

## THE EFFECT OF QUALITY ORIENTATION, MARKET ORIENTATION AND LEARNING ORIENTATION ON FIRM INNOVATIVENESS

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### ABSTRACT

**T**he aim of this study is to explore the effects of market orientation, quality orientation and learning orientation on firm innovativeness and the mediating effect of the quality orientation in this relation. The research has been conducted via survey. The questionnaires have been send to send to 200 small and medium sized companies in Gebze and Istanbul and 130 responses has been received. The survey participants were mid-and top level managers. For data analysis, descriptive statistic, correlation and regression analysis and SEM methods were used. The findings show positive relationships among market orientation, learning orientation and firm innovativeness. The mediating effect of the quality orientation on the relationships between market orientation, learning orientation and innovation has been found too. In this respect, quality orientation is a significant mediating variable in the positive relation of market orientation and learning orientation on the innovation.

*Key Words: Innovativeness, quality orientation, learning orientation, market orientation*

## 1. Introduction

The rapid change in customer preferences, the acceleration of technological development and increasing competition have made it a necessity for firms to create mechanisms in their organizational structure that create, analyze, and respond to information. This monitoring, analysis and response activities are referred to as market orientation in marketing literature (Maydau and Lado, 2003). In the literature of the last 20 years, market orientation (Day 1991, Webster 1994) and positive effects of this concept on performance of firms have been mentioned many times (Narver and Slater, 1990; Ruekert, 1992; Jaworski and Kohli, 1993). However, more studies on reasons behind this relationship and its mechanism are required (Deshpande and Farley, 1998).

Market orientation, defined by Lado et al. (1998) as “a competitive strategy that involves all functional areas and levels of the organization and embraces the different market participants”, involves strategic activities aimed at end customers, distributors, competitors and environmental factors.

Researchers have revealed that market orientation is determined by the effectiveness of the firm in obtaining, spreading and reacting against information from customers, channels and competitors. If firms focus their market orientation on flexibility and fast reaction, their performance increases (Baker and Sinkula, 1999; Noble et.al., 2002).

In studies analyzing the effect of market orientation on innovativeness performance, Atuahene-Gima (1996) and Gatignon and Xuered (1997) have found significant relationships. Also, Lukas and Ferrell (2000) have focused on market orientation's degree of product innovation and its possible effects and studied how different components of market orientation influenced the increase in product innovation (imitation, line extension and original innovation). Also, Han et al. (1998) have examined the relationship between market orientation and organizational innovation performance. According to the authors, market orientation is effective on both technical innovation (product or process innovation) and managerial-organizational innovation. Also, interestingly, Calantone et al. (1994) have found an insignificant relationship between degree of innovation and degree of success and interpreted these two to be different from each other. In other words, an increase in the volume of innovation (degree of innovation) does not mean an increase in success rate of new products (innovation's degree of success) (Maydau and Lado, 2003).

Narver and Slater (1990) have suggested that market orientation would increase firm performance if used together with learning orientation. From this point, they have included market orientation's effects on learning orientation and innovativeness (innovation performance) in their study.

Unless information is used and actions are taken (applied learning), market orientation cannot be associated with firm performance positively. In addition, Geus (1998) has highlighted that the only sustainable competitive advantage is the ability to learn faster than competitors. Baker and Sinkula (1999) mention the synergistic effect of market orientation and learning orientation. These researchers have noted that firms with low learning ability can only build their market orientation in an inflexible manner. They have also emphasized that learning orientation is the quantitative motor behind the market orientation. Learning oriented firms use and spread the information they obtained about markets in order to serve customers and also continuously research the dynamics of the market. Farrell (2000) believes the learning orientation to be a source of competitive advantage. According to this idea, firms must make organizational learning as the highest priority in management practices.

Market and learning orientation require innovative efforts in enterprises. The success of marketing activities is said to depend on firm's ability to differentiate its products and marketing activities from competitors. Lado and Maydeu-Olivares (2001) defines innovativeness as "the ability to create values". Han et al. (1998) have suggested that market orientation has positive effects on organizational innovation. But why does such a relationship exist? Do market oriented firms have the ability to develop learning environments? Can enterprises ensure innovativeness through organizational learning? These and similar questions are still waiting to be answered.

Many enterprises have changed their production activities to be market oriented rather than product oriented. Market orientation requires customer satisfaction. Similarly, TQM makes customer satisfaction a priority with its vision, mission, and principles (Willborn and Cheng, 1994). Enterprises carry out improvement activities to ensure customer satisfaction with formats of quality management system such as statistical process control, quality assurance, and ISO 9001-2000 standards. The relationship between market orientation and quality management has been revealed by Mohr-Jackson (1996) and Witcher (1990). In a study on TQM and innovativeness, Prajogo and Sohal (2001) have noted many similarities between TQM and innovativeness. For example, continuous improvement and open culture are common aspects of TQM and innovativeness. When continuous improvement and open culture are practiced with TQM, innovativeness is more successful. In their study, Perdomo-Ortiz et al. (2005) have shown that TQM creates a suitable and efficient environment for innovativeness and certain dimensions of TQM positively affects innovativeness. In another study, Prajogo and Sohal (2004) have investigated the effect of TQM's mechanical elements (customer orientation and process management) and organic elements (management of employees, empowerment, participatory management, and creativity) on quality performance and innovativeness. It seems that mechanical elements influence quality performance, whereas organic elements influence innovativeness.

