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GAINING COMPETITIVE ADVANTAGE AND ORGANIZATIONAL PERFORMANCE THROUGH CUSTOMER ORIENTATION, INNOVATION DIFFERENTIATION AND MARKET DIFFERENTIATION

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ABSTRACT

This paper examines the relationship between customer orientation, innovation differentiation, market differentiation and organizational performance in the banking industry in Jordan. A survey of 16 Jordanian banks provides the basis for the empirical investigation. The relationships between the four latent constructs are examined using structural equation modeling and confirmatory factor analysis. The findings show that customer orientation contributes positively to organizational performance by providing innovation differentiation and market differentiation. Another finding of this study is that the impact of innovation differentiation on organizational performance is greater than market differentiation. In addition, doing both innovation differentiation and market differentiation simultaneously achieves greater competitive advantage that leads to best results in organizational performance. Finally, this paper also discusses the theoretical and managerial implications of the results.

Keywords: *Customer orientation; innovation differentiation; market differentiation; competitive advantage; organizational performance; banking; Jordan.*

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1. INTRODUCTION

In the last two decades, Jordan has witnessed a rapid increase in the number of local and foreign banks. The number of licensed banks operating in Jordan has risen from 20 banks in 2000 to 25 banks at the end of December 2010 (http://www.abj.org.jo). From the total, 16 were Jordanian banks (three of which were Islamic banks), and nine were foreign banks (six of which were Arabic banks).The rise in number was the result of the Central Bank granting licenses to three foreign banks to operate in Jordan which saw an increase of five foreign banks in 2000 to eight banks in 2004.In 2009, the number of licensed banks has reached to 25 banks and at the end of 2009; these licensed banks operated 619 branches and 66 offices in Jordan. The increase of the number of banks has resulted in high competition among banks. As a result, banks managements have to market their banking services in different and attractive ways to satisfy and fulfill customer needs and desires which are continuously changing. Banks are exerting their best efforts for the purpose of achieving profits that help in covering their expenses, ensuring their survivals, and maximizing their values(Kumar et al., 2011). Therefore, it is critical that managers identify and understand strategic orientations such as market orientation to enable a firm to achieve competitive advantage that leads to greater organizational performance.

Market orientation is important for organizations to compete against one another in the worldwide global market. In response to the changing needs of the customers, service firms have taken various approaches to make sure that they provide adequate services to their customers. Market orientation is considered as a business culture that facilitates firms in achieving sustainable competitive advantage by creating superior customer value (Narver and Slater, 1990). Since customer needs change rapidly, a market orientation requires a clear understanding of both the present and future demand dynamics of target customers. The salient dimensions of marketing orientation which are customer and competitor orientation, are considered important strategic orientations to achieve a competitive advantage (Sørensen, 2009; Zhou et al., 2005; Slater and Narver, 1994; Day and Wensley, 1988; Day and Wensley, 1983). Another reason which makes market orientation important is its link to organizational performance because market orientation constitutes a crucial success factor for organizational performance (Tsiotsou and Vlachopoulou, 2011). Consequently, the ultimate success of any businesses lie within the firms' ability to serve its customers, which means that firms should adopt more market-based strategies, such as market orientation, to improve its performance (Li and Zhou, 2010).

Although a substantial amount of research on market orientation, competitive advantage, and organizational performance can be found in the marketing literature, little attention has been paid in investigating the relationship between customer orientation, innovation differentiation, market differentiation and organizational performance in the banking industry. To the best knowledge of the researchers, this is the first research of its kind in Jordan that addresses such particular topic.

It is vitally essential for banking managers to comprehend and measure the impact of customer orientation on organizational performance via innovation differentiation and market differentiation. Therefore the key purpose of this study is to investigate the relationship between customer orientation, innovation differentiation, market differentiation and organizational performance in the banking industry in Jordan (see Fig. 1). The research question of this study is: Which type of differentiation should be adopted in the banking industry to achieve superior competitive advantage that leads to greater organizational performance?

