# Customer Orientation and Firm Performance among Nigerian Small and Medium Scale Businesses

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**Abstract**

The study examines the relationship between customer orientation and firm performance among the small and medium scale businesses in Nigeria. Besides, the study also investigates the moderating effect of marketing information system and managerial attitudes on the relationship between customer orientation and firm performance. Nigeria small and medium business represents the sample of the study. Data was collected using questionnaire survey approach. Two hundred and twenty two Nigerian businesses participated in this study. Results of this study indicated that there was a positive and significant relationship between customer orientation and firm performance in the context of Nigerian small and medium scale business. The result also revealed that marketing information system and managerial attitude moderated the relationship. The outcome of this study provides very important information from a developing country perspective on the need for small and medium scale businesses to adopt customer orientation as a survival and competitive strategy towards achieving customer advantage in a turbulent business environment.

**Keywords:** Customer orientation, Marketing information system, Marketing competence, Managerial attitude, Firm performance, Nigerian small and medium scale businesses

## 1. Introduction

A new competitive environment is developing largely based on the current technological revolution and increasing globalization. The emergence of a temporarily stable political environment premised on the evolving democratic policy in Nigeria has led to increased foreign participation in corporate governance (Kama, 2005). The business environment here has thus become filled with service and manufacturing firms in search of excellent practices to achieve competitive advantage, which must be seen by their customers as benefit by delivering superior value, which enhances repeat patronage and sales growth (Hooley, Greenley, Cadogan, and Fahy, 2005).

McKean (2002) defines marketing as the task of creating, promoting and delivering goods and services to customers and business. While Kotler (2004) defines it as a societal process by which individuals and groups obtain what they need and want through creative offering and freely exchanging products and services of value with others.

These definitions of marketing pre-suppose the encapsulation of consumers/customers needs at every stage of production process. They place the desires and needs of the customers at the centre of the organization, such that for any organization to achieve appreciable performance, its focus must be the customers.

McEachern and Warnaby (2005) define customer orientation as a component of market orientation that focuses on putting the customers at the centre of strategic focus. Kotler (2004) emphasizes the need for organizations to move from the level of studying customer segments to shaping separate offers, services and messages to individual customers. Hence such firms may need to collect information on each customer's past transactions, demographics, psychographics, and media and distribution preferences. And they would hope to achieve profitable growth through expenditures by building high customer lifetime value. He further asserts that the ability of a company to deal with customers, one at a time has become practical as a result of advances in factory customization, computers, the internet and database marketing software.

Nakata and Zhu (2006) assert that customer orientation encompasses the analysis of customers' needs, and responsiveness of organization to such needs. But some salient questions have been raised concerning whether customer orientation actually translates to better performance (Ang and Buttle, 2006; Avnet and Higgins, 2006).

It is obvious that for customer orientation to translate into performance there is need for efficient marketing

information system that keeps track of all customers, their purchases, number of patronages, needs, complaints etc (Kohli and Jaworski, 1990). An evident limitation of this line is the assumption that for a firm to be customer-oriented it must possess a working marketing information system, and managers in such organizations must embrace the culture (Martin and Bush, 2006), considering the precarious situation of small and medium scale businesses in a developing economy like Nigeria this looks almost impossible, coupled with the fact that there is need for definite marketing competence that would facilitate the culture in such a firm for it to translate into positive performance (Hill and Jones,2006).

Small and Medium Enterprise Development Agency of Nigeria, SMEDAN (2008) reports that most small and medium scale businesses in Nigeria dies before their fifth anniversary, while Ashibogwu (2008) notes that one of the reasons for this high failure is lack of use of market research to confirm demand and assess suitability of proposed offering as well as maintaining high level of customer patronage. To worsen this situation sparse amount of literature exist on how small and medium scale businesses could survive through the adoption of customer orientation in a turbulent economy like Nigeria.

Starting from this consideration, the purpose of this study is to shed light on how Nigerian small and medium scale firms could practice customer orientation and the contribution of marketing information system, managerial attitudes and marketing competence in translating it to performance.

## 2. Research Context

Small and Medium scale businesses in Nigeria are recognized as catalysts in the socio-economic development of the country. They are veritable vehicles for the achievement of macro-economic objective in terms of employment generation at low investment cost and the development of entrepreneurial capabilities, indigenous technology, stemming rural-urban migration, local resource utilization and poverty alleviation.

Having identified the relevance and catalytic role of the Small and Medium scale businesses in fostering economic development, successive governments in Nigeria have been formulating policies favorable to the development of the subsector since 1940. Osoba (1987) reports that the first attempt of the government to develop small scale industries in Nigeria dated back to 1946 when the first seasonal paper dated No. 24 of 1945 on "A ten year plan of development and welfare for Nigeria, 1946" was presented to the legislative council on 13 December, 1945 and approved with some amendment by the legislative council of 7 February, 1946.   The first stage of the development plan envisaged the setting of a "Nigeria Local Development Board" whose functions, among others were primarily associated with:

-       The promotion and development of village crafts and industries and industrial development of the products of Nigeria.
-       The setting up and operation of experimental undertakings for the testing of industrial or processing development of any Nigerian products.
-       Other suitable projects approved by the governor-in-council.