The purpose of this study is to examine effects of market and learning orientation on firm innovativeness and mediating effects of quality orientation in this relationship and fill the gap in the literature on this subject.

## **2. Background**

Strategic importance of information has increased exponentially in the last 20-30 years. Both technological developments and increasing competition in globalized markets have had important roles in this phenomenon. Therefore, the importance of information, a strategic asset, and concepts associated with information has increased as well. Concepts of learning orientation, learning organizations and organizational learning are encountered more frequently now.

According to Baker and Sinkula (1999) "learning orientation is a set of values that influence the degree to which a firm is satisfied with its theories in use (Argyris and Schon, 1978), mental models (Geus, 1998) and dominant logic (Bettis and Prahalad, 1995), which may or may not have their base in the marketplace". Learning orientation is a mechanism that influences a firm's ability to fight against old assumptions and create new techniques and methodologies. Hardley and Mavondo (2000) have suggested learning is the most important source for a firm to maintain its competitive advantage.

Generally, learning orientation is addressed in 3 sub-dimensions in the literature: learning obligation, open-mindedness and shared vision. Therefore, employees' organizational culture is created by effects such as understanding cause-and-effect relationships, questioning long-term assumptions and sharing a purpose and direction. In addition, learning orientation is positively related with organizational performance as well.

Today's customers expect a higher level of product/service quality compared to those of past, because they have more knowledge about products and service and many more options. The actual subject of struggle for each and every company looking for ways to remain competitive is to identify what customers want and satisfy them with products and services of the organization. This is the philosophy behind the concept of marketing (Miller, 1992).

Kohli and Jaworski (1990) noted that market orientation is the implementation of the concept of marketing and defined it as "the organization-wide generation of market intelligence, dissemination of the intelligence across departments and organization-wide responsiveness to it". Similarly, according to Narver-Slater (1990), there are differences between market orientation and marketing orientation and it is critical for market orientation to process market knowledge, because it is impossible to achieve customer orientation, competitor orientation and coordination between functions without an effective program to obtain and spread knowledge. According to Shapiro (1998), market orientation involves practices on organizational level, whereas marketing orientation is specific concept for activities of marketing department of the organization.

Baker and Sinkula (1999) define market orientation as the activity of processing market information and an organizational character which determines the priority of using this information in the strategic process. Dickson (1996) defines market orientation as the set of processes that allows the firm to learn. For this reason, market knowledge processing activity made possible by market orientation can lead to learning in organizations.

As a result, firms get to know their customers better and provide better services. Thus, they will be able to make more innovations by using the market-based product development process in product development processes. Also, they will be able to make better predictions about which products will have more chances in the market thanks to market orientation and make their innovation processes more effective (Maydeu, 2003).

There are many studies in the literature that address firm innovativeness from different perspectives. Weerawardena and O'Cass (2004) defined innovativeness as implementation ideas which are new to the firm directly for initiative or indirectly for customers. According to the authors, the effect of innovativeness or added value on product, process, business organization, management or marketing system is not important. According to Hurlev and Hult (1998), innovativeness is the idea of being able to see new ideas with an open mind as a part of firm's culture and innovativeness of the culture is the foundation of orientation of firms toward innovativeness.

Han et.al. (1998) states that innovativeness in the traditional sense usually means significant inventions related to product. However, recent studies focus on managerial innovations related to basic business operation activities of an organization. For this reason, managerial innovation structures (variables) should be emphasized equally with technological innovation.

Vakola and Rezgui (2000) defines innovativeness as the idea, the process or the system perceived as new by the individual, the group, the firm, the industrial sector or the entire society. Thus, innovation may occur in relation to product, process and organization. According to Nell et.al. (2001), organizational innovation means introduction of new approaches to better manage or organize the firm.

Kanji and Asher (1993) defines TQM as continuous improvement of performance of individuals, groups and organizations. The key element that sets TQM apart from other management processes is continuous improvement. Total quality is not a momentary solution. It suggests patterns are constantly replaced with better ones.

From this perspective, Total Quality Management is about continuous improvement of performance. To improve their performance, individuals must know what to do and how to do it. In addition, they must have the right tools as well. They must be able to measure performance. Also, they must be able to receive feedback about their current success status. TQM provides that by bringing together the following principles (Kanji and Asher, 1993): *-Delight the customer. -Management by fact. -People-based management. -Continuous improvement*

Quality Orientation, which means a firm's compliance with principles of TQM and operation in accordance with TQM, is measured with the following three components:

1) *Customer focus*: This is the most important principle of TQM. It is necessary for long-term organizational success to focus on both internal and external customers. Establishing a close relationship with customers and getting feedback from customers periodic are common aspects of TQM applications.

