Influence of Market Orientation on Ethical Responsibility Special Reference to the Licensed Commercial Banks in Batticaloa

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ABSTRACT- Concerns and awareness of ethical issues have increased among the society and customers in the past few decades. Therefore society and customers expect marketers to be involved their business in ethically responsible manner. Thus it becomes necessary for the market orientated businesses to adopt ethical responsibility to fulfill the social expectations of their customers and society. Hence marketers are expected to develop a ethical responsible business behavior. This study examined the research problem of whether market orientation influences ethical responsibility in the Sri Lankan banking sector. This research was carried out with the objectives of evaluating market orientation and to analyze the influence of market orientation on ethical responsibility in the banking sector. Furthermore conceptual model has been developed to link market orientation and ethical responsibility. Customer orientation, competitor orientation and inter functional coordination are considered as the measurement variables of market orientation and it was derived from Narver and Slater (1990). Quantitative methodology has been applied for this research and questionnaires were used to collect data. 27 managers and 154 staff from whole licensed commercial banks in Batticaloa district have been selected for this study. Mean, standard deviation, correlation and multiple regressions have been used for the analysis. Findings have shown that market orientations of licensed commercial banks are at higher level. Furthermore it was also found that there is a positive relationship between market orientation and ethical responsibility; and market orientation significantly influences ethical responsibility of the licensed commercial banking entities. These findings would be useful to foster ethical responsible business behavior among the entities and industries which will satisfy customers that are socially conscious and also will meet the expectations of various stakeholders.

Key Words: Market orientation, customer orientation, competitor orientation, inter functional coordination, Ethical responsibility

INTRODUCTION

Background of the study

Market orientation has become a prominent concept in marketing literature and in practice to ensure sustainable and superior customer value. Narver and Slater (1990) defined market orientation as “the organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business” (p. 21). Market oriented businesses are committed to understand both the expressed and latent needs of their customers, to share this understanding broadly throughout the organization, and to coordinate all activities of the business to create superior customer value (Day, 1994; Kohli&Jaworski, 1990; Slater &Narver, 1995). Thus market oriented businesses seek to understand customers' expressed and latent needs, and develop superior solutions to those needs in order to add value to their customers.

Ethics are, at their essence, moral judgments about what is right and what is wrong. In a business sense, these ethics are decided upon and formed by each company and underpin the decisions that anyone in the business makes. The decision to behave ethically as one individual to another is easy for any decent moral human being, but it is easy to forget the impact a large, faceless business can have on the world.

Meanwhile social responsibility and ethical issues have become the expectation to the society and customers. The awareness level on social issues has increased among the society and customers in the past few decades. It has resulted in a phenomenon where customers have become socially conscious (McAlister & Ferrell, 2002; Mohr, Webb, & Harris, 2001). Therefore society and customers expect the businesses to operate in a ethical responsible way. According to Moir (2001) there are societal expectations over the businesses. Similarly Mohr et al. (2001); Sen and Bhattacharya (2001) highlighted that customers expect the marketers to be ethically responsible..Therefore it has become the expectation of customers and society that the marketers have to be ethically responsible. Since there are customer expectations over marketers to be ethically responsible, market oriented businesses have to undertake ethical activities thereby addressing customers' expectations.

Research Problem

It is necessary for the marketers to determine as to whether market orientation influences Ethical responsibility in their business. As far as the researcher knows no research has been conducted so far in Sri Lanka to examine whether market orientation leads to Ethical responsibility with special reference to Banking Sector. Thus there exists a clear knowledge gap. This knowledge gap becomes a problem to marketers in fostering ethic al responsible business behavior. Absence of such knowledge makes marketers in the Sri Lankan banking industry unclear and difficult to satisfy expectations of the customers who are responsive to ethical responsible issues. Researcher examines this problem in this study and attempts to fill this knowledge gap. Therefore the following research problem is advanced in this study

Does market orientation influence the ethical responsibility with special reference to Banking sector?

Research questions

The following research questions are advanced in this study.

1. To what extent License commercial banking organizations are market oriented?
2. To what degree the influence of market orientation on ethical responsibility in License commercial banks?

1.4 Objective of the Study

The specific objectives of this study are given below. These objectives have been derived from the research questions and purpose of the study.