The schemes set up in the plan were all supposed to be major schemes affecting Nigeria as a whole and fundamental to other forms of development of the country. The thrust then was to develop small-scale industries in their surroundings but on a higher level of efficiency so that they could be more profitable to the operators. But, Nigerian economic history, characterized by constant policy reversals plus inconsistent applications of policies, has affected the operations of the small businesses because these inconsistent economic policies have frequently affected the purchasing power of the people and thus caused uncertainties regarding the supply of goods and services to be rampant, apart from affecting the competitiveness of the small and medium scale businesses in satisfying their customers profitably (Kayode and Odutola 2004). Okoroafor (2004) and Alos (2000) however noted that some economic policies such as floating of currencies, encouraging foreign investments and privatization have not only increased the volume of business but have positively affected marketing performance.

## 3. Literature- Review and Hypotheses

This section discusses the past works on customer orientation and firm performance, managerial attitudes, marketing information systems, marketing competencies and it also builds the relevant hypotheses.

### 3.1 Customer Orientation and Firm performance

Day(1994) defines customer orientation as a concept which transforms marketing into a potent competitive weapon, shifting organizational values, beliefs, assumptions, and premises towards a two-way relationship between customers and the firm. Narver and Slater (1990) say customer orientation is the sufficient understanding of ones target buyers to be able to create superior value for them continuously. Customer oriented

culture suggests that a firm concentrates on providing products and services that meet customer needs (Day and Wensley, 1983; Dean and Bowen, 1994; Noble, Rajiv and Kumar, 2002; Strong and Harris, 2004).

Schneider, Ehrhart, Mayer, Saltz, and Niles-Jolly (2006) argue that customer orientation requires a continuous positive disposition towards meeting customers' exigencies and therefore a high degree of concern for these customers. While Schneider and Bowen (1993) suggest that customer-oriented culture is nutured through regular supply of customer information about their needs so as to be able to design and deliver good products. Customer orientation as a component of market orientation has its fundamental thrust in pursuit of putting customers at the center of strategic focus (McEachem and Warnaby 2005). A customer-oriented culture involves excellence in customer interactions, market and customer familiarity and an emphasis on cooperation (Deshpande, Farley and Webster, 1993; Noble, Rajiv and Kumar, 2002)

Nwankwo (1995), and Ang and Buttle (2006) put forward a framework for auditing a customer orientation profile, which achieves definition, sensibility, measurement, and implementation. They define it as a process of putting customers at the heart of an organization that is, having the appropriate vision of customers and their needs; a phenomenon that makes the organization to see itself through the eyes of the customers.

A customer-specific definition requires that the organization has:

1. Clear ideas about customers and their needs.

2. Customers' characteristics information that must design the product market portfolio.

3. Specific customers care objectives, which may sterilize and communicate both customer and management aspiration (Plakoyianniaki, 2005).

4. Feedback Systems that enable the organization to reach its customers and vice-versa.

5. Effective customer education/information systems.

6. Genuine concern for market tourism i.e. customers should not be considered as a monolithic group. There is a need to recognize heterogeneity of the marketplace, that is, the diversity of customer segment and their needs (Salavou 2005).

7. Good understanding of the behavioral nature and consequences of consumption.

8. All organizational introverted definition of customers evidenced by a know-it-all stance about the need of its customers, the presumption in this instance, is that the organization knows what customer knows, and what customer wants and try its best to satisfy them (Chimhanzi, 2004).

They opine that sensitivity pertains to the fact that organization must be able to detect underlying customer concerns. Liu (1995) asserts that core customer problems lie outside management purview until a shock event occurs to highlight the inadequacy of existing approaches and, as a consequence, management features expose the extent to which the organization is able to scan and interpret environmental signals. Lewis (1994), sees customer orientation as being central to the origin of an effective customer focused program. Nwankwo (1995) proposes a two state scheme to categorize levels of sensitivity .i.e. pro-active and reactive sensitivity.

Proactive sensitivity arises from a genuine desire to integrate customer interests into the decision mechanisms of the organization. Ways in which organization can demonstrate such a level of customer concerns include:

1. Emphasizing customer expectations and devising actionable programs for meeting the expectations of each category of stakeholders, Lewis (1994) notes that employee welfares may also be important in this light since a dis-satisfied employee is unlikely to deliver a good customer program.

2. Adopting an anticipative and preventive approach in formulating customer program (Salavou, 2005).

3. Viewing all customers, as marketing opportunities not market opportunities.

4. Developing customer strategy based on perceptive marketing research.

5. Developing power downward, especially to front-line staff that deals with customers at critical moment (Chimhanzi, 2004).