2) *Teamwork*: The importance of teamwork lies in cooperation. Cooperation may involve partnerships both within and outside the organization (e.g. providers). Solutions achieved together are thought to allow for better, more creative and more positive results. To take advantage of benefits of cooperation, teams must ensure genuine participation of members, overcome hierarchical power differences and provide actual solution to business problems.

3) *Continuous improvement*: This principle means continuously questioning new business methods and organizational processes. Commitment to continuous improvement can be best observed in a business unit level and an individual level. Continuous improvement practices include the following: Process analysis, re-configuration (re-engineering), statistical process control and fishbone diagrams (Dean and Bowen, 1994).

Various efforts have been made in the past decade to identify basic building blocks of TQM (Saraph et al., 1989; Flynn et al. 1994; Ahire et al; 1996). As a result, it has been found that activities such as making improvements continuously, meeting customer requirements, reducing scrap rates, thinking long-term, increasing involvement of employees, re-designing processes, comparing competition, measuring results regularly and establishing close relations with providers are carried out in firms practicing TQM. If implemented well, the principles of TQM allow for higher quality products, lower costs, more satisfied customers and employees and better financial performance (Easton and Jarrell, 1998).

## 2.1. Learning Orientation, Market Orientation, Innovativeness

Learning processes play an important role in new theories on competitive advantage (Dickson 1996, Hunt and Morgan, 1996). There are significant discussions on how big of a role learning processes play in creating and maintaining competitive advantage. Hunt and Morgan (1996) believe that learning is an important source for creating competitive advantage, but it is not the only one. Dickson (1996) suggests that learning is dominant to other competitive advantage sources, since learning allows for long-term competitive advantage by making it possible for firms to process market information faster than their competitors. Accordingly, a very active learning environment will balance all sources, which also include behaviors related to market orientation.

There are other researchers as well, who separates market orientation from learning. Day (1994a) discusses how to increase the quality of market knowledge processes which lead to a strong market orientation with learning. According to Day, success does not solely depend on obtaining, spreading and responding to market information in time. Success also depends on managers' ability to question what knowledge will be obtained, spread and what organizational norms will be required to obtain knowledge to organizational actions in future. Therefore, the lack of a higher degree learning will result in a myopic focus on customers, rules and competitors, which will inhibit distinctive concepts, systems and processes (Kohli and Jaworski 1990; Slater and Narver 1995).

Baker and Sinkula (1999) suggest that organizations with both strong market orientation and learning orientation will have a higher chance to create sustainable competitive advantage. A strong market orientation is necessary for firms to focus on environmental events which will maximize customer satisfaction compared to competitors.

Learning orientation is a mechanism that shows firms how to fight against old assumptions about the market and how to organize in order to achieve this goal. Therefore, learning orientation leads to sustainable innovation. If the firm lacks a strong market orientation, this may cause it to drift off course. For this reason, learning orientation and market orientation are believed to be variables that have synergistic and independent effects on the firm (Baker and Sinkula, 1999).

By strengthening their market orientation, firms get to know their customers better and provide better services. Thus, they will be able to make more innovations by using the market-based product development process in product development processes. Also, they will be able to make better predictions about which products will have more chances in the market thanks to market orientation and make their innovation processes more effective (Maydeu, 2003). The study conducted by Celush et al. (2002) expands on previous studies on how market orientation and learning orientation affect perceived firm abilities. Mental processes of managers to perceive their environment influence their competitive strategy decisions. Previous research has found that concepts of market orientation and learning orientation are empirically close and have independent and synergistic effects on organizational performance. This study supports the hypothesis that market orientation and learning orientation affect certain abilities independently (Celuch et.al, 2002).

By strengthening their market orientation, firms get to know their customers better and provide better services. Thus, they will be able to make more innovations by adopting a market-based product development process. Also, increased market orientation levels allow firms to distinguish which innovations have more success chance (Maydau and Lado, 2003). The study conducted by Liu et al. sheds light on the subject of

relationships between market orientation, corporate entrepreneurship and learning orientation. As organizations encounter with difficulties in changing environments, these three structures have received an increasing degree of attention in both marketing and management. According to analysis of the data obtained from the sample consisting of state economic enterprises (SEE) in China, increases have been observed in organizational returns thanks to strong customer orientation, corporate entrepreneurship and learning orientation. Accordingly, learning orientation is, in whole or in part, effective on results of customer orientation and corporate entrepreneurship (Liu et al., 2002).

According to the study performed by Weerawardena et al., the perception of managers about the structure (dynamics) of the industry has the potential to affect various organizational strategies and behavior. This partly applies to organizational learning and innovativeness-based marketing strategies. Firms in competitive sectors tend to maintain innovative ways of value creation activities, which require improvement of learning abilities. According to the findings of the study, compared to other learning activities, market-focused learning plays a key role in industrial structure, innovativeness and brand performance. Also, market-focused learning and internally-focused learning influence innovativeness (Weerawardena et al., 2006). Learning has also direct effects on the quality of market orientation process and consequently on competitive advantage. This hypothesis has been previously suggested by Day (1994), Dickson (1996), Slater and Narver (1995), but empirically supported by Baker and Sinkula (1999) for the first time. Another finding is that although firms become successful in product development thanks to market orientation, it is difficult to maintain this competitive advantage without market orientation (Baker and Sinkula, 1999).