1. To examine the market orientation of the license commercial banking organizations.
2. To evaluate the degree to which market orientation influences ethical responsibility practices in the License commercial banks

LITERATURE REVIEW

The Concept of Market Orientation

Identifying customers' needs and expectations and satisfying such needs became the primary task for marketers (Barksdale & Darden, 1971). This is known as "Marketing Concept". Marketing concept became popular and widely acceptable among the marketers since 1950s. Marketing concept makes the marketers to be more responsive to customers' wants and needs.

Marketers realized that implementing marketing concept is not the duty and responsibility of the marketing department alone. It required the support of the whole organization. It is necessary that entire organization has to move towards satisfying customer needs. Whole organization has to be involved in the process of identifying needs, wants and expectations of their customers and satisfying such expectations thereby adding value to their customers. This process is known as "Market Orientation".

According to Kohli and Jaworski (1990) market orientation is the implementation of the marketing concept. Hence, a market-oriented organization is one whose actions are consistent with the marketing concept. Marketing concept is the base for the market orientation. Therefore market orientation is the operational manifestation of the marketing concept**.**

Kohili and Jawarski (1993) have proposed their definitions on market orientation is "The culture that most effectively and efficiently creates the behaviors for the creation of superior value for buyers" (p. 21), and stated that market orientation consists of three behavioral components – customer orientation, competitor orientation, and inter functional coordination.

Components of Market Orientation

According to Narver and Slater (1990) market orientation is the organizational culture that creates superior value for customers. Thus customer orientation, competitor orientation, and inter functional coordination are three behavioral components of market orientation.

Customer orientation

A marketer must be customer oriented to add value to their customers. Kohli and Jaworski (1990) and Narver and Slater (1990) indicated that market oriented business require a company wide customer orientation. Narver and Slater (1990) described about customer orientation as: seller has to understand who its potential customers are at present as well as who they may be in the future, what they want now as well as what they may want in the future, and what they perceive now as well as what they may perceive in the future as relevant satisfiers of their want. Thus customer oriented marketer has to understand needs, wants, preferences, expectations, behavior, and perception etc of their customers. Based on this knowledge, marketers have to take actions to satisfy their customers there by adding value to them.

Competitor Orientation

According to Narver and Slater (1990) marketers have to be competitor oriented to create value to their customers. Market oriented businesses have to generate knowledge on their competitors to give comparatively better value to their customers (Day & Wensley, 1988; Kohli & Jaworski, 1990). Sørensen (2009) also argued for including competitor-oriented activities in market orientation. Thus there is a clear idea that a market oriented businesses have to be competitor oriented. Hence competitor orientation means understanding competitors' strengths, capabilities and weakness in order to create superior value to their customers than their competitors.

Inter-functional Coordination

Inter- functional coordination also is an important element of market orientation. In marketing concept it was identified as the integrated effort (Barksdale & Darden, 1971; Bell & Emory, 1971; Hise, 1965; McNamara, 1972). Bell and Emory (1971) described integrated effort as "the entire firm must be in tune with the market by placing emphasis on the integration of the marketing function with research, product management, sales, and advertising to enhance the firm's total effectiveness" (p. 39). Narver and Slater (1990) have accepted the thoughts of the previous researchers and therefore they indicated that creating value for buyers is much more than a marketing function; and it requires the synergetic effect in which the contribution of each subgroup is tailored and integrated.

Concept of Ethical Responsibility

In the past several decades Concept of "Ethical Responsibility" has been evolving as an important concept among the managers. Since 1930 business people and business magazines have been stressing various issues related to the ethical responsibility of businesses. Even though varying views and definitions were advanced to the Concept of ethical responsibility.

Ethical responsibilities require the business to abide its activities, practices and policies, to the expected norms defined by the members of society such as consumers, employees, shareholders, community, and other stakeholders (Schwartz & Carroll, 2003). These norms, standards and expectations are not coded in laws but abiding to these will ensure concerns, rights and interests of various stakeholders. Moreover in recent past there is a growing attention paid on the ethical aspects of business. Therefore it is vital for businesses to adopt ethical considerations in to business. It is vital for the organizations to be interacted with its various stakeholders. Stakeholder group is known as any group or individual who can affect or is affected by the achievement of the organization's objectives (Moir, 2001). Since organization has many stakeholders, present day organizations have to be responsible to all such stakeholders. It becomes necessary for organizations to consider the issues concerning all of their stakeholders under their ethical domain. In recent literature, ethical responsibility is viewed from the stakeholders' point of view.