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

2. THEORETICAL BACKGROUND

2.1. Market orientation

In the existing market orientation research, most definitions of market orientation were derived from the conceptualization of either Kohli and Jaworski (1990) or Narver and Slater (1990). Kohli and Jaworski (1990) compared three core elements of market orientation which are intelligence generation, intelligence dissemination, and responsiveness. In the same fashion, Narver and Slater (1990) postulated that market orientation has three components which are customer orientation, competitor orientation, and inter-functional coordination. The first component which is customer orientation involves the understanding of target customers and effectively deploying the skills and resources of the firm to satisfy customers by creating superior value. The second component which is competitor orientation has to do with creating superior value through understanding the principal competitors' short-term strength and weaknesses and long-term capabilities and strategies. The final component which is the inter-functional coordination involves getting all business functions working together to provide superior value (Slater and Narver,1994; Narver and Slater, 1990). Thus, market orientation salient dimensions, which are competitor and customer orientation, are considered important strategic orientations.

There is a strong preoccupation with competitors and competitive intelligence as it can have negative consequences to a firm's financial performance (Sørensen, 2009). Zhou et al. (2009) suggested that competitor orientation has a negative effect on a firm's market differentiation. Furthermore, Despande and Farley (1996) found that market orientation was in reality identical with customer orientation. Customer orientation is parallel to the marketing concept as customers have been usually considered as the main focus of market orientation (Heiens, 2000; Deshpande and Webster Jr, 1989; Payne, 1988). Sorensen (2009) and Han et al. (1998) indicated that customer orientation is perhaps the most fundamental element of market orientation. In other study, consumer orientation and market orientation are viewed as identical element (Deshpandé et al., 1993). Customer focus business is likely to be interested in long term business success and when the market segmentation and buyer power is low, it should emphasize on customer needs (Heiens, 2000) .Hence, it would be of particular importance for the service sector to adopt a customer orientation as a predictor of success (Appiah-Adu and Singh, 1998; Pelham and Wilson, 1995). Therefore, this study focuses on the customer orientation facets of market orientation and eliminates the facets of competitor orientation.

2.2. Competitive advantage

Competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and services that justifies a higher price (Porter, 1985). Porter (1985) defines competitive advantage along the three dimensions of cost, differentiation and focus with competitors trying to set themselves apart from those perceived as "stuck in the middle" without competitive advantage. Porter's (1985) work suggests that being able to produce an event at a lower cost compared to the competitors is one-way to competitive advantage. Typically, this comes from large-scale organizations developing efficiency due to their repetitive experience of the tasks involved or using their power to leverage lower costs. The other two routes to competitive advantage relate to the value seen by customers who either see specific attractive elements in the offering (differentiation) or feel that all their needs are being met in the best way by that competitor's offering (focus) (Henderson, 2011). In addition, Miller (1988, 1987) distinguishes between two types of differentiation advantages: innovation differentiation and market differentiation. A firm can differentiate itself in various ways, such as offering innovative features, launching effective promotion, providing superior service, developing a strong brand name, and so on (Li and Zhou, 2010).

Previous research appears to have reached a consensus that competitor orientation is most likely to lead to cost advantage (Han et al., 1998; Day and Wensley, 1988). Akdag and Zineldin (2011) found that price competitiveness is the least important factor for customers when they evaluate their business relationship with banks. Njoya and Niemeier (2011) suggest that low cost strategy offers a temporary competitive advantage which has so far not often been exploited. Furthermore, Henderson (2011) states that a cost leadership strategy is unlikely to work in offering competitive advantage. Lion's share marketing group website indicates that community banks are not usually able to achieve cost advantage, especially in head-to-head competition with larger, high-volume institutions. In addition, firms cannot pursue all of the competitive bases because of scarcity of resources (Prajogo and McDermott, 2011; Wheelwright, 1984) It would be unusual to find an organization that competes on all three dimensions but most would hope to have competitive advantage from one or the other dimensions (Henderson, 2011; Porter, 1985) . Chowdhury (2011) describes competitive advantage as the result of differentiation. Based on the above, that leaves differentiation as their primary method for creating competitive advantage, hence, this study focuses on the differentiation of advantages and eliminates the element of cost advantage.