Dynamic changes in management environments and capacity of innovativeness are believed to have the greatest effect on business performance (Hult et al. 2004). Generally, it is suggested that firms that adopt innovativeness have higher performance in product development, process improvement, flexibility and responsiveness. Hult et al. (2004) state that positional advantage is determined by learning and entrepreneurship orientation, market and innovativeness of the firm.

Creating market orientation is a source that involves a higher degree learning capability and thus enhances sustainable competitive advantage of the firm. In their empirical study, Vijande et al. have found a positive relationship between firm's learning and market orientation degree and economic and non-economic results. The findings show that learning orientation influences market orientation behavior and positively affects establishing long-term relations with strategic customers (Vijande et.al. 2005).

In this context, the study conducted by Vijande et al. has focused on the question of "Does market orientation have the ability to create generative learning?" and analysis of the relationship between organizational learning and market orientation. Thus, according to the source-based perspective, market orientation is an organizational resource which creates sustainable competitive advantage. Therefore, market orientation is helpful in avoiding threats and seizing opportunities (Hunt and Morgan, 1995), leads to better performance than competitors (Jaworski and Kohli, 1993; Narver and Slater, 1990), is difficult to imitate due to its untouchable and complicated nature (Hunt and Morgan, 1995), and is a lasting source since it focuses on needs of the market and creating and maintaining customer value and clearly recognizes the fundamentals of competitive advantage (Hunt and Morgan, 1995). However, if market orientation only creates adaptive organizational learning without being carried out with other organizational sources, it threatens the existence of the firm and the ability to create competitive advantage loses its validity.

Market oriented firms are considered to be learning oriented as well, since they tend to understand the market and monitor customer preferences. For this reason, market orientation is a valuable organizational source and also contributes to increasing the value of other organizational sources (Dierickx and Cool, 1989). In this sense, firms that want to establish organizational learning should consider establishing market orientation. Once market orientation is ensured, a model that connects market orientation and learning orientation may be suggested. In conclusion, organizational learning and market orientation are interconnected concepts and contrary to the earlier idea, market orientation is believed to have a bigger role in improving learning orientation.

Day (1994) and Sinkula et al. (1997) have noted that learning orientation will lead to market orientation behavior, which will eventually improve marketing sources. Bell et al. (2002), on the other hand, have stated that market orientation will trigger generative learning and this learning orientation will influence market orientation behavior, i.e. organizational behavior and market orientation are interactive concepts.

It is of great importance for firms to create a learning organization culture. To this end, it is necessary to have shared objectives and priorities and develop the idea of organizational open-mindedness. Thus, learning orientation will affect market orientation positively. In their study, Narver et al., (2004) have investigated the relationship between market orientation and new product success. The concept of market orientation involves both reactive market orientation (customer needs) and proactive market orientation (implicit customer needs, which are customer value opportunities that customers are not aware of). Both reactive market orientation and proactive market orientation have been measured in the study conducted by Narver et al., A scale for proactive market orientation has been developed in this study using the data from technologically different businesses, the scale for reactive market orientation has been refined and the relationship of reactive and proactive market orientation with new product success creation and maintenance has been analyzed. The findings of the study have shown that reactive market orientation is not enough to create and maintain new product success in all businesses and proactive market orientation play a very important role as well (Narver et.al., 2004).

Various academics discuss whether marketing enhances innovativeness or diminishes it. The discussion cannot reach to a conclusion due to lack of sufficient experimental evidence. Lucas and Ferrill (2000) have investigated the relationship between market orientation and product innovation in American industrial firms and found that product innovation changes depending on market orientation. The findings of the study are as follows: Customer orientation increases the introduction of new products and decreases the release of imitation products. Competitor orientation increases the introduction of imitation products and decreases line extensions and the introduction of new products. Coordination between functions increases line extensions and decreases the introduction of imitation products (Lucas and Ferrill, 2000).

Product innovation is defined as the process of using new technology (Galbraith, 1973; Schon 1967). Product innovation is divided into three basic categories. Product line extensions: Products known by the firm, but strange to the market. Imitation products: Products known by the market (owned by competitors), but strange to the firm. New products: Products strange to both the firm and the market (competitors). (Booz et.al., 1982; Olson et.al., 1995). Market orientation and product innovation are basic strategic abilities of market-driven businesses (Day 1993, 1994). This ability is an information system that allows the business to anticipate changing market conditions and react according to requirements of the market, consisting of complementary behaviors involving organizational processes (Leonard-Barton, 1992; Rumelt et.al, 1991). When applied properly, market orientation and product innovation are highly correlated concepts.