A company which sets out to work within its own ethical guidelines is also less at risk of being fined for poor behaviour, and less likely to find themselves in breach of one of the multitude of laws concerning required behaviour – for example, laws around payments to corrupt regimes, or environmental practice policies. The whole company can be fined, the directors can be fined, and individual employees can be fined if the responsibility for an infraction falls on their shoulders.

Carroll (1979) quoted that "the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" (p. 500). In his elaboration, he identified ethical responsibilities for business is a unique one. Thus Carroll (1979) has integrated ethical interest stressed by Davis (1960) as well as legal obligations emphasized by McGuire (1963) and has forwarded a comprehensive definition. Therefore his definition was accepted by the subsequent authors.

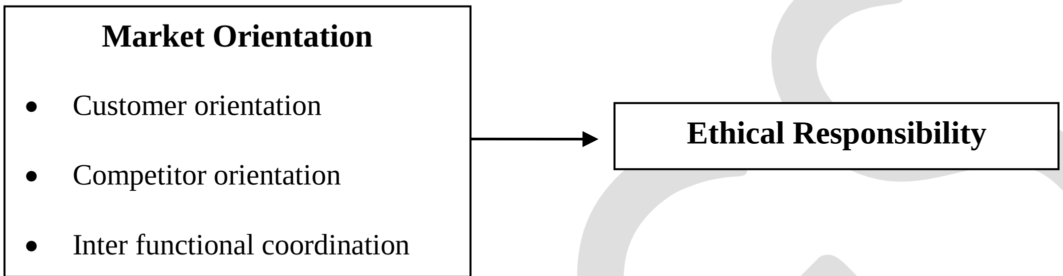
Furthermore Carroll's (1979) four responsibilities can be looked at from stakeholders' point of view. For instance expectations of customers, employees, business partners, environment, communities and investors can be categorized under any of the four dimensions proposed by Carroll (1979). Thus his definition on ethical responsibility fulfills expectations of contemporary researchers who perceive ethical responsibility from stakeholders' point of view.

CONCEPTUALIZATION AND METHODOLOGY

CONCEPTUALIZATION

Based on literature survey following conceptual framework was developed. This conceptual framework establishes link between market orientation and ethical responsibility.

Figure 3.1 : Figure Conceptual model



(Source: Develop by researcher for study purpose)

The figure depicts the relationship between market orientation and ethical responsibility. According to figure, market orientation and ethical responsibility are the constructs. Market orientation can be measured in terms of three variables that are customer orientation, competitor orientation and inter-functional coordination as recommended by Narver and Slater (1990). Therefore customer orientation, competitor orientation and inter-functional coordination are considered as independent variables. Meanwhile ethical responsibility can be considered as dependent variables. Hence above conceptual framework establishes links between the variables of market orientation and with the variables of ethical responsibility.

Methodology

Researcher applied quantitative methodology for this study. Thus survey method has been adopted.

Sample selection

According to the Central Bank of Sri Lanka (2012), the Sri Lankan banking sector comprises of 2 major categories, namely licensed commercial banks (LCBs) and licensed specialized banks (LSBs). As at December 2012, there were 24 LCBs and 9 LSBs in Sri Lanka (Central Bank of Sri Lanka, 2012). In those 24 LCBs, there were 12 LCBs in Batticaloa district. This research is limited to the licensed commercial banks (LCBs) in Batticaloa district, Thus 12 LCBs main branches were considered as the population. Hence researcher distributed questionnaire to whole population.

Table 3.1 sampling framework

Licensed Commercial Banks In Batticaloa District		Staff Categorization			Total
		Manager	Assistant Manager	Staff	
01	Amana Bank	01	01	08	**10**
02	Bank of Ceylon	01	01	28	**30**
03	Commercial Bank	01	01	23	**25**
04	DFCC Vardana Bank	01	01	06	**08**
05	Hatton National bank	01	01	17	**19**
06	National Development Bank	01	01	06	**08**
07	Nation Trust Bank	01	04	09	**14**
08	Pan Asia Bank	01	01	06	**08**
09	Peoples Bank	01	01	13	**15**
10	Sampath Bank	01	01	06	**08**
11	Seylan Bank	01	01	13	**15**
12	Union Bank	01	01	05	**07**
TOTAL		**12**	**15**	**140**	**167**

Source- Formed for this research

Data collection methods and instruments

This study was carried out based on primary data. Structured questionnaires was used to collect data. The Questioner comprised of statements on three variables of market orientation; customer orientation, competitor orientation and inter functional coordination. Questioner was given to the whole 12 Licensed commercial banks main branches in Batticaloa.