2.3. Organizational performance

Organizational Performance can be seen as a multi-dimensional construct consisting of more than simply financial performance (Baker and Sinkula, 2005). Organizational performance is described as the extent to which the organization is able to meet the needs of its stakeholders and its own needs for survival (Griffin, 2003). Stoelhorst and Van Raaij (2004) describe market orientation as marketing's explanation of performance differentials between firms. Market orientation enhances a firm's performance by providing differentiation and cost advantages (Li and Zhou, 2010).

There are substantial empirical evidences that have linked market orientation with business performance. It is found from past researches that there is either a direct positive relationship (Kumar et al., 2011; Mahmoud, 2011; Singh, 2009; Zhou et al., 2009; Farrell et al., 2008; Martín-Consuegra and Esteban, 2007; Langerak, 2002; Deshpandé and Farley, 1998; Avlonitis and Gounaris, 1997 Jaworski and Kohli, 1993), or indirect influences (Agarwal et al., 2003; Han et al., 1998), or dual influences (Ramayah et al., 2011; Tsiotsou and Vlachopoulou, 2011), or no effects (Nwokah, 2008; Caruana et al., 2003; Greenley, 1995) between the two constructs.

In the market orientation literature, various measures of business performance have been utilized such as service productivity (Tsiotsou and Vlachopoulou, 2011), return on assets (Sørensen, 2009; Narver and Slater, 1990), customer satisfaction(Chowdhury, 2011), employee satisfaction (Ramayah et al., 2011), service quality, market share (Zhou et al., 2009), sales, net income (Kumar et al., 2011), and size of the firm, age of the firm (Mahmoud, 2011) . In addition, the majority of the performance measurements identified focused on macro level-business performance (Martín-Consuegra and Esteban, 2007; Santos-Vijande et al., 2005), a more micro performance perspective is dealt with in several studies, for example, new product performance (Hsieh et al., 2008), financial performance (Lonial et al., 2008), retail performance (Panigyrakis and Theodoridis, 2007), and specific brand performance (O'Cass and Ngo, 2007). Kotler (2010) pointed that to measure an organization's performance; it shall consider customer satisfaction, customer preference, share of customer mind, customer perception, and so on. Organizational performance is the results of the operations performed by the members of the organizations (Ruey-Gwo and Chieh-Ling, 2007). Therefore, market orientation does not only affect many types of performance measures, but it also impacts performance on a number of different levels from the overall organization to individual brands to individuals within the organization (Liao et al., 2011).

2.4. Customer orientation and innovation differentiation

Innovation can take the form of a new service or product, a new structure, a new production process, or a new administrative system (Bilgihan et al., 2011; Gebauer et al., 2011; Ren et al., 2010). Innovation differentiation advantage arises when a firm creates the most up-to-date and attractive products by leading competitors in efficiency, quality, style, and design innovations (Miller, 1988). A customer oriented firm can anticipate its customers' changing needs and respond to them through continuous innovation from its external focus on collecting, analyzing, and disseminating information about customers. (Zhou et al., 2009). The competitors and customers of an innovative company perceive the company as being able to utilize the latest technology and introduce new goods or services at an early stage (Gebauer et al., 2011). For example, the Cairo Amman Bank has replaced the need for personal identification cards in banking transactions with the deployment of the Iris Recognition System. Customers will be scanned by the system and their personal details will appear on the screen of the financial advisor. As every person's iris has an individual eye print, the Iris Recognition System is considered to be the most secure banking technology. Although innovation can imply risk, uncertainty, high initial, and continuous investments, the benefits such as price premiums for innovative product, customer loyalty, entry barriers for potential imitators, and differentiation from competition generally seem to outweigh the costs (Rosenbusch et al., 2011). Cheng and Krumwiede (2011) indicate that customer orientation has a positive relationship with service innovation. Thus, we hypothesize that:

H1. The greater the bank's customer orientation, the greater its innovation differentiation advantage.