Han et al. (1998) have found that the degree organizational innovation changes with market orientation depends on the level of technological and market fluctuations. The authors have found that when technological fluctuations are high, technological and managerial innovation are positively affected by customer orientation, competitor orientation and coordination between functions. However, when market fluctuations are high, only coordination between function has positive effects. Also, the authors have found that when demand is unclear (a particular type of market fluctuation), market orientation has positive effects on the commercial performance of product innovation and competitor orientation has destructive effects on market performance of product innovation. However, a more clear (predictable) demand, high innovation performance is ensured by customer orientation rather than competitor orientation. The authors Lukas and Ferrill (2000) have the following strategic advice for industrial firms: Innovative firms should focus on strong customer orientation. Firms that follow their competitors with products should focus on strong competitor orientation. Firms looking to extend their existing lines should focus on strong coordination between functions (Lucas and Ferrill, 2000). However, focusing on one dimension of market orientation may lead to development a specific new product while inhibiting development of another new product. For this reason, care should be taken to determine potential positive and negative aspects when developing a market-focused strategy (Lukas, 1999).

## 2.2. TQM and Innovativeness

Within the framework of the relationship between TQM and innovativeness, the vision of future should be adopted as short- and long-term quality strategy as a form of action. Similarly, horizontal innovation should be considered in order to understand the relationship between TQM and innovativeness. Generally, horizontal innovation allows for integration of market knowledge with technology. Market knowledge gives faster problem-solving skills to employees with TQM tools such as quality circles and Kaizen, which contributes to the success of the organization (Kanji, 1996).

There are many empirical studies in the literature which points out the positive relationship between TQM and innovativeness. Flynn (1994) has conducted a study which highlights the relationship between quality management and fast product innovation. Gustafson and Hundt (1995) have mentioned that quality principles play an important role in successful innovation and improvement activities. Baldwin and Johnson (1996) state that adopting TQM as a management strategy for the firm is an important discriminator between more innovative firms and less innovative firms.

In a study on TQM and innovativeness, Prajogo and Sohal (2001) have noted many similarities between TQM and innovativeness. For example, continuous improvement and open culture are common aspects of TQM and innovativeness. When continuous improvement and open culture are practiced with TQM, innovativeness is more successful. In a study conducted to investigate the effect of TQM on innovation performance, Prajogo and Sohal (2006) have stated that TQM (leadership, strategic planning, customer focus, data collection and analysis, employee management, process management) and Total Innovation Management (technology management, R&D management) are more effective in product and process innovation when applied together. In their study, Perdomo-Ortiz et al. (2006) have shown that TQM creates a suitable and efficient environment for innovativeness and certain dimensions of TQM positively affects innovativeness. In another study, Prajogo and Sohal (2004) have investigated the effect of TQM's mechanical elements (customer orientation and process management) and organic elements (management of employees, empowerment, participatory management, and creativity) on quality performance and innovativeness. It seems that mechanical elements influence quality performance, whereas organic elements influence innovativeness.

### 2.3. Market Orientation and Quality Orientation

Today's customers expect more from firms than just "compliance with requirements". Because they have more knowledge about the local markets and international alternatives. In this context, the concepts of marketing and quality are connected to each other with the concept of customer satisfaction. There are studies in the literature in relationship between marketing and performance and between quality management and performance (Powell, 1995; Narver and Slater, 1990), however, there is a gap of studies on the effect of market orientation on quality management and consequently business performance and this study has been conducted to close this gap.

Market oriented firms value quality management and business performance. In this context, marketing functions as a window between customer needs and quality and market knowledge is very important for responding to customer needs. In addition, marketing has an important task in developing quality strategy. Therefore; establishment of market knowledge, spreading this knowledge in the organization and responding to this knowledge organization-wide, which are tasks of marketing, are also necessary for implementation of quality management. Also, marketing should have an external focus rather than an internal focus.

## 3. Methodology

### 3.1. Data Collection and Analysis

For data collecting, survey method has been chosen as a widely used technic in social sciences. While Zikmund (1997) indicates the general format of the questionnaire plays a big role on the respond rates suggestions from literature have been taken into consideration by preparing the form. The questions and phrases consist of the scales with approved validity and reliability from the literature. All items (except demographics) were measured on a five-point Likert-type scale, indicating the relative strength of their agreement or disagreement with responses ranging from 1 to 5. The surveys were sent to the small and medium sized industrial firms operating in Istanbul/ Turkey, from a range of the different sectors. Of the 300 surveys, 128 have been received with a response rate of % 42.67. The sample was comprised middle-and top managers and owners. SPSS 10.0 and AMOS 4.0 were used to analyze the data.

### 3.2. Scales

*Learning Orientation* was measured with 18 items adapted from Sinkula, Baker and Noordewier (1997). *Market Orientation* was measured with 32 items adopted from the MARKOR (Market Orientation) from Kohli, Jaworski and Kumar (1993). *Quality Orientation* was measured with 12 items Prajogo and Sohal (2001). *Innovativeness* was measured with 5 items adapted from Prajogo and Sohal (2001).

