientation construct was measured by using proposed scale of Sinkula et al [8]. It has three dimensions that are commitment to learning, shared vision, and open mindedness. 13 items of three dimensions of learning orientation have acceptable Cronbach’s alpha values (0.813; 0.848; & 0.917) in the study of Santos-Vijande et al [37].

**3.4. Organizational performance measures**

Organizational performance was measured by using scale of Gunday, et al [40]. Four items of organizational performance have acceptable Cronbach’s alpha value (0.930) in the study of Gunday et al [40].

**4. RESULTS**

**4.1.1. Factor analysis of market orientation**

Table 1 shows three factor solution of three dimensions of market orientation (13 items have been excluded because of low loading) in shape of intelligence generation (7 items),

intelligence dissemination (5 items), and responsiveness (5 items) together explained 50% of total variance. KMO of integrated market orientation is 0.739 that is acceptable and significant.

Table 1: Factor analysis of Market Orientation

Market Orientation Items:	Factor Loadings		
	1	2	3
<b>1) Intelligence Generation:</b>			
We know our competitors well: we constantly analyze their initiatives.	0.471		
We obtain ideas from our customers in order to improve our products.	0.886		
We carry out frequent studies on our customers to know what products and services they will need in the future.	0.480		
All functional area directors visit our current and potential customers regularly.	0.645		
Investigation and market study results are used as a source of information for taking decisions.	0.900		
We contact our customers periodically to learn their perception as to the quality of our products and services.	0.458		
We frequently evaluate the possible effects of environmental change on our customers.	0.448		
<b>2) Intelligence Dissemination:</b>			
When any functional area identifies competitor’s new initiatives it immediately shares the information with all levels of the firm.			0.596
Top management regularly discusses the strengths, weaknesses and strategies of the competitors.			0.609
Information regarding clients and commercial success and /or failures is shared among all the functional areas.			0.632
Sales personnel regularly share information with the firm regarding the competitors’ strategy.			0.712
There is a fluent exchange of opinions between the functional areas in order to decide how to respond to competitor strategies.			0.735
<b>3) Response:</b>			
We keep the promises made to our customers.		0.687	
Product development effort is often reviewed to assure its conformity with the customers’ desires.		0.744	
Customer complaints are attended to rapidly.		0.662	
We are sensitive to how our customers evaluate our products and services, so that when faced with negative perceptions, any necessary modifications are initiated immediately.		0.690	
We endeavor to attain competitive advantage based on the understanding of our customers’ needs.		0.571	
<b>Cumulative percentage of the variance explained (%)</b>	<b>18.646</b>	<b>35.145</b>	<b>49.505</b>

**4.1.2. Factor Analysis of learning orientation**

Table 2 shows three factor solution of three dimensions of learning orientation (3 items has been excluded because of low loading) in shape of commitment to learning (3 items), open mindedness (3 items), and shared vision (3 items)

together explained 61% of total variance. Learning orientation has a significant and acceptable KMO that is 0.689. KMO greater than 0.50 is generally deemed to be significant and acceptable

Table 2. Factor Analysis of Learning Orientation			
Learning Orientation Items:	Factor Loadings		
	1	2	3
<b>1) Commitment to Learning:</b>			
The management assumes that the capacity for learning is one of the essential keys to the achievement of competitive advantage.			0.649
We think that the employees' learning is an investment, not an expense.			0.585
We assume that renouncing organizational learning questions the firm's survival in the long term.			0.806
<b>2) Open-Mindedness:</b>			
We do not mind questioning or reflecting in a critical spirit on the way business has been traditionally done in the firm, or the beliefs that have prevailed.	0.644		
We consider that it is very important to work with an open mind, ready to develop alternative solutions to the conventional way of doing things.	0.752		
The employees' contribution of original ideas is valued.	0.826		
<b>Shared Vision:</b>			
In the firm we have clearly defined "who we are", that is, what our business and our long-term objectives are.		0.610	
There is a total commitment of the firm's employees to the achievement of these objectives.		0.499	
The employees see themselves involved in the design of the organization's future direction.		0.851	
The senior management shares with the inferior levels its view on the firm's future.		0.739	
<b>Cumulative percentage of the variance explained (%)</b>	23.622	44.022	61.734

**4.1.3. Factor analysis of organizational performance**

Table 3 shows one factor solution of firm's performance. No item had been excluded because of acceptable

loading. All the items explained 55% of total variance. Firm's performance has a significant KMO of 0.640.