2.5. *Customer orientation and market differentiation*

A market differentiation occurs when a firm creates a unique image in the market and achieves customer satisfaction and loyalty through meeting customers' particular needs and desires (Miller, 1987). A customer-oriented firm is able to make its market offerings more differentiate by adjusting its marketing mix through the knowledge of the customers' needs and desires (Li and Zhou, 2010). In order to distinguish a bank from its competitors, provides a competitive marketing tool, and to be the most preferred bank for a certain given market segment are through the development of marketing mix strategy (Akdag and Zineldin, 2011). Such as, good services, effective processes, qualified stuff members, convenient locations, customized and personal solution, which does not imply most up-to-date service. For example, most banks provide 24-hour banking, SMS banking, mobile banking and internet banking for their customers. In addition, a company's tacit knowledge and the experience of public relations that a company accumulates over a long period of time are both difficult resources for competitors to imitate (Ren et al., 2010). Thus, we hypothesize that:

H2. The greater the bank's customer orientation, the greater its market differentiation advantage.

2.6. Innovation differentiation and organizational performance

Innovativeness is one of the fundamental instruments of growth strategies for firms to enter new markets, to increase the existing market share and to provide the firm with a competitive advantage (Günday et al., 2011). Innovation–performance relationship is context dependent and factors such as the type of innovation, the cultural context, and age of the firm affect the impact of innovation on organizational performance to a large extent (Rosenbusch et al., 2011). It is proposed by Han et al. (1998) that a market-oriented firm is likely to be innovative, which, in turn, leads to superior performance achievement. It is found in the literature, that there is a positive relation between innovation and performance (Jiménez-Jiménez and Sanz-Valle, 2011; Thornhill, 2006; Weerawardena et al., 2006; Schulz and Jobe, 2001; Hanson et al., 1999; Bierly and Chakrabarti, 1996; Damanpour and Evan, 1984). Thus, we hypothesize that:

H3. The greater the bank's innovation differentiation advantage, the greater its organizational performance.

2.7. Market differentiation and organizational performance

Firms with a market differentiation advantage have successfully created unique images for their market offerings by specifically tailoring their marketing mixes to their target customers and, thus, can reap the benefits of high levels of customer satisfaction and loyalty (Miller, 1988). A favorable image weakens the negative effect of competitors and enabling organizations to achieve a greater profit (Fombrun and Shanley, 1990). It is indicated by Amonini et al. (2010) that professional service firms seek to differentiate themselves by providing better service quality and greater value, developing brands with strong reputations, and developing long-term relationships in order to achieve competitive advantage, and superior performance. Thus, we hypothesize that:

H4. The greater the bank's market differentiation advantage, the greater its organizational performance.

3. METHODOLOGY

3.1. *Population and data collection*

The target population for this research is the banking industry in Jordan and it specifically targeted the executive management of Jordanian banks. The 16 Jordanian banks included approximately 227 managers in the executive managements (e.g., general managers, deputy general managers, assist general managers, executive managers) (see Table 1). Thus, we took the whole target population in this study. Prior to finalizing the questionnaire, industry professionals from the banking sector thoroughly refined it, assuring content validity, relevance and, representativeness. Next, it was pre-tested through 16 pilot interviews where an interview was carried out with the general manager or one of the deputy general managers from each bank. The respondents were informed of the confidentiality of their responses and purpose of the project which was for academic purpose. They were also promised to be given a summary of the research findings and this promise was fulfilled at the end of the study. Given the non-English research context, the questionnaire was translated and, back-translated to ensure that the underlying theoretical meaning of each of the questions was not lost during the translation process.

227 questionnaires were distributed and only 198 questionnaires were returned to the researchers. 107 participants responded in the first month and 91 in the second month, after two rounds of follow-up and periodic notification. However, it was found in three responses that too much data was missing and as a consequence, it was removed from the analysis. The sum was reduced to a total of 195 usable responses, which in turn represents an overall response rate of 85.9%. These 195 usable responses were adequate enough to conduct a confirmatory factor analysis (CFA) and a structural equation modeling (SEM) (Hair et al., 1998).The process of distributing the questionnaire was a drop-off approach (Aaker et al., 2008). Based on the logic of this method, the researchers hand-delivered the questionnaires to the executive management, explained to them the purpose of the study, stated the required procedures in filling out the questionnaire and answered any question in regard to any of the questionnaire's statements. To ensure that there is no element of non-response bias, a comparison was made between early respondents (during the first month) and late respondents (during the second month) by using independent t-tests on the constructs of interest for this study. No significant difference was found and this suggested that the whole population is free from response bias.