### 3.3. Research Model and Hypotheses

Based on what have been presented in the literature above, the following research model (Figure 1) and hypotheses have been developed for the study

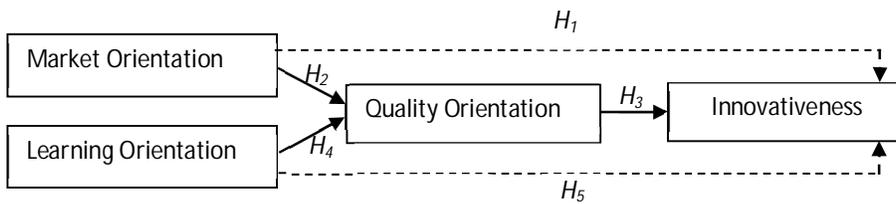


Figure 1: Research Model

*H<sub>1</sub>: Market orientation effects innovativeness positively.*

*H<sub>2</sub>: Market orientation effects quality orientation positively.*

*H<sub>3</sub>: Quality orientation effects innovativeness positively.*

*H<sub>4</sub>: Learning orientation effects quality orientation positively.*

*H<sub>5</sub>: Learning orientation effects innovativeness positively.*

### 3.4. Analyses and Results

The analyze results encompasses the demographic statistics, factor analyses, correlation matrix and regression analyses. The demographical statistics of the survey respondents are given in the table 1 below.

Table 1. Demographical Statistics of The Survey Respondents

<i>Positions</i>	<i>Frequency</i>	<i>%</i>	<i>Education Level</i>	<i>Frequency</i>	<i>%</i>
Owner	4	3.1	Masters and PhD	18	14.06
Top manager	32	25	Bachelor and College	103	85.94
Senior manager	80	62.5			
<i>Age</i>	<i>Frequency</i>	<i>%</i>	<i>Sex</i>	<i>Frequency</i>	<i>%</i>
> 50	15	11.72	Female	45	35.16
40-50	42	32.81	Male	83	64.84
30-40	53	41.41			
< 30	18	14.06			

### 3.5. Factor Analyses

Factor analyses is widely used to test the validity of a variable. In the tables, there are shown the factor loadings as well as the announced total variances. The value of the announced total variance should be greater than 0,50 (Yeniçeri and Erten, 2008; Grewal et al., 1998). It has been used confirmative factor analysis and due to the incompatibility with the criteria some of the questions are removed and continued to further analyses.

The results of the factor analyses of market orientation, learning orientation, quality orientation and innovativeness are shown in the table 2, 3, 4, 5 given below.

Table 2. Factor Loadings of Market Orientation

Questions	CFA*
In this business unit, we meet with customers at least once a year to find out what products or services they will need in the future.	0,828
Individuals from our manufacturing department interact directly with customers to learn how to serve them better.	0,861
In this business unit, we do a lot of in-house market research.	0,841
We poll end users at least once a year to assess the quality of our products and services.	0,848
We often talk with or survey those who can influence our end users' purchases (e.g., retailers, distributors).	0,823
We collect industry information by informal means (e.g., lunch with industry friends, talks with trade partners).	0,815
In our business unit, intelligence on our competitors is generated independently by several departments.	0,839
We periodically review the likely effect of changes in our business environment (e.g., regulation) on customers.	0,823
A lot of informal "hall talk" in this business unit concerns our competitors' tactics or strategies	0,822
We have interdepartmental meetings at least once a quarter to discuss market trends and developments.	0,792
Marketing personnel in our business unit spend time discussing customers' future needs with other functional departments.	0,838
Our business unit periodically circulates documents (e.g., reports, news- letters) that provide information on our customers.	0,831
When something important happens to a major customer of market, the whole business unit knows about it within a short period.	0,829
Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis.	0,870
Principles of market segmentation drive new product development efforts in this business unit.	0,895
We periodically review our product development efforts to ensure that they are in line with what customers want.	0,899
Several departments get together periodically to plan a response to changes taking place in our business environment.	0,887
If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.	0,849
The activities of the different departments in this business unit are well coordinated.	0,847
We are quick to respond to significant changes in our competitors' pricing structures.	0,890
When we find out that customers are unhappy with the quality of our service, we take corrective action immediately.	0,807
When we find that customers would like us to modify a product of service, the departments involved make concerted efforts to do so.	0,820
Explained Total Variance: %73	

\*  $P < 0,01$

Table 2. Factor Loadings of Quality Orientation

Questions	CFA*
We conduct regular meetings with our customers that our business unit serve.	0,854
Our employees are very familiar with our best customers.	0,825
Our customers give us feedback about the quality of our work.	0,885
Our employees are in close contact with the people we serve.	0,883
Our employees in our business unit know the meaning of the concept of "Continuous Improvement" very well.	0,847
Our business unit has adopted the goal of continuous improvement.	0,778
I dedicated myself to continuous improvement in my duty.	0,846
Our employer really believe that we continuously improve our business.	0,859
Our business unit uses teams to solve problems.	0,872
Our company has adopted the concept of team.	0,864
Many business problems are solved by team meetings.	0,829
On team meetings we tried to get the ideas of all team members before make a decision.	0,867
Explained Total Variance: %72	