Table 3: Factor analysis of Organizational Performance
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Financial Performance Items:	Factor Loadings
Return on sale.	0.771
Return on assets.	0.712
General Profitability of the firm.	0.852
Cash flow excluding investments.	0.610
<b>Cumulative percentage of the variance explained (%)</b>	<b>54.979</b>

Table 4: Correlation & Reliability Analysis

	Mean	S.D	$\alpha$	MO	LO	CL	OM	SV	IG	ID	R	FP
MO	3.974	0.408	0.830	1								
LO	4.046	0.471	0.765	0.743**	1							
CL	4.158	0.544	0.601	0.409**	0.676**	1						
OM	4.122	0.657	0.755	0.711**	0.800**	0.393**	1					
SV	3.859	0.692	0.711	0.518**	0.749**	0.220**	0.374**	1				
IG	3.879	0.549	0.777	0.765**	0.509**	0.270**	0.392**	0.455**	1			
ID	3.915	0.507	0.719	0.735**	0.468**	0.296**	0.313**	0.425**	0.345**	1		
R	4.127	0.556	0.753	0.778**	0.707**	0.365**	0.895**	0.306**	0.383**	0.368**	1	
FP	3.872	0.669	0.721	0.513**	0.724**	0.230**	0.342**	0.971**	0.414**	0.475**	0.289**	1

**Note:** \*\*Correlation is significant at the 0.01 level (2-tailed). MO is market orientation, LO is learning orientation, CL is commitment to learning, OM is open mindedness, SV is shared vision, IG is intelligence generation, ID is intelligence dissemination, R is Response, FP is Financial Performance

**4.2. Correlation and Reliability Analysis**

As the purpose of this study is to find relationship between market oriented behavior, learning orientation and bank’s performance; so we have used correlation analysis to find the relationship between these variables. Table 4 shows means, standard deviations, alpha values of all variables and correlation between variables. Each factor of market orientation and learning orientation has been found in significant correlation with each other and with bank’s performance ( $p < 0.001$ ). Mean rating of each factor is above three, it means each variable is rated high. Three dimensions of market orientation, three dimensions of learning orientation and bank’s performance have reliable and acceptable Cronbach’s alpha i.e. intelligence generation ( $\alpha = 0.777$ ), intelligence dissemination ( $\alpha = 0.719$ ), response ( $\alpha = 0.753$ ), commitment to learning ( $\alpha = 0.601$ ), open mindedness ( $\alpha = 0.755$ ), shared vision ( $\alpha = 0.711$ ) and bank’s performance ( $\alpha = 0.721$ ).

**4.3. Regression Analysis**

Regression analysis has been carried out with the help of SPSS 17 to investigate the impact of three dimensions of market orientation on three dimensions of learning orientation (See Table 5) and Bank’s performance (See Table 6). Impact of three dimensions of learning orientation on bank’s performance has also been carried on through

regression analysis (See Table 7). Regression model in Table 5 confirms that in total all the three dimensions of market oriented behavior in organization stimulates commitment to learning ( $R^2 = 0.159$ ;  $F = 11.789$ ;  $P < 0.01$ ) open mindedness ( $R^2 = 0.801$ ;  $F = 231.002$ ;  $P < 0.01$ ), and shared vision ( $R^2 = 0.280$ ;  $F = 23.184$ ;  $P < 0.01$ ). In other words, three dimensions of market orientation altogether explained 80%, 28%, & 16% of total variance of open mindedness, shared vision and commitment to learning. Contribution of market orientation to open mindedness is high. These findings support hypothesis (H1). Moreover standardized coefficient  $\beta$  and T values are also depicting positive relationship between intelligence generation and commitment to learning ( $\beta = 0.114$ ;  $t = 1.463$ ), intelligence dissemination and commitment to learning ( $\beta = 0.160$ ;  $t = 2.062$ ), responsiveness and commitment to learning ( $\beta = 0.262$ ;  $t = 3.322$ ), intelligence generation and open mindedness ( $\beta = 0.065$ ;  $t = 1.173$ ), responsiveness and open mindedness ( $\beta = 0.883$ ;  $t = 23.022$ ), intelligence generation and shared vision ( $\beta = 0.328$ ;  $t = 4.531$ ), intelligence dissemination and shared vision ( $\beta = 0.284$ ;  $t = 3.950$ ), responsiveness and shared vision ( $\beta = 0.076$ ;  $t = 1.044$ ). Hence, further supporting sub hypotheses (H1a, H1b, H1c, H1d, H1f, H1g, H1h, and H1i). However, relationship between intelligence dissemination and open mindedness is