3.2. *Measures*

A review of the market orientation literature found that a large selection of "global" measures of market orientation (e.g., Matsuno and Mentzer, 2000; Deshpande´ and Farley, 1998; Kohli et al., 1993; Narver and Slater, 1990) and "component" measures of customer orientation and competitor orientation were based on Narver and Slater (1990) (e.g., Im and Workman Jr, 2004; Gatignon and Xuereb, 1997). Narver and Slater (1990) and Dibrell et al. (2011) scale's consisted of 15-item to measure market orientation. Thus, this study adapted the 6-item scale from Narver and Slater (1990) and Dibrell et al. (2011) which was related to customer orientation in order to measure customer orientation in the banking industry context. This study also adapted the 7-item innovation differentiation and market differentiation scales from Chandler and Hanks (1994) to fit the banking context. In addition to this, organizational performance was measured using the marketing performance scale with three items adapted to the banking industry setting from Moorman and Rust (1999). The responses to the items were made using a 5-point Likert scale, ranging from '1' (strongly disagree) to '5' (strongly agree).
This study employed descriptive statistic, structural equation modeling (SEM) and confirmatory factor analysis (CFA). The proposed research model was evaluated using structural equation modeling (SEM). The data obtained were tested for reliability and validity using confirmatory factor analysis (CFA). This step was used to test whether the empirical data conformed to the presumed model. The model included 16 items describing four latent constructs: customer orientation (CO), innovation differentiation (ID), market differentiation (MD) and organizational performance (OP) (see Fig 1). The data obtained from the survey were analysed using AMOS 5. The distribution period of the questionnaire was from 9 September 2011 until 11 November 2011.

3.3. *Measurement validation*

The measurement model test presented a good fit between the data and the proposed measurement model. For instance, the chi-square/degrees of freedom (396/194) were used because of the inherent difficulty with the sample size. The X^2/d.f value was 2.04 which falls in the recommended range of two and five as suggested by Joreskog and Sorbom (1993) and this shows that the model has a good fit to the data. The various goodness-of-fit statistics are shown in Table 2. A GFI is 0.9. RMSEA is with the recommended range of acceptability (<0.05 – 0.08) suggested by MacCallum et al. (1996). Based on assessment criteria such as X^2, RMR, GFI, NFI, CFI and RMSEA, the measurement model has a good fit with the data.

3.4. *Reliability and construct validity*

The composite reliability (CR) was estimated to evaluate the internal consistency of the measurement model. The composite reliabilities (CR) of the measures included in the model ranged from 0.86 to 0.93 (see Table 3) and the scores were greater than the benchmark of 0.60 recommended by Bagozzi and Yi (1988). As shown in Table 3, the average variance extracted (AVE) for all measures also exceeded 0.5, indicating adequate convergent validity (Hair et al., 1998). Thus, this showed that all measures had strong and adequate reliability and discriminate construct validity. The complete standardized factor loadings and individual item reliability for the observed variables are presented in Table 4.

4. ANALYSIS AND RESULTS

Descriptive information of the sample revealed that 96% of respondents were male while 4% of the respondents were female. Additionally, 11 respondents were general managers (5.6%), 34 respondents were deputy general managers (17.4%), 63 respondents were assistant general managers (32.3%) and 87 respondents were executive managers (44.7%). On an average, all the respondents have been working for 17.5 years in the banking industry and for 8.5 years with their bank, their age was 41.5 years old, and 96.9% of them held at least a bachelor's degree.

