Market orientation practices in Nigerian insurance companies

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Abstract

Market orientation is the business idea that situates the customer, consumer, client, or relevant audience as the centre of business activities. It is one of the important management strategies that may lead to the achievement of organizational efficiency and effectiveness. It has relevance for all sectors in an economy, including goods and services businesses (including insurance services). This paper examined, empirically, the market orientation practices in a sample of Nigerian insurance companies. Using a mix of qualitative and quantitative research approaches, the research sought to provide insight with regard to the Market Orientation practices of insurance companies operating in Nigeria. Specifically, data were collected from a purposive sample of insurance companies in Nigeria. The collected data were analyzed using descriptive statistics. The research found that Nigerian insurance companies emphasized market orientation issues to reasonable extents. The paper discussed the research findings with respect to relevant literature and experience, concludes that market orientation in Nigerian insurance companies was reasonably emphasized, and makes suggestions for further research in related areas.

1.0: Introduction

Many companies use different types of management strategies to cope with their business environment in order to achieve organizational performance. Market orientation is one of the major strategies used by companies to monitor, analyze and respond to business challenges in the environment in order to achieve organizational performance (Hooley, Greenley, Cadogan and Fahy, 2005). Generally, market orientation emphasizes customer satisfaction by coordinating functional marketing activities in order to achieve organizational efficiency and effectiveness (i.e., organizational performance). According to Lado, Maydeu-Olivares and Rivera (1998), market orientation can be conceptualized as a competitive strategy that involves all functional areas and levels of the organization.

Insurance is a service that is geared towards risk mitigation. Therefore, the best any insurance company can do is to promise the insurance client that by buying an insurance policy, he/she will be in a better position and not worse off (Ighomirenghian, 2010). To the insurance client, buying an insurance policy means accepting relatively small amount of risk (financial loss in the form of premium) in order to avoid a larger probable loss.

The insurance sector is important in stimulating national growth and development in both developed and developing countries. Some research works have examined the importance of insurance businesses in the growth and development of many economies. Nigeria has the largest insurance market in Africa but with most of the insurance businesses underwritten by foreign companies. In spite of Nigeria's large population, it is still lagging behind in the world global insurance market ranking. For instance, Nigeria occupies the sixth position in the insurance market in Africa and 65th in the global insurance market, and the country's insurance density per capita is $4.3, 0.70% as premium share of GDP, and 0.68% insurance penetration index (UNDP, 2003).

The Nigerian insurance sector, like other sectors within the financial system, has experienced some changes in its structure and operations as a result of changes in the business environment. These changes in the environment demand organizational practices and strategies that will assist in achieving organizational efficiency and effectiveness (performance indices). It may be argued that good management strategies will assist the Nigerian insurance sector to show acceptable performance indices in its business activities (Hooley, Greenley, Cadogan and Fahy, 2005).

Despite the positive outcomes of market orientation in developed countries, gaps have been observed in the study and implementation of market orientation in developing economies of Asia and Africa. In addition, it has been shown that the application of some Western management practices (such as market orientation) might not be successful in non-Western countries because of the mismatch between Western management practices and non-Western cultural values (Powpaka, 2006).Generally, there is no agreement in relevant literature regarding market orientation practices in service-oriented firms(such as insurance firms), especially in a developing economy such as Nigeria (Kumar, Jones, Venkatesan and Leone, 2011; Shehu and Mahmood, 2014; Sett, 2017). This research, therefore, sought to fill parts of these identified gaps by examining market orientation with regard to its practices in insurance companies operating in Nigeria (a developing African country).

2.0: Literature Review

The practical implementation of the marketing concept is referred to as Market Orientation. Market Orientation has been seen as a major factor that has an effect on organizational performance (Narver and Slater, 1990) and as a valuable tool that influences firm innovativeness and performance by creating superior value to customers (Narver & Slater, 1990; Shapiro, 1988; Kohli and Jaworski, 1990). Sett (2017) submits that relevant marketing literature sees Market Orientation as an operationalization of the marketing concept and as a source of sustainable competitive advantage (SCA) that may lead to superior firm performance. Kohli and Jaworski (1990) were the first to explain the domain of Market Orientation, and structured the market orientation construct into three organization-wide dimensional processes: information (or intelligence) generation, information (or intelligence) dissemination, and application of market intelligence. Also, Narver and Slater (1990) perceived Market Orientation as an organizational culture with three behavioral dimensions: customer orientation, competitor orientation, and inter-functional coordination. Deshpande and Farley (1998) argue that the two conceptualizations of market orientation by Kohli and Jaworski (1990) and Narver and Slater (1990) are related. Therefore, subsequent elaborations by scholars and researchers have not altered conceptualizations of the Market Orientation construct as proposed by Kohli and Jaworski and Narver and Slater (Sett, 2017).