not positive and non significant. Hence, sub hypothesis (H1e) is not supported. Regression model in Table 6 depicts positive linkage between overall market orientation and banks performance ( $R^2=0.287$ ;  $F=23.904$ ;  $P<0.01$ ). Market orientation explained 28% of total variance of banks performance. Hence, hypothesis H2 is supported. Moreover standardized coefficient  $\beta$  and t values are also depicting positive linkage between three dimension of market orientation and banks performance. Hence, supporting H2a, H2b, and H2c. In the same way, regression model in Table 7 depicts positive linkage between overall learning orientation and banks performance ( $R^2=0.943$ ;  $F=949.835$ ;  $P<0.01$ ). Learning orientation explained 94% of total variance of banks performance. Hence, H3 is supported. Moreover  $\beta$  and t values depicts that relationship between shared vision and banks performance is highly significant ( $\beta=0.978$ ;  $t=49.633$ ). So H3c is also supported. Linkage between commitment to learning and banks performance is also positive ( $\beta=0.028$ ;  $t=1.425$ ). So, H3a is also supported.

However linkage between open mindedness and banks performance is not positive. Hence, H3b is not supported.

**4.4. Mediation Analysis**

Mediation analysis has been used to see the impact of independent variable (market orientation) on dependent variable (organizational performance) in the presence of mediator (learning orientation). Method suggested by Barrens & Kenny [41] has been used to find out the effect of mediator. Method follows three steps. In first step regression was performed between independent variable (market orientation) and dependent variable (learning orientation) that acted as mediator.

In second step regression was performed between independent variable (market orientation) and dependent variable (organizational performance). In third step regression was performed between independent variable (market orientation) and dependent variable (organizational performance) in the presence of mediator variable (learning orientation), see Table 8

Dimensions of Learning Orientation	Dependent Variables					
	Commitment to Learning		Open Mindedness		Shared Vision	
Model fit	Adj R <sup>2</sup>	F	Adj R <sup>2</sup>	F	Adj R <sup>2</sup>	F
	0.159	11.789*	0.801	231.002*	0.280	23.184*
Independent Variables	Beta	T	Beta	T	Beta	T
Intelligence Generation	0.114	1.463	0.065	1.713	0.328	4.531*
Intelligence Dissemination	0.160	2.062*	-0.034	-0.913	0.284	3.950*
Responsiveness	0.262	3.322*	0.883	23.022*	0.076	1.044

Model fit	Dependent Variable Organizational Performance	
	Adj R <sup>2</sup>	F
	0.287	23.904*
Independent Variables	Beta	T
Intelligence Generation	0.269	3.740*
Intelligence Dissemination	0.363	5.083*
Responsiveness	0.052	0.711

Model fit	Dependent Variable Organizational Performance	
	Adj R <sup>2</sup>	F
	0.943	949.835*
Independent Variables	Beta	T
Intelligence Generation	0.978	49.633*
Intelligence Dissemination	0.028	1.425
Responsiveness	0.028	1.425

<i>Model fit</i>	Adj R <sup>2</sup>	F
	0.943	949.835*
Independent Variables	Beta	T
Commitment to Learning	0.028	1.425
Open Mindedness	-0.035	-1.659
Shared Vision	0.978	49.633*

No.	Dependent Variable	Independent Variable	Standardized Coefficient β	F	T	Sig	Adj R <sup>2</sup>	Results
1	Learning Orientation	Market Orientation	0.743	209.04	14.45	.000	0.54	
2	Organizational Performance	Market Orientation	0.513	60.82	7.79	.000	0.25	
3	Organizational Performance	Market Orientation	0.513	60.82	7.79	.000	0.25	
		Market Orientation	-0.054	93.33	-0.67	.500	0.51	Full Mediation
		Learning Orientation	0.763		9.64	.000		