Likert scale of 1-5 which ranges from “Strongly Disagree” to “Strongly Agree” were applied in the SET I and SET II of the questionnaire to identify responses. The numerical values were given for the purpose of quantification of quantitative variable as follows:

1. Strongly disagree
2. Disagree
3. Neither Agree nor Disagree
4. Agree

5. Strongly agree

4.5 Data presentation, analysis and evaluation

Data has been presented using tables. Meanwhile Inferential and descriptive analysis were used for data analysis. Hence under the descriptive analysis, mean and standard deviation were derived from the analysis of 154 samples. In inferential analysis, correlation and multiple linear regressions have been applied. Statistical package of SPSS 16.0 has been used for this purpose. Furthermore criteria shown in table were adopted to evaluate mean values. This was established to determine the degree of market orientation.

Table 4.2 Evaluation criteria for mean values

Range	Degree
$1 \leq X \leq 2.5$	Low level
$2.5 < X \leq 3.5$	Moderate level
$3.5 < X \leq 5.0$	High level

Source- Formed for this research

ANALYSIS AND FINDINGS

Sample profile

Researcher selected whole 12 commercial bank main branches in Batticaloa district, which consist of 167 employees. It includes Managers, assistant managers and staff. 154 employees responded to the questionnaires and the distribution of responded institutions have been presented in table 5.1

Table 5.1 Response Rate

Licensed Commercial Banks In Batticaloa District		Total Employees	Response	Response Rate
01	Amana Bank	10	9	90%
02	Bank of Ceylon	30	27	90%
03	Commercial Bank	25	24	96%
04	DFCC Vardana Bank	08	8	100%
05	Hatton National bank	19	17	89%
06	National Development Bank	08	8	100%
07	Nation Trust Bank	14	13	93%
08	Pan Asia Bank	08	8	100%
09	Peoples Bank	15	13	87%

10	Sampath Bank	08	7	88%
11	Seylan Bank	15	14	93%
12	Union Bank	07	6	86%
Overall		167	154	92%

Source-Data analysis

Descriptive statistics

This section presents mean and standard deviation for the variables of market orientation. There are two government banks and ten private banks in those twelve banks. Mean values have been distributed based on Liket's scale of between 1-5 which represent "Strongly Disagree" to "Strongly Agree". Meanwhile mean values were evaluated based on already established evaluative criteria which range from "Low level" to "High level".

Findings and discussion on market orientation of licensed commercial banking sector

This section provides findings and discussion on market orientation of the Sri Lankan Licensed commercial banking sector in order to meet the first objective of this study which is the examination of the market orientation.

Table 5.2 summary of the findings on market orientation

Variables	Mean	Std. Dev	Category of the organization	Mean	Std. Dev
Market Orientation	4.25	0.29	Government banks	4.23	0.10
			Private banks	4.25	0.32
Customer orientation	4.21	0.27	Government banks	4.13	0.22
			Private banks	4.23	0.28
Competitor orientation	4.46	0.36	Government banks	4.45	0.20
			Private banks	4.47	0.39
Inter-functional Coordination	4.06	0.53	Government banks	4.10	0.13
			Private banks	4.05	0.58

Source-Data analysis

As presented in table 5.2, Sri Lankan Licensed commercial banking sector is highly market oriented since the mean value of market orientation construct is 4.25. It shows that institutions in the commercial Banking sector have incorporated the needs, wants and expectations of their customers. Thus banking entities like government banks and Private banks in Sri Lanka have introduced new products, value added services, technological developments and convenient delivery methods etc. in the past two decades. It has resulted in the higher level of market orientation in the licensed commercial banking sector. Meanwhile in-depth analysis of market orientation reveals that competitor orientation (mean value of 4.46) is contributing more than other components for the market orientation in financial institutions. Hence licensed commercial banking sector is more competitors oriented than customer oriented.

Key aspect of market orientation is to understand needs, preferences and expectations of their current and potential customers and adding value to them thereby customer orientation is the prime concern for market oriented businesses (Kohili & Jawarski, 1990; Kohli et al., 1993; Narver & Slater, 1990). It has been emphasized in any definition on market orientation. Thus satisfying customers is the fundamental principle of market orientation (Day,1994; Deshpande´, et al., 1993; Harris, 2002). On contrary to this principle, Commercial banking institutions in Batticaloa have given more importance to competitor orientation than customer orientation. Even though financial sector has undertaken many developments and transformation in the past, it was more competitors oriented than customer oriented. Hence these measures were aimed at overcoming their competitors rather than really serving the needs and expectations of their customers.