6. In fusing organizational members with the vitality, enthusiasm and spirit to deliver true excellence in customer care.

And reactive sensitivity involves a more mechanical approach to customer-orientation management. It addresses the symptomatic factors rather than the underlying issues. Reactive sensitivity is characterized by:

1.   Passive, often confused or misguided attention to customer orientation,

2.   Defensive attitudes in responding to customer complaints.

3.   Coerced management attention: that is management usually only acts for the customer when forced to act

under pressure.

4.  Management being guided by a "band-wagon effect" that is predilection to copy what other organizations are doing.

Nakata and Zhu (2006) and Payne (1988) opines that many organizations have well-developed planning processes but the extent to which customer goals are included, implemented, and monitored is inadequate. The mission of the organization as far as the customers are concerned must be well articulated; present performance level in this regard must be ascertained. Any vacuum between the organizational desires and actual achievement must be outlined. Operational measures are seen to stimulate a more focused and integrated organizational effort, and provide a benchmark for determining whether customer orientation strategies are working as intended. Measurements can be carried out through formal and informal techniques. The formal techniques use customer-based quality performance measures to gauge true perception as well as subconscious factors which impel customer behaviour, while informal measurement evolves where there is no set standard. In this case, rule of thumb is applied.

A number of researchers have examined the link between customer orientation and performance. Although several studies have supported an association between customer orientation and profitability but most of these studies were conducted in US, Europe and Asia (Slater and Narver, 2000; Piercy, Harris,.& Lane, 2002; Liu, Luo, and Shi, 2003).

Traditionally, the literature concerning the marketing concept has assumed that the implementation of the customer orientation would lead to superior organizational performance (Piercy et al, 2002). Customer orientation is significantly important in enabling firms to understand the market place and develop appropriate product and service strategies to meet customer needs and requirements (Liu et al, 2003),which translate into performance, and Bitner et al., (1990) and Ambler (1999) have found a relationship between market orientation and market performance. Kennedy et al., (2002) also recommends that the development and implementation of customer orientation is an impetus for organizational positioning in the market place. This position is supported by array of studies that confirm significant associations between customer orientation of a firm and its financial and market performance. so it is believed that a customer-oriented firm puts the customers at the center of its operation and sees the customers has its reason for being in business and as such delivers goods and services to meet their needs, and customers are likely to patronize a product or service that is borne out of their needs translating into sales growth and hence firm performance, so it is hypothesized that:

**H1:** There is a positive and significant relationship between customer orientation and firm performance.

*3.2 Marketing Competencies*

Marketing competence is defined as the assessment of how well or poorly firms perform specific marketing related activities compared with their competitors.  Davidson (1997) sees it as a part of organizational capabilities that represent the consolidation of firm-wide technologies and skills into a coherent thirst that makes a business unique to the target market and also competitively superior.  Distinctive marketing competencies become the thirst of an organization relative to both the target market and the competition. Recent studies show that enterprises can increase their market competitiveness only by coordinating functional area competencies (Porter, 1990; Evans and Lindsay, 1996; Hill and Jones, 2006). Capon, Farly, and Hoenig (1990) argue that corporate profitability is closely correlated to market development competence. Leonidas, Katsikeas, and Saeed (2002) propose a direct relationship between the determinants of market strategy and enterprise export competence. Transaction process and after-sale service that meet customers' requirements have also been found to increase sales volume and to improve financial performance. (Conant, Mokwa, and Varadarajan, 1990; Hill, 1994). The literature relevant to marketing and production also show that the critical factor in corporate competence development is to understand the customers' needs and provide products superior to other competitors (Hill and Jones, 1989; Conat et al. 1990).

The application of marketing strategy and marketing competence development establishes a powerful and fruitful basis for developing competitive advantages. The companies that undertake these tend to have superior performance in terms of profit, return on investment, sales and market share (George and Spiros, 1997). Hunger and Wheelen (2001) further suggest that functional strategy is engaged in developing competences and providing companies or organizations with competitive advantages.

Firm performance measurement has been described in terms of the extent to which a firm's economic and strategic objectives are achieved in the market place. Since essentially all firms regularly set and refine strategic (e.g. market share, brand awareness) and economic (e.g. profits, sales, return on investment) goals for their pursuits, high performance is likely to be a function of the degree to which the firm has achieved its goals (Lei

and Slocum, 2005). Some form of general performance must be used in order to substantially compare the performance of a variety of firms. Most commonly, studies use economic measurements to determine the relative performance of the firm (Narver and Slater, 1990; Hartenian and Gudmundson, 2000). These measurements such as sales, sales growth; and profitability are easiest to attain as well as compare across firms.