However, the cultural (Kohli & Jaworski, 1990) and behavioural (Narver and Slater, 1990) perspectives of Market Orientation have been differentiated in literature (Sommer, 2018). While the cultural perspective defines Market Orientation as an organizational mindset and culture, its behavioural perspective deals with organizational instruments, tools, and behaviours. It should be noted, however, that the cultural and behavioural conceptualizations of Market Orientation share many basic ideas in common (Noble, Sinha, & Kumar, 2002) and are similar in the ways they have been operationalized (Cadogan and Diamantopoulos, 1995). Therefore, researchers have combined both the cultural and behavioural perspectives of Market Orientation in many studies (Baumgarth, 2009; Brïdson and Evans, 2004; Homburg and Pflesser, 2000; Sommer, 2018).

Although some research efforts have been made to clarify relevant issues pertaining to the theory and practice of Market Orientation in developed economies (Kohli and Jaworski, 1990; Narvar and Slater, 1990), it has been argued that further research is needed, especially in developing countries (Harris and Ogbonna, 2001).

According to Tomaskov (2007), Market Orientation can be defined as means which enable managers to emphasize external and internal issues influencing organizational activities and leading to performance improvements. Carpenter (2017) argues that Market Orientation, though an appealing concept, is less favoured and practised than other management approaches. This research, therefore, sought to examine, empirically, the market orientation practices of Nigerian insurance companies.

3.0: Research Methods

This research, which was part of a larger research, was carried out using both qualitative and quantitative research methods. The population of the study comprised all the fifty-two (52) insurance companies operating in Nigeria. Insurance companies operating in Lagos State of Nigeria were chosen for this study because all the 52 (fifty-two) registered insurance companies in Nigeria have their headquarters in Lagos State. Chief executive officers (CEOs) and managers in the fifty-two (52) insurance firms provided relevant data for the research. The CEOs and Managers were expected to have relevant

knowledge of the market orientation issues of research interest in the sampled of Nigerian insurance firms.

Relevant market orientation measures developed by Narver and Slater (1990) and Kohli and Jaworski (1990)), in addition to relevant literature synthesis by Lado and Maydeu-Olivares (2001) and Maydeau-Olivare and Lado (2003), were used for this research. This resulted in a 46-item research measure. According to Blankson and Stokes (2002), adaptation by researchers of existing market orientation constructs and scales in different environment is common.

The questionnaire for insurance CEOs and managers (comprising 46 market orientation items) was structured into three sections (A, B and C). Each question in each of sections A and B was followed by Likert scale of six options scaled in the order of 1 – 6: 1 for "no extent at all", 2 for "very low extent", 3 for "low extent", 4 for "average extent", 5 for "high extent", and 6 for "very high extent".

Sections A and B of the questionnaire for insurance CEOs and Managers presented questions that enabled the researcher to gather data that examined the extent or degree of market orientation practices of Nigerian insurance firms. Section C of the questionnaire for insurance CEOs and Managers presented questions that enabled the researcher to gather data regarding the demographic profiles of the respondents (insurance CEOs and managers).

For the qualitative aspect of the research for CEOs & Managers of insurance firms, a research interview protocol (question guide) was used to guide in-depth interviews with a sample of 10 (ten) CEOs of insurance firms regarding market orientation issues of research interest in Nigerian insurance companies.

One thousand (1000) copies of the research instrument (questionnaire) were administered to insurance executives (CEOs and managers) in the fifty-two (52) Nigerian insurance companies in the Lagos metropolis regarding market orientation issues of relevance in the research. Of this number (1000), 699 copies were returned completed, with only 673 copies found usable for the study, resulting in an effective response rate of about 67 %.