Table 5 presents the significant structural relationship among the research variables and the standardized path coefficients. All the hypotheses were strongly supported. For hypothesis H1, the result indicated that customer orientation (CO) has a significant positive effect on the innovation differentiation (ID) ($\beta = 0.33$, $t = 3.37$, $P < 0.01$). The customer orientation (CO) also has a significant positive effect on the market differentiation (MD) (H2: $\beta = 0.34$, $t = 3.46$, $P < 0.01$). Thus, it is evident that customer orientation is a factor that significantly influenced the innovation differentiation and market differentiation. In addition, the data shows that innovation differentiation (ID) significantly and directly influences the organizational performance (OP) (H3: $\beta = 0.33$, $t = 3.21$, $P < 0.01$). The result confirms that market differentiation (MD) positively and directly influences the Organizational Performance (OP) (H4: $\beta = 0.28$, $t = 2.52$, $P < 0.01$).

5. DISCUSSION

The purpose of this study was to analyze the relationship between customer orientation, innovation differentiation, market differentiation and their impact towards organizational performance. This is the first ever study, based on the authors' knowledge, that investigates the relationship between customer orientation, innovation differentiation, market differentiation and organizational performance within the context of the banking industry. Furthermore, this present study draws upon the data collected from the banking industry in Jordan, since it is an area which has recently experienced rapid transformation due to market deregulation and increasing global competition.

The results of the analysis of the conceptual model concur with previous research, which states that customer orientation achieves competitive advantage through innovation differentiation and market differentiation, which, in turn, improve organizational performance as agreed by Zhou et al. (2009). The customer orientation has almost similar impacts on innovation differentiation and market differentiation. On the other hand, the impact on organizational performance differs. Innovation differentiation has a greater impact on organizational performance than market differentiation does. Thus, in order to enhance organizational performance, innovation differentiation is relatively more important rather than focusing on market differentiation in the organizational processes and structures. In addition, doing both simultaneously achieves competitive advantage that leads to greater organizational performance.

5.1. *Managerial implication*

These findings substantiate our conceptual model and offer several managerial implications. First, in response to the changing of customer needs, it is safe to suggest that executive management needs to make sure that they provide adequate services to their customers. In other words, executive management should pay more attention to customer orientation. In addition, executive management should put additional emphasis and more attention to innovations differentiation as they are important instruments for achieving competitive advantage which leads to greater organizational performance. Furthermore, market differentiation appears as a critical driver for organizational performance, which also acts as a bridge carrying positive impacts of customer orientation to organizational performance. For these reasons, executive management ought to focus and invest more on innovation differentiation and market differentiation and try to adapt both simultaneously to achieve best results.

5.2. *Limitations and future research*

The results of this study should be viewed in the context of its limitations and could also be developed in future research. The present study provides empirical evidence for the effect of customer orientation, innovation differentiation and market differentiation on organizational performance in the banking industry in Jordan. Nonetheless, there are some limitations in the study. First, the target population consists of only Jordanian banks, therefore our ability to generalize the reported results to manufacturing firms is restricted. Secondly, we asked the executive managements to assess the relationship between customer orientation, innovation differentiation, market differentiation and their impact towards organizational performance. It is possible that assessments from branch managers or customers will be much more accurate compared to the executive managements' assessments. Thirdly, the use of sample from only one country (Jordan) also constitutes another study limitation. Consequently, in order to generalize the findings of this study, further research is needed to test the proposed model in various industries and countries.

Future research should attempt to overcome the limitations of this research. One key point is to expand this model by considering other important latent construct such as competitive orientation, low cost advantage and financial performance. An additional recommendation is to study different service industry to discover the dynamics between the four latent construct in the service industry. Another suggestion is it should investigate how customer orientation in other market and business resources and capabilities (e.g. service quality) influence organizational performance.