As shown in Table 8, results of mediation analysis showed that in first step independent variable or predictor is positively related to dependent variable that may act as mediator ( $R^2=0.549$ ;  $t=14.458$ ;  $p<0.01$ ). It depicts that market orientation explained 55% of variance of learning orientation. In second step independent variable is positively related to dependent variable ( $R^2=0.259$ ;  $t=7.799$ ;  $p<0.01$ ). It shows that market orientation explained 25% of variance of organizational performance. In third step the mediator (learning orientation) is fully mediating the relationship ( $R^2=0.519$ ;  $p<0.01$ ) between the independent variable (market orientation) and the dependent variable (organizational performance). Although without mediator relationship between market orientation and organizational performance is positive and significant ( $\beta=0.513$ ,  $p<.05$ ), however in the presence of mediator (learning orientation), market orientation became insignificant ( $\beta=-0.054$ ,  $p>.05$ ). Hence, this mediation analysis concluded that learning orientation fully mediates the relationship between market orientation and organizational performance.

**5. DISCUSSION AND CONCLUSION**

This study has examined the relationships among market orientation, learning orientation, and organizational performance. It has been seen by the results that positive and supportive link exists among market orientation, learning orientation, and organizational performance.

Market oriented firms give highest priority to customer satisfaction and customer retention. Their aim is to provide high quality products and services to their customers. Results of this study imply that market orientation contributes positively to bank's performance ( $R^2=0.287$ ;  $F=23.904$ ;  $P<0.01$ ). Market orientation explained 28% of total variance of bank's performance. Also learning orientation contributes positively to banks performance ( $R^2=0.943$ ;  $F=949.835$ ;  $P<0.01$ ). Learning orientation explained 94% of total variance of banks performance. Learning orientation permits an organization to sustain long term competitive edge through continuous improvement in existing products and services. It has been concluded that highest priority of banks now a days is to promote commitment to learning and open mindedness approach and shared vision across all the departments and at all levels of management. All employees are committed to achieve the objectives of firm and they are willing to accept new ideas that may positively lead to attain their firm objectives. Contribution of shared vision is so high ( $\beta=0.978$ ;  $t=49.633$ ;  $p<0.01$ ). It means vision and objectives are fully shared across all the departments. Such kind of behavior facilitates team work, flexibility and employee empowerment. Upper level management and human resource practices are of great importance to promote learning oriented behavior in organization. Market orientation also stimulates learning oriented behavior. It can be concluded that market

orientation strengthens intensity of learning orientation that in result leads to customer retention and high competitive advantage. Also Learning orientation fully mediates relationship between market orientation and banks performance. Both market orientation and learning orientation are crucial for the attainment of bank's performance dynamically.

### 5.1. Theoretical Implication

Previous researches have been conducted to find out relationships among market orientation, learning orientation, and organizational performance in different sectors [5, 15, 22, 15]. A few researches have been conducted in banking sector [9, 10]. However market orientation and learning orientation have not been addressed collectively. Major contribution of this research is that it has examined the impact of market orientation on overall performance through learning orientation first time in banking industry of Pakistan. Results of this study are similar with many previous researches [1, 6, 7, 22, 34]. This study provides first empirical evidence that exhibits supportive and significant linkage between market orientation, learning orientation, and bank's performance in Pakistan.

### 5.2. Managerial Implications

Today, banking companies face their toughest competition ever. Moving from a product-and-sales philosophy to a holistic marketing philosophy, however, gives them a better chance of connecting with their customer, thus outperforming the competition. Following a holistic marketing orientation means understanding customers—taking a 360-degree view of both their daily lives and the changes that occur during their lifetimes so the right products are always marketed to the right customers in the right way. Thus, market orientation means learning about the environment and managing the environment based on such learning to attain a superior performance and competitive advantage. Therefore both orientations i.e. market orientation and learning orientation play very important role. Hence, managers should have to facilitate the communication of market information across all departments. Moreover, there is a need to increase degree of market orientation through intelligence generation, intelligence dissemination and responsiveness to improve the overall performance of banks. Managers should have to design shared vision of organization, and should use open minded techniques for problem solving. Also there is a need to develop organizational culture that boost learning environment, collaboration and possession of latest market knowledge.

### 5.3. Limitations and recommendations for future research

It was a cross sectional study where all data were collected at a particular time, so variables and analysis is restricted to that particular time. Another limitation is that the target sample was related to one province of Pakistan i.e. Punjab and three other provinces have been totally ignored so it is not a representative sample of whole population. Also, there

is a need to analyze the role of learning orientation and market orientation in combination with innovation and culture in other sectors like small and medium enterprises, non for profit organizations, telecommunication sector, and manufacturing sector.

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