\*P<0,01

Table 3. Factor Loadings of Learning Orientation

Questions	CFA*
Managers basically agree that our organization's ability to learn is the key to our competitive advantage.	0,832
The basic values of this organization include learning as key to improvement.	0,865
The sense around here is that employee learning is an investment, not an expense.	0,847
Learning in my organization is seen as a key commodity necessary to guarantee organizational survival.	0,898
Our culture is one that make employee learning a top priority.	0,854
There is a commonality of purpose in my organization.	0,823
There is total agreement on our organizational vision across all levels, functions, and divisions.	0,831
All employees are committed to the goals of this organization.	0,864
Employees view themselves as partners in charting the direction of the organization.	0,883
Personnel in this enterprise realize that the very way they perceive the marketplace must be continually questioned.	0,842
We are not afraid to reflect critically on the shared assumptions we have made about our customers.	0,818
In our business unit open mindedness is appreciated well.	0,854
Managers encourage employees to "think outside the box".	0,896
Original ideas are highly valued in this organization.	0,837
Explained Total Variance: %76	

\*P<0,01

Table 4. Factor Loadings of Innovativeness

Questions	CFA**
Compared to our biggest opponent our rate of creation of new products in the last three years.	,874
Compared our major competitor our success rate of new products in the last three years.	,892
Our degree of product differentiation in the last three years.	,863
Our degree of being the first in the market with new applications in the last three years.	,878
Compared to the competitors, our new product life cycle in the last 3 years.	,882
Explained Total Variance: %75	

\*P<0,01

### 3.6. Reliability Analysis

Before the correlation and regression analyses and hypotheses testing, the reliability analyses of the variables have been done. The analyses show that all the Cronbach's Alpha coefficients are above 0.70 and have internal consistency so that it is appropriate for further analysis (Nunnally, 1978). The Cronbach Alpha coefficients are shown in the table below.

Table 5. Results of the Reliability Analysis

<i>Variables</i>	<i>Number of Questions</i>	<i>Alpha</i>
Market Orientation	22	0,93
Learning Orientation	14	0,99
Quality Orientation	12	0,95
Innovativeness	5	0,98

### 3.7. The Correlation Matrix

In Table 6, the Pearson correlation coefficients, means, deviations and alpha coefficients and the results of the correlation analyses of all the variables are shown in a correlation matrix. The standard deviations are ranking between 0.65 and 1.02; providing appropriate level for analyses. According to correlation matrix, there are positive relationships between market orientation, learning orientation, quality orientation and innovativeness on the significantly level  $P < 0,01$ .

Table 6. Correlation matrix

	<i>Alpha</i>	<i>Mean</i>	<i>S.D.</i>	<i>MO</i>	<i>LO</i>	<i>QO</i>
Market Orientation (MO)	0,94	3,3691	,9765	-		
Learning Orientation (LO)	0,98	3,1915	,6111	,548*	-	
Quality Orientation (QO)	0,96	3,2807	1,0299	,474*	,538*	-
Innovativeness (I)	0,92	3,3532	1,0306	,456*	,435*	,554*

\*  $P < 0,01$

### 3.8 Structural Equation Model

The variables of the research model have been considered as the means of their components. The components of the variables were considered as latent variables. There are similar applications in the literature (Hult et al., 2004). The values of indices,  $X^2$  and RMSEA are within acceptable limits. All these indicators show the theoretical model meets the requirements of the SEM for further analyses.

According to the results shown in Table 7, market orientation effects on innovativeness ( $\beta_1: 0,59$ ) as proposed in the hypothesis  $H_1$ , market orientation effects on quality orientation ( $\beta_2: 1,02$ ) as proposed in the hypothesis  $H_2$ ; quality orientation effects on innovativeness ( $\beta_3: 0,56$ ) as proposed in the hypothesis  $H_3$ ; learning orientation effects on quality orientation ( $\beta_4: 0,52$ ) as proposed in hypothesis  $H_4$ ; and learning

orientation effects on innovativeness ( $\beta_5:0,64$ ) as proposed in hypothesis H<sub>5</sub>. According to the results H<sub>1</sub>, H<sub>2</sub>, H<sub>3</sub>, H<sub>4</sub>, and H<sub>5</sub> supported.

Table 7. Analysis Results of the Model

<i>Cause</i>	<i>Result</i>	<i>Relationship</i>	<i>Hypotheses</i>	<i>PT</i>	<i>t</i>
MARKOR → INNOV		+	H1	0,59	35,204*
MARKOR → QUALOR		+	H2	1,02	51,009*
QUALOR → INNOV		+	H3	0,56	5,497*
LEARNOR → QUALOR		+	H4	0,52	12,345*
LEARNOR → INNOV		+	H5	0,64	10,568*

\*  $P < 0,01$

$\chi^2: 0,000$

CFI: 0,995, RMSA: 0,222, NFI: 0,994, RFI: 0,970.

PT: Standardized parameter estimations

### 3.9 Mediating Effect

To show the mediating effect of the quality orientation, hierarchical regression analysis has been done (Baron ve Kenny, 1986). The results are shown in Table 8.