Licensed commercial banking sector has been further divided into Government banks and Private banks for the purpose of segregate analysis. Segregate analysis has revealed that market orientation of private banks (mean value of 4.25) is significantly higher than that of government banks (mean value of 4.23) which states that private banks are highly market oriented than government banks. This is because of the significant differences in customer orientation and inter-functional coordination practices between government banks and Private banks (From table 6.1). Encouraging customer comments, after sales consultation, customer commitment, value creation practices and customer satisfaction significantly differ between government banks and Private Banks which have led to the significant difference in customer orientation. Similarly practices such as marketing information sharing, interaction among all departments and involvement of all departments in preparing business plans and strategies are significantly higher in government banks than Private banks that has created a significant difference in inter-functional coordination.

Relationship between market orientation and ethical responsibility

Correlation values were found to determine relationship between variables of marketer orientation and ethical responsibility. It has been presented in the table

Table 5.4 correlation between the variables of market orientation and ethical responsibility

Variables	**Correlation with Ethical Responsibility**
Market Orientation	**.596***
Customer orientation	**.607***
Competitor orientation	**.560***
Inter-functional coordination	**.266***

** Correlation is significant at the 0.05 level (2-tailed).*

As in table all correlation values are positive and these values have been significant at 5% significant level (P<0.05). This reveals that all market orientation variables are positively correlated with ethical responsibility. Hence there is a positive relationship between market orientation and ethical responsibility.

Analysis on the influence of market orientation on ethical responsibility

This section analyses the influence of market orientation on ethical responsibility. Thus it first presents analysis on the areas of orientation followed by analysis on the ethical responsibility construct. In this study the outcome or value of dependent variable (Ethical responsibility) depends on more than one independent variable (customer orientation, competitor orientation and inter-functional coordination). Therefore, to quantify the effect of different independent variables on the behavior of dependent variable, it is necessary to apply the technique of multiple regressions (Cooper & Schindler, 2007; Levin & Rubin, 1991).

In multiple linear regression analysis Adjusted R Square statistics as well as regression coefficient are considered to be important for analysis and interpretation. Adjusted R Square represents the amount of variance in the dependent variable that can be attributed to independent variable (Cooper & Schindler, 2007). Meanwhile the regression coefficient (value of B) implies the change in the outcome (dependent variable) resulting from a unit change in the independent variable (Cooper & Schindler, 2007). Hence ethical responsibility can be analyzed using the multiple regressions.

Table 5.5 Influence of market orientation on Ethical responsibilities

Independent variables	B
(Constant)	1.359
Customer orientation (Cu)	0.158
Competitor orientation (Co)	0.091
Inter-functional (In)	0.162

Adjusted R Square value 0.608

F statistic 6.678

Table 5.5 describes that customer orientation, competitor orientation and inter-functional coordination positively impact on ethical responsibilities. Furthermore this prediction has been significant at 5% P value (P<0.05). Furthermore inter functional coordination is the mostly contributing factor in establishing ethical practices in the business. As revealed by Adjusted R Square statistic, 60.8% of variance in ethical responsibilities is determined by the variance in market orientation variables. Hence the regression equation for ethical responsibilities is derived as follows.

Ethical responsibilities = 1.359+ 0.158 (Cu) +0.091 (Co) + 0.162 (In)

F value statistic is 6.678 which mean that this model can be used for further analysis. Hence market orientation has significant impact on ethical responsibilities.

Theoretical contribution

This research has proven that market orientation significantly influences ethical responsibility of the Sri Lankan financial institutions. It has been further found that components of market orientation (customer orientation, competitor orientation, and inter-functional coordination) also have the significant impact on ethical responsibility. Thus customer orientation, competitor orientation, and inter-functional coordination determine the ethical responsible behavior of the financial entities in Sri Lanka. Hence this study has provided findings to fill the knowledge gap identified by Narver and Slater (1990).

In addition to the theoretical contribution, this study has also measured the degree of market orientation of the Sri Lankan Licensed commercial banking sector entities. These findings will be useful to the practicing business managers in the licensed commercial banking sector to develop policies pertaining to market orientation and ethical responsibilities

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