The relevant properties of the Market Orientation instrument (questionnaire) used in this study were assessed through reliability and validity tests. Also, relevant statistical tools in the Statistical Package for the Social Sciences (SPSS Version 20.0) were used to analyze the collected data with regard to market orientation practices in Nigerian insurance companies. Specifically, market orientation practices data in Nigerian insurance companies were analyzed using descriptive statistics.

Results from the data analysis are presented below.

4.0: Research Results & Discussion

Table 1.0 shows the descriptive statistics of the extent to which the surveyed Nigerian insurance firms practised market orientation issues. From table 1.0, it can be seen that most of the market orientation issues witnessed above-average levels of emphases as shown by their Mean values, which ranged from 4.61 to 5.13. As shown in table 1.0, market orientation issues of A1 ("analyzing level of commitment to serve clients' needs and wants", with Mean of 5.13), A3 ("knowing clients in its sector of business activity", with mean of 5.03), and A14 ("holding periodic departmental meetings", with Mean of 5.10) were, relatively, the most practised market orientation issues. Also, it can be seen from table 1.0 that A17 ("disseminating competitor information to other organizational departments", with Mean of 4.69), A19 ("disseminating client and company performance information to organizational departments", with Mean of 4.61) and A21 ("disseminating client satisfaction information to organizational staff", with Mean of 4.63) were, relatively, the least practised market orientation issues.

Overall, the respondents' responses on the Market Orientation issues indicated that they (insurance firms' respondents) were of the view that their insurance firms' practices of the market orientation issues were above average extent (i.e., Mean>4.0). These findings indicate that market orientation issues were practised to reasonable extents in the surveyed Nigerian insurance companies, especially "analyzing level of commitment to serve insurance clients' needs and wants", "knowing clients in sector of business activity", and "holding periodic departmental meetings", among others.

Client-focus issues (such as "analyzing level of commitment to serve insurance clients' needs and wants", and "knowing clients in sector of business activity") showed the highest emphases.

The findings from this research with regard to emphases on market orientation issues by Nigerian insurance firms are expected. This is because issues relating to insurance clients should be, and usually are, the major concerns of insurance decision-makers in order to achieve their organizational performance. In addition, these findings can be explained because one of the major pillars of market orientation is client-focus or client-orientation. Client orientation is the sufficient understanding of a company's target clients to be able to create superior value for them continuously. Also, client orientation means that organizational clients should be given attention in the organization's activities because this helps the organization to create increases satisfaction for its clients. However, Kumar et al (2011) argue that too much focus on client orientation may not increase a firm's performance.

The research, also, found that Nigerian insurance firms emphasize information-related issues to reasonable extent in their market orientation practices. This finding can be explained because useful information about clients and competitors, among others, should guide efficient and effective decision-making in Nigerian insurance companies. These pieces of information should be disseminated to relevant organizational unit to assist decision-making activities. Kohli and Jaworksi (1990) have noted the relevance of information generation and dissemination/communication in the market orientation practices of organization. Also, Danso, Poku and Agyapong (2017) argue, with empirical evidence, that the performance impact of market orientation is mediated by an organization's internal communication issues.

It should be noted that the market orientation emphases of Nigerian insurance firms can be industry specific. This means that some similarities may exist across all Nigerian insurance firms. However, cultural differences exist among Nigerian insurance firms and these cultural differences can lead to differences in their market orientation practices.

TABLE 1.0: Descriptive Statistics of Market Orientation Practices

	N	Mean	Std. Dev.	Skewness	Kurtosis
	Statistic	Statistic	Statistic	Statistic	Statistic
A1	696	5.1264	.98249	-1.324	2.092
A2	693	4.9091	.98638	-.968	1.115
A3	694	5.0346	.92829	-.818	.273
A4	693	4.8903	1.02966	-.966	.843
A5	694	4.8602	1.09006	-.907	.585
A6	696	4.7945	1.12756	-1.003	1.093
A7	695	4.8331	1.11877	-.906	.405
A8	694	4.7997	1.15418	-1.061	.879
A9	691	4.7077	1.17149	-.789	.144
A10	693	4.6465	1.16201	-.696	.057
A11	695	4.8403	1.17077	-.946	.326
A12	695	4.8014	1.16666	-1.012	.637
A13	690	4.8478	1.10876	-1.100	1.251
A14	694	5.0937	.98978	-1.353	2.345
A15	693	4.7388	1.09500	-.866	.652
A16	688	4.7922	1.08669	-.877	.614
A17	693	4.6869	1.13347	-.797	.379
A18	691	4.8784	1.08734	-.992	.768
A19	694	4.6052	1.22258	-.865	.297
A20	694	4.7003	1.14696	-.869	.431