Table 8: Results of the hierarchical regression Analysis

<i>M</i>	<i>Independent Variables</i>	<i>STD. BETA</i>	<i>T</i>	<i>R<sup>2</sup></i>	<i>F</i>
1	Market Orientation	0,253	2,841**	0,061	9,027
2	Quality Orientation	0,297	3,412**	0,074	11,214**
3	Learning Orientation	0,311	3,659	0,078	12,347**
4	Market Orientation	0,149	1,769	0,127	7,912**
	Quality Orientation	0,209	2,567**		
5	Learning Orientation	0,117	1,259	0,089	7,713**
	Quality Orientation	0,219	2,467**		

\* $P < 0,01$ , Dependent variable: Innovativeness

As shown in the Model 1, Model 2, and Model 3, quality orientation, market orientation and learning orientation positively effects on innovativeness. The model 4 shows that the quality orientation positively effects innovativeness while market orientation not. So quality orientation is a mediating variable while the relationship between market orientation and innovativeness ( $\beta: 0,209$ ). Model 5 shows that the quality orientation positively effects innovativeness while learning orientation not. So quality orientation is a mediating variable while the relationship between learning orientation and innovativeness, too ( $\beta: 0,219$ ).

#### 4. Conclusion And Recommendations

The purpose of this study is to explore the role of quality orientation in the relationship between learning orientation, market orientation and innovativeness, i.e. whether it has a mediating effect. Important findings have been obtained related to the role of learning orientation in the relationship between learning orientation, market orientation and innovativeness.

It has been found that quality orientation has a mediating effect in the relationship between learning orientation, market orientation and innovativeness. According to both the literature and the findings of this study, firms are able to increase their innovation performance and general performance as well by implementing quality orientation and learning orientation practices, which seems to be inevitable for sustainable competitive advantage in today's highly competitive environment due to globalization. However, although these paradigms seem theoretically simple, they require the participation of senior management for implementation. Otherwise, it is impossible to go beyond trendy management practices.

Although there are claims that market orientation may increase innovation performance and general performance of firms, our study does not support this positive relationship. A positive effect of learning orientation on quality orientation has not been found in our study either.

It is believed that performing this study with a sample involving more sectors would be beneficial. Also, including public institutions in the sample would contribute greatly.

According to the literature, data collection, one of the components of market orientation, allows for determination of customer demands and needs. Since this determination of demands and needs is not meaningful on its own, these demands and needs should be spread within the functions of the firm using the second component of market orientation, spreading knowledge, in order to ensure that the firm acts toward a common goal as a whole. Implementation of this knowledge will allow them to exist, which is only possible with the third component of market orientation, responsiveness.

The main objectives of a firm are profitability, maintaining its existence and achieving required growth. In order to achieve these objectives, the firm must encourage its employees to learn and provide them with an environment in which they can express their ideas. Employees and customers are basic building blocks that keep a firm alive. The firm cannot exist without employees, as well as customers. A firm's getting to know about its customers is not meaningful on its own. Today, customers look for quality in products that they purchase. In order for firms to offer quality products to their customers, they need to have a customer focus and unite their employees under a common goal and in a common direction. With continuous improvement, firms can improve the quality of their products. To this end, firms must not limit themselves with introducing new products, but adopt innovativeness organization-wide.

Today's competitive conditions are on an international level. It is only possible for firms to survive in these ruthless competition conditions by taking right steps. According to the literature, ability to see market orientation, quality orientation, learning orientation and innovativeness as a whole is an important guide for firms to stay alive.

#### 4.1. The Mediating Effects

The mediating effect of quality orientation in the relationship between learning orientation, market orientation and innovativeness has also been investigated in this study.

As a result of this investigation, it has been found that quality orientation and learning orientation affect innovation performance in a powerful way. There is a positive and significant relationship between market orientation and quality orientation. However, quality orientation overshadows the effect of market orientation on innovation performance. Accordingly, quality orientation has a mediating effect on innovation performance.

There is a strong relationship between learning orientation and market orientation. The market orientation-innovation performance relationship is overshadowed by learning orientation and quality orientation. In conclusion, it has been found that quality orientation has a mediating effect on the market orientation-innovation performance relationship.

#### 4.2 Conclusions for Managers

First of all, managers must know employees working in their firms very well. This is possible by learning about employees' capacities and guiding them in the correct way.

Managers must provide an environment in which employees can express their ideas comfortably. They must encourage their employees to learn and provide the environment in which different ideas can be expressed. Today, knowledge is one of the most important sources of capital. Managers must have knowledge about not only their employees, but also their customers. First of all, employees must be explained why this knowledge is necessary to obtain. Employees will start the first phase of market orientation by collecting information from customers. This knowledge will be spread within the firm, which constitutes the second phase, and responding phase will be completed by offering products which align with customer needs. Managers must see that it is not enough for survival in today's competition to introduce products that meet customer demands and needs. Today, customers look for quality in products. In order to offer quality products to customers, managers have customer focus and implement teamwork within the firm. This way, market orientation will be implemented while capturing different perspectives of employees. Managers will be able to obtain better results in both their products and business process with continuous improvement. Continuous improvement starts with management and continues with employees.

Managers will start the first phase of learning orientation by encouraging their employees to learn. Learning orientation is primarily the responsibility of senior management. By expressing their ideas, employees will create a stronger bond with the firm and also understand with what purpose the firm acts as a whole. Learning orientation must be the shared vision of the senior management. This way, employees will improve innovativeness in an organizational sense as well.

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