It has been established that firms with superior marketing competencies (compared with competitor are likely to be more successful, that is, they perform better (Day, 1994). The several dimensions identified as firms' marketing competencies include: product development skills, product quality, technical support/after sales services, product line breadth, cost/price competitiveness and customer relationship skills. For instance, Danneels (2002) finds that performance of some firms increase with the level of marketing support for distributors and the degree of product adaptation. Day (1994) also emphasizes that a firm's capabilities and constraints have an important influence on its choice and implementation of strategies to translate marketing competencies into positive firm performance. Marketing competence of a firm is thus expected to enhance a better delivery of a firm's products and services which will in turn stimulate performance, it is hypothesized that:

**H2:** Marketing competence positively relates with firm performance.

### 3.3 Marketing Information System

Kohli and Jaworski (1990), Akinova (2000), and Ellis (2006) argue that the vital point is that marketing information system does not stop at obtaining customer opinions, but also involves careful analysis and subsequent interpretation of the forces that impose themselves on customer needs and preferences. They also argue that marketing information system must be generated collectively by individuals and departments throughout a business enterprise; mechanisms therefore must be put in place for information generated at one location to be disseminated effectively to other parts of an organization.

Information dissemination pertains to the communication and transfer of information to all departments and individual within a business enterprise through formal and informal channels. Personnel in the marketing unit should educate and communicate with other personnel in other units and functional areas. However, Anderson (1982) notes that information also needs to flow in the opposite direction, depending on where it is generated, and not just the marketing unit. Effective dissemination of market information is important because it provides a shared basis for concerted actions by different units.

Kohli and Jaworski (1990), Akinova (2000), Agarwal and Chekitan (2003), and Gebhardht, Carpenter and Sherry (2006) note that the emphasis on information parallels recent acknowledgments of the important role of horizontal communication in service organizations: the lateral flow that occurs both within and between departments serve to coordinate people and departments so as to facilitate the attainment of overall organizational goals. Horizontal communication of market information is one form of information dissemination within an organization.

Kohli and Jaworski (1990) and Gebhardht, Carpenter and Sherry (2006) note that responsiveness to market information; that is, the action taken in response to information that is generated and disseminated is very important. Responsiveness may take the form of selecting target markets, designing and offering products/services that cater for their ardent and anticipated needs, and producing, distributing and promoting the products in a way that elicits favorable customer response, which dovetail into performance for the organization, and also, effective marketing information system may provide important direction for development of required competence that will help in providing better products and service that translates in enhanced organizational performance. So it is hypothesized that:

**H3:** Marketing information system positively moderates the relationship between customer orientation and marketing competence, and also,

**H4:** Marketing information system positively moderates the relationship between marketing competence and firm performance

### 3.4 Managerial attitudes

Crosby and Johnson (2006) advice that the role of leadership is crucial in implementation of any form of strategy, without a committed and effective leadership, formulation and implementation of customer-driven strategies is likely to degenerate to mere ritual. Some research investigations have recognized that managers have significant impact on the performance and activities of other workers within the system (Dubinsky, Yammarino, Jolso, and Spangler, 1995; Shoemaker, 1999). DeCarlo and Agarwal (1999) discovered that the strategic behaviors and attitudes used every day by managers throughout the world are increasingly the result of the overall direction of the business enterprise. The managers tend to know customer decision processes, identifies the value-added

opportunities, and provides competitive intelligence, and are subsequently empowered to set the prevalent culture in an enterprise (Sengupta, Krapfel, and Pusateri, 1997). Therefore understanding the moderating effect of the managerial attitudes on the customer orientation-performance relationship is very important. It is believed that effective managerial attitudes will enhance the overall marketing competence of the firm as it facilitates customer orientation. So it is hypothesized that:

**H5:** Managerial attitude will positively moderates the relationship between customer orientation and marketing competence.

## 4. Research Structure

This section discusses operationalization of the research constructs for this study, data collection, item purification, and the measurement model, the reliability of the research constructs, and the overall model fit.

### 4.1 Operationalization of Research Constructs

Following the previous section; the research structure for this study involves five major multi-item constructs (Figure 1). They are Customer orientation, Managerial attitudes, Marketing information system, marketing competence and firm performance.

**Insert Figure 1**

Customer orientation is measured using the Narver and Slater (1990) scale which has two components – Customer analysis and Customer responsiveness. These are represented by 11 indicator variables, as shown in the appendix. These variables were measured on a 0-5 range (0="not at all", 1="strongly disagree", 3="fairly agree", and 5="Strongly agree").

Drawing from marketing and psychology literature (Shoemaker, 1999; Crosby and Johnson, 2006) the author operationalized managerial attitude into nine major indicator variables. The variables assess the degree of involvement of the management in implementing and encouraging customer oriented culture. Each of the indicator variables were measured on a 0-5 range (0 = "not at all"; 1 = "very weak"; 3 = "strong", and 5 = "intense"). Marketing information system was measured using 25 – indicator variables that included marketing relationship with information technology in the enterprise, flow of information as well as general information dissemination. Each variable item were measured on a 0-5 range (0 = "not at all"; 1 = "very weak"; 3 = "strong", and 5 = "intense"). Marketing competences were operationalized drawing on some of the variables suggested by Conant et al (1990) and Prasad et al (2001). The tool seeks to assess the extent to which a firm compares with its competitors on product quality, product variety, market support, customer service and product technology.