A21	693	4.6335	1.20266	-.791	.214
A22	690	4.7304	1.16670	-.893	.367
A23	691	4.7164	1.15621	-.786	.237
A24	692	4.8165	1.13979	-.977	.709
A25	695	4.9554	1.07742	-1.069	.918
A26	692	4.9090	1.16215	-1.170	1.222
A27	692	4.9523	1.12685	-1.324	1.925
A28	688	4.8648	1.10209	-1.294	1.985
A29	692	4.8988	1.01858	-1.041	1.220
A30	695	4.7655	1.07149	-.939	.798
A31	693	4.7821	1.06853	-.919	.671
A45	695	4.7712	1.11100	-1.019	1.018
A46	692	4.7760	1.11189	-.968	.884

Table 2.0: Reliability Statistic of Market Orientation Practices Measure

Cronbach's Alpha	No. of Items
.963	46

Table 2.0 shows the reliability statistic (Cronbach's alpha coefficient) of the market orientation practices measure.

The Cronbach's alpha coefficient (reliability value) of 0.96 in Table 2.0 indicates a high degree of internal consistency among the items on the Market Orientation Practices scale (Yockey, 2011), and meets the reliability standard recommended by Nunnally (1978) for a newly developed research measure (such as the one used in this research). Specifically, Cronbach value of 0.60 reflects modest internal consistency (reliability) and value of 0.70 reflects good internal consistency for research purposes (Nunnally, 1978). High reliability coefficient value (as shown by high Cronbach alpha value) is an indirect way of ensuring content validity in research (Walsh, 1995).

Table 3.0: Demographic Data of Research Respondents (Insurance Managers & CEOS, Quantitative).

Variables	Percentage
Title of respondent (C1):	
MD/CEO	.9
Manager	32.0
Officer	59.3
Others	7.8
Address (C2):	
Given	14.9
Not given	85.0
E-mail address (C3):	
Given	8.5
Not Given	91.4
Phone Number (C4):	
Given	8.3
Not Given	91.5
Number of staff (C5):	
1-9	1.3
10-99	28.4
100-499	50.9

500-above	19.4
Educational Qualification (C6):	
PhD	2.2
Masters	18.4
HND/B.Sc.	68.8
Others	10.6
Professional Qualification (C7):	
Given	43.0
Not Given	57.0
Gender (C10):	
Male	60.8
Female	39.2

Respondents' Working Experiences (C8) Range:	1 to 35 years.
Respondents' Ages (C9) Range:	26 to 70 years.

Table 3.0 shows the demographic profiles of the research respondents.

5. Conclusions, Recommendations & Suggestions for Further Research

Market orientation is a strategic action practised by organizations which can predict, to some extent, the performance of organization. From the findings of this research, it can be concluded that market orientation is practised to reasonable extent in Nigerian insurance firms. Also, the properties of the research instrument (questionnaire) used in this research are encouraging and supportive of some previous relevant literature (Narver & Slater, 1990; Kohli and Jaworski, 1990; Harris and Ogbonna, 2001; Hair et al, 1998).

With regard to market orientation practices in Nigerian insurance companies, it is recommended that Nigerian insurance companies should emphasize evidence-based client-oriented practices in order to improve the satisfaction of their clients. Also, Nigerian insurance companies should design and implement other supporting management strategies that will assist in improving the satisfaction of their clients. Such strategies may include relationship marketing and competitor analysis studies, among others.

Further research should be undertaken to determine how certain factors (such as innovativeness and entrepreneurship, among others) affect the practice of market orientation in Nigerian insurance companies.

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