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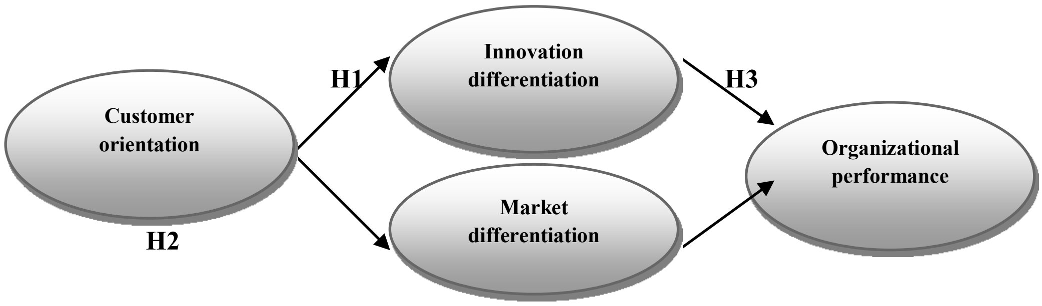

Fig. 1. The concept model

Table 1: Jordanian Banks (Commercial& Islamic Banks)

Number	Banks Name	*Executive management
1	Arab bank	13
2	Jordan ahli bank	19
3	Cairo Amman bank	20
4	Bank of Jordan	16
5	The house bank for trade & finance	29
6	Jordan Kuwait bank	20
7	Arab Jordan investment bank	10
8	Jordan commercial bank	12
9	Invest bank	10
10	ABC bank	10
11	Union bank	12
12	Societe general Jordan	10
13	Capital bank	12
14	Jordan Islamic bank	10
15	International Islamic Arab bank	10
16	Jordan Dubai Islamic bank	14
	Total	**227**

*Executive management = general manager, deputy general manager, assistant general manager, executive manager.

Table 2: Model evaluation overall fit measurement

Measure	Value
X^2 (Between 2–5)	2.02
Root mean square residual (RMR) (<0.05)	0.04
Goodness of fit index (GFI) (>0.9)	0.90
Normed fit index (NFI) (>0.9)	0.92
Comparative fit index (CFI) (>0.9)	0.96
Root mean square error of approximation (RMSEA) (<0.05–0.08)	0.053

Table 3: Assessment of the construct reliability

Variables	The composite reliability(>0.6)	Average variance extracted (>0.5)
Customer orientation (CO)	0.93	0.79
Innovation differentiation (ID)	0.86	0.73
Market differentiation (MD)	0.92	0.82
Organizational performance (OP)	0.91	0.69

Table 4: Standardized factor loadings and individual item reliability

Items	Measure	Factor loading	R^2> 0.5
CO1	We constantly monitor our level of commitment and orientation to serving customers' needs	0.77	0.59
CO2	Our strategy for competitive advantage is based on our understanding of customer's needs	0.87	0.76
CO3	Our top managers from across the business regularly visit our current and prospective customers	0.84	0.71
CO4	Our business strategies are driven by our beliefs about how we can create greater value for customers	0.79	0.62
CO5	We target customers where we have an opportunity for competitive advantage	0.82	0.67
CO6	We measure customer satisfaction systematically and frequently	0.74	0.71
ID1	We are constantly investing in generating new capabilities that give us an advantage compared to our competitors	0.72	0.52
ID2	If ever there was a new way of serving customers, our company would be able to offer that	0.89	0.79
MD1	It is difficult for our competitors to imitate us	0.90	0.81
MD2	Our services are unique and nobody but our company can offer them	0.91	0.82
MD3	It took us several years to build our brand name reputation — nobody can easily copy that	0.72	0.52
MD4	Our advantages are embodied in the company and not in individuals — nobody can copy us by stealing our employees away from us	0.76	0.56
MD5	Nobody can copy our corporate routines, processes and culture	0.80	0.64
OP1	Our Repeat business has exceeded that of our competitors	0.78	0.61
OP2	Our Service quality has exceeded that of our competitors	0.83	0.69
OP3	Our Customer satisfaction has exceeded that of our competitors	0.81	0.66

Table 5: Standardized structural equation parameter estimates (t-value).

	Innovation differentiation (ID)	Market differentiation (MD)	Organizational Performance (MP)
Customer orientation (CO)	0.33^{**} (3.37)	0.34^{**} (3.46)	-
Innovation differentiation (ID)	-	-	0.33^{**} (3.21)
Market differentiation (MD)	-	-	0.28^{**} (2.52)

** P < 0.01.