Each of the six indicators was measured on a 0-5 range (0 = "bad performance"; 1 = "well below average"; 3 = "average", and 5 = "well above average"). In all these options, the respondent was not given the option of "undecided" because such an option – according to Darley and Johnson (2005) would have created difficult research meaning.

Firm performance has been measured through the strategic and economic goals of the firm. Strategic thrust include market share, return on investment, and incremental turnover; and economic thrusts includes sales growth, gaining new technology experts, and profitability (Hartenian and Gudmundson, 2000). In this study, both the economic and the strategic outcomes were used.

### 4.2 Data Collection

The research was co-sponsored by Kerith Ravine Incorporated, a body interested in enterprise development in Africa. Data were collected from small and medium scale businesses in the South Western States of Nigeria and the Federal Capital Territory, Abuja, through a questionnaire distributed to participants. Medium and Small scale businesses were defined by the value of the working capital; N1 - N10Million ($6,452- $64,516) for Small businesses and N10 - N100Million ($64,516 - $645,161) for Medium scale businesses. The research instrument was designed based on the theory – grounded operationalization of the various constructs. The instrument was subjected to extensive pre-testing among academics who are experts in the areas of marketing. The research instrument was further pilot-tested with marketing and small and medium scale consultant and operators.

The multiple places of instrument development and testing resulted in a significant degree of refinement and restructuring of the survey instrument besides establishing the initial content validity (Nunnally, 2004).

The questionnaire was distributed randomly to a sample of executives from 476 small and medium businesses listed in the 2008 corporate affairs commission register.   Only 222 (93 medium and 129 small scale businesses) copies of the research instrument were reasonably and adequately completed and returned, resulting in a 46.6% response rate.

The response rate is considered satisfactory and is comparable to studies on similar topics in marketing (Jawoiski and Kohli, 1993; Han, Namwoon, and Srivastava, 1998; Prasad et al, 2001). To test for non-response bias, the data for the early respondents (165 who completed the first-wave questionnaire) and late respondents (57 who completed the second-wave questionnaire) were compared (Churchill, 2006). The rationale was that late respondents are more akin to non-respondents than are early respondents. The comparison of early and late respondents revealed no statistically significant differences (at 5%) in terms of all major variables of the study.

*4.3 Item Purification and Measurement Model*

Initially, the set of items corresponding to each theoretical construct was subjected to an examination of item-to-total correlation and an exploratory factor analysis, and some of the items were deleted (Churchill, 2006). See table 1.

**Insert Table 1**

After the initial analysis, the entire set of items was subjected to a confirmatory factor analysis to verify unidimentionality.

Specifically, a measurement model was estimated in which every item was restricted to load on it's a priori specified factors, and the factors themselves were allowed to correlate (Deng and Hu, 2008). Table 2 shows the results of the measurement model for all constructs. The evaluation criteria can be summarized as follows:

(a)    the goodness-of-fit index (GFI) and comparative fit index (CFI) must be equal to or greater than 0.9;

(b)    the Tucker-Lewis index (TLI) must be equal to or greater than 0.9;

(c)    the root mean square residual (RMSR) and root mean square error of approximation (RMSEA) must be equal to or less than 0.08;

(d)    the $X^2$ (Chi-Square) must be as small as possible; and

(e)    the P value for the $X^2$ (chi-Square) must be equal or less than 0.05.

**Insert Table 2**

As indicated in figure 2, all parameters met the five conditions stated above. In sum, the overall measurement model provided satisfactory evidence of multidimensionality for the measure.

*4.4 Reliability of Research Constructs*

The final step in the measurement validation involved computing alpha coefficients for each set of measures to test reliability. The reliability of the data were assessed by measuring the internal consistency of the indicator items representing each construct using Cronbach's α, which has been widely cited in the literature. Cronbach's alpha is most often used for each set of measure to test reliability of a multi-item sale. The value of 0.60 was suggested to be acceptable in exploratory research (Hair, Anderson, Tatham and Black, 1992). Because all the alpha values were between 0.68 – 0.85, the constructs in the model were very reliable (see appendix).

In sum, the evidence suggests that the scale's measurement properties were adequate.

**Insert Figure 2**

*4.5 Overall Model Fit*

Covariance analysis using Amos 18.0 to evaluate the factor structure of the items of customer orientation, managerial attitudes, marketing information systems, marketing competence, and firm performance – constructs in a confirmatory factor analysis model.

Amos 18.0 minimizes a fit function between the actual covariance matrix and a covariance matrix implied by the estimated parameters from a series of structural equation for the confirmatory factor analysis model.

These incremental fit indices compare the proposed model with a baseline or null model. The comparative fit index (CFI) (Bentler, 1990) and the Tucker-Lewis index (Hair, Anderson, and Tatham, 1991) suggested that the overall comparative model fit is excellent with a CFI of 0.98 and a Tucker-Lewis index of 0.96. Following Steenkamp's protocol, the author evaluated the GFI statistics (0.97) and the RMSEA (0.049) and the SRMR (0.042). Each of these indicators suggested that a good model had been identified as shown in figure 2. The leadings of manifest indicators on their respective latent constructs all exceeded Steenkamp's criteria of 0.4 for factor loadings. All coefficients in the confirmatory factor analysis model were statistically significant at P<0.05.

**5. Result of the Study**

The result of the study is explained in this section.

**Insert Table 3**

The business enterprise exhibit high values on the two dimensions of the customer orientation (4.570 and 4.820), which is measured on a 0-5 scale and appears to be facilitated by high managerial attitudes of 4.011 average while marketing information system is much lower with 2,517 average, same for marketing competence and firm performance of 2.268 and 2.427 respectively (as shown in table 3). The distributions of values for all the research constructs (except firm performance) are skewed. The skewedness is most pronounced in the case of the two components of customer orientation and managerial attitudes.

## Insert Table 4

Table 4 shows the regression analysis of customer orientation, marketing competence, marketing information system and managerial attitude, association with firm performance. The result reveals that they all positively and significantly associated with the performance of the small and medium scale businesses (P<0.05) and ($\beta$=0.34, 0.476, 0.465 and 0.564) respectively.

## Insert Table 5

The Pearson's product moment correlation coefficient of 0.71 and 0.82 show a positive and strong relationship between customer orientation and marketing competence on one hand, and marketing competence and firm performance on the other. These two relationships are significant at 0.05 level of significance, thus supporting $H_1$ and $H_2$ as shown in table 5.

## Insert Table 6

Marketing information system is found to moderate both the relationship between customer orientation and marketing competence, and firm performance. (r = 0.735, 0.410) significant at 0.05 level of significant, so $H_3$ and $H_4$ are supported (as seen in Table 6). This result corroborates the result of the regression analysis in Table 4. Similarly, managerial attitude also moderates the relationship between customers orientation and marketing competence (r = 0.569) at (P < 0.05), this also supports $H_5$ as shown in table 6. The partial correlation results show a contribution of 30.5% to 65.5% moderation of customer orientation towards firm performance by marketing information system and managerial attitude.

## 6. Discussion and Research Implications

Results of this study indicated that there was a positive and significant relationship between customer orientation and firm performance among small and medium scale business in Nigeria, and that managerial attitude and marketing information systems possessed by this firms moderated this relationship.

Several studies have identified that customer orientation is the primary strategy for creating superior value for the customers continuously (Narver and Slater, 1990; Schneider et al, 2005). Customer orientation is seen to provide a firm with a better understanding of the environment and customers, which ultimately lead to better performance. The result of this study concurs with this. Slater and Narver (1994) and Kirca, Jayachandra and Bearder (2005) suggest that the logic for expecting a strong link between a customer orientation and performance is based on the concept of a sustainable competitive advantage. That is, firms strive to satisfy the customers better as an advantage over others. And this is reinforced by the positive attitudes of managers and efficient marketing information system. But in Nigeria, taking a cue from SMEDAN (2008) assertion that eighty percent of Nigerian small and medium firms dies before five years, makes one to think that firms in Nigeria are adopting customer orientation as a survival strategy, and the marketing information system affords the firms to keep track of the customers to ensure performance in terms of sales growth, increase in market share, etc. This is in line with the assertion of Kohli and Kumar et al (1993) that the need to provide measures for customer orientation programs must be seen not just in symbolic terms, but also in the light of what they seek to achieve.

The result further shows that the practice of customer orientation is not limited by size, as it is shown that both small and medium scale businesses are involved, which means providing the framework for implementation of customer orientation is not beyond small and medium scale enterprises.

Also. the positive relationship between customer orientation and marketing competence revealed that, how well or poorly a firm performs marketing related functions depends on how such firms see their customers, and the concomitant positive relationship of the marketing competence of the firms with performance showed that market competitiveness is only achieved by effective coordination of functional competencies in which the customer is the centre, this is supporting the works of other researchers like capon et al (1990) and Leonidas et al (2002).

## 7. Managerial and Public Policy Implications

The major purpose for the formation or existence of business is the customer. So, all the organizational

framework of the business should be harmonized to facilitate this purpose. This study shows that effective marketing information system is a requirement if this must be accomplished, as it has been revealed to be a pure moderator of customer orientation, marketing competence and enterprise performance. Also, the need for management to give the relevant support and provide the enabling environment for the implementation is revealed by the moderating effect of managerial attitudes on customer orientation-marketing competence relationship.

The result of this study, therefore, suggest that customer orientation moderated by marketing information system and managerial attitude is an efficient strategy of providing and sustaining customer advantage for small and medium scale businesses in an ever changing business environment.

Specifically, therefore:

• The results suggested that managers of small and medium scale businesses should allow their businesses to emerge out of a customers' need.

• Managers should keep a good record of those needs as they change and efforts should be made to continue to satisfy them in the light of positioning their market offering at the heart of the customers.

• Managers should ensure the communication and transfer of information to all departments and individuals through formal and informal channels.

• Managers should continue to ensure prompt response to market information if performance will be improved.

• Managers must let employees know that it is the responsibility of each and every person in the business enterprise to continually align their marketing competencies to creating superior value for customers.

• Managers should know that the customer advantage afforded by customer orientation is resident in effective marketing information system. It is this that provides the impetus to produce better performance. So, managers must provide the hard and soft ware that would facilitate this as well as expose employees to training and development programs that can sharpen their skills and enhance their knowledge and thus enhance their marketing competencies.

## 8. Conclusion

Conclusively, the study makes a useful contribution to knowledge by suggesting the adoption of customer orientation, effective marketing information system as well as good managerial attitudes as the antidotes for reducing small and medium scale businesses' failure in Nigeria. It also suggests that government needs to provide an enabling environment that would support the implementation of these business strategies.

One of the major limitations of this study is the methodological approach, which involves the use of firm-level analysis for measuring major constructs.

Although the approach provides a useful macro-view of the relationships, there may be a distortion because of the averaging effect. This effect however, may not be substantial. Also, the study makes use of cross-sectional data analysis, which does not enable one to make any causal inferences or to identify any possible time-lag of the research constructs.

Other studies in this area may consider using longitudinal data analyses so as to capture the thrust of this research better, and may also investigate the customer orientation and performance relationship of dying or failed small and medium scale businesses to ascertain if their situation could be linked to their adopted strategies.

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Table 1. Item Purification

| S/n | | Number of Initial Items | Number of Final Items |
|---|---|---|---|
| 1. | Customer Orientation | 7 | 6 |
| 2. | Managerial attitude | 10 | 9 |
| 3. | MarketingInformation System | 26 | 25 |
| 4. | Marketing Competences | 7 | 6 |
| 5. | Firm Performance | 8 | 6 |

Table 2. Measurement Result of Constructs

| Measurement Model | Range of Standardized Factor Heading | Range of t-value |
|---|---|---|
| Customer Orientation | 0.70 – 0.84 | 17.94 – 21.11 |
| Managerial attitude | 0.73 – 0.76 | 20.77 – 23.26 |
| Marketing Information System | 0.61 – 0.75 | 19.00 – 20.76 |
| Marketing Competences | 0.72 – 0.85 | 21.52 – 23.60 |
| Firm Performance | 0.67 – 0.83 | 20.97 – 24.67 |

Table 3. Descriptive Statistics of Study Constructs

| Constructs/Indicators | Mean deviation | Median | Number |
|---|---|---|---|
| • Customer analysis | 4.570 (0.8619) | 4.600 | 222 |
| • Customer responsiveness | 4.820(0.8367) | 4.875 | 222 |
| Managerial Attitudes | 4.011 (1.4675) | 4.212 | 222 |
| Marketing Information System | 2.517 (1.1051) | 2.625 | 222 |
| Marketing Competence | 2.268 (0.7250) | 2.479 | 222 |
| Firm Performance | 2.427 (0.842) | 2.665 | 222 |

Table 4. Results of regression analysis for the variables

| Independent Variable | Standardized coefficients | T-Test | Significance |
|---|---|---|---|
| Customer orientation | 0.314 | 3.526 | 0.003 |
| Marketing competence | 0.476 | 4.814 | 0.0001 |
| Marketing information system | 0.465 | 4.672 | 0.0029 |
| Managerial attitude | 0.564 | 5.620 | 0.028 |

Table 5. Result of Product-Moment correlations between customer orientation, marketing competence and firm performance

| Variables | r | f | Sig | Hypothesis |
|---|---|---|---|---|
| Customer orientation and market competence | 071* | 34.10 | 0.002 | $H_1$ Supported |
| Marketing competence and firm performance | 0.822* | 36.65 | 0.007 | $H_2$ Supported |

Table 6. Results of moderating effects of marketing information system and managerial attitude

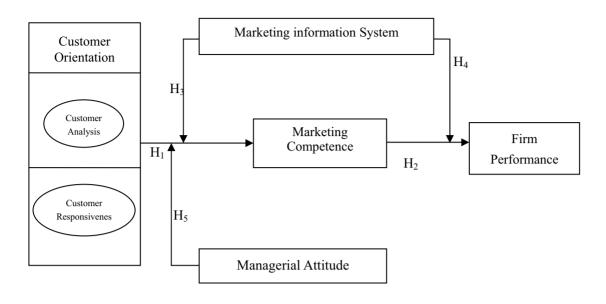| Constructs/variables | Pearson correlation | Partial correlation | F | Sig. | Hypothesis |
|---|---|---|---|---|---|
| Marketing info system | | | | | |
| $H_3$ | 0.755* | 0.655* | 20.452 | 0.001 | |
| $H_4$ | 0.410* | 0.305* | 25.511 | 0.009 | Supported |
| Managerial attitude | | | | | |
| $H_5$ | 0.569* | 0.457* | 28.906 | 0.007 | Supported |

= ($P<.05$)

Figure1. Research Model

**APPENDIX**

Indicator Variables for Study Constructs

Ⅰ. CUSTOMER ORRIENTATION (Cronbach's α = 0.842)

| S/N | Customer Analysis (Cronbach's α = 0.76) | Factor loading |
|---|---|---|
| 1 | We review the likely effect of changes in our business environment on customers | 0.72 |
| 2 | The firm analyses data on customer satisfaction | 0.75 |
| 3 | The firm makes use of information that states customer preferences | 0.74 |
| 4 | The firm has a structures programme that obtains the feedback necessary to fully understand the customers | 0.80 |
| 5 | The firm studies underlying trends or patterns in its customers' disposition | 0.76 |
| 6 | A major strength of this form is effective and efficient customer | 0.81 |
| S/N | Customer Responsiveness Cronbach's α = 0.834 | Factor loading |
| 1 | The firm responds to negative customer satisfaction information | 0.76 |
| 2 | The firm responds to changing customer requirements | 0.78 |
| 3 | If customers complain, changes are made | 0.73 |
| 4 | The firm responds to factors affecting its market | 0.82 |
| 5 | A high priority is placed on implementing changes to increase future customer satisfaction | 0.79 |

II . MARKETING INFORMATION SYSTEM (Cronbach's α = 0.75

| S/N | | Factor loading |
|---|---|---|
| 1 | We utilize web-enabled customer management systems | 0.61 |
| 2 | We incorporate mobile protocols into our systems | 0.62 |
| 3 | We have the systems to disseminate information internally | 0.70 |
| 4 | We can easily relay information to our suppliers | 0.72 |
| 5 | We have a clear idea of our customer requirements | 0.74 |
| 6 | Customers can easily contact us | 0.70 |
| 7 | We easily keep track of all customers' contact | 0.71 |
| 8 | Our field service managers can easily keep in touch with our systems | 0.70 |
| 9 | Our systems are global integrated supply chains | 0.69 |
| 10 | Our data warehouse allows customer segmentation | 0.68 |
| 11 | We have effective competitor intelligence rate | 0.63 |
| 12 | The marketing/IT interface is good | 0.61 |
| 13 | There are few blockages in information flow between functional areas | 0.69 |
| 14 | The organization is flexible and reconfigures itself in a short time | 0.66 |
| 15 | The workers find it easy to implement information systems | 0.61 |
| 16 | Change is readily embraced by staff | 0.74 |
| 17 | There are good links between marketing strategy formulation and execution | 0.62 |
| 18 | Customer requirement takes priority | 0.75 |
| 19 | It is easy to disseminate information formally and informally | 0.74 |
| 20 | Creativity is accepted and rewarded | 0.72 |
| 21 | The organization is innovative | 0.68 |
| 22 | There is an accepted vision for the development of marketing strategies | 0.62 |
| 23 | Marketing and IT work together | 0.61 |
| 24 | There is an accepted vision for the development of marketing strategies | 0.73 |
| 25 | Competitors actions are monitored and acted upon | 0.70 |

Ⅲ. MANAGERIAL ATTITUDES (Cronbach's α = 0.76)

| S/N | | Factor loading |
|---|---|---|
| 1 | Management repeatedly tell employees that the business units' survival depends on adapting to marketing trends | 0.76 |
| 2 | Management keep telling workers about the importance of meeting customers' needs | 0.75 |
| 3 | According to management serving customers is the most important thing our business unit does | 0.72 |
| 4 | Management often tell workers to be sensitive to the activities of the competitors | 0.73 |
| 5 | Management believe that higher financial risks are worth taking for higher standard | 0.74 |
| 6 | Management like to take financial risks | 0.75 |
| 7 | Management encourage the development of innovative marketing strategies | 0.74 |
| 8 | Management like to play it safe | 0.73 |
| 9 | Management like to implement plans only if they are certain will work | 0.76 |

Ⅳ. MARKETING COMPETENCE (Cronbach's α = 0.723)

| S/N | | Factor loading |
|---|---|---|
| 1 | Price competitiveness | 0.703 |
| 2 | Product quality | 0.711 |
| 3 | Product variety | 0.701 |
| 4 | Marketing support | 0.712 |
| 5 | Customer service | 0.690 |
| 6 | Technology | 0.682 |

Ⅴ. FIRM PERFORMANCE (Cronbach's α = 0.862)

| S/N | | Factor loading |
|---|---|---|
| 1 | Sales growth | 0.801 |
| 2 | Gaining new technology/expert | 0.816 |
| 3 | Market share position | 0.829 |
| 4 | Profitability | 0.798 |
| 5 | Return on investment | 0.770 |
| 6 | Incremental turnover | 0.809 |