

Leader Personality and Firm Performance: The Mediating Role of Market Orientation

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Abstract The purpose of this study is to link leader personality, market orientation, and the firm performance. With the help of extant literature review, the study draws underpinnings of the model to establish relationship between leader personality and firm performance. More importantly, the research proposes that market orientation mediates the relationship between leader personality and the firm performance. The study develops an integrative model which along with relating these concepts also delineates the role of environment turbulence as moderator. Additionally, the study proposes various theoretical propositions that will be tested empirically in the future in the Indian automobile industry. Implications and contributions of the research are discussed towards the end.

Key Words: Environment, Leader, Market orientation, Personality, Strategy, Turbulence

Introduction

It goes without saying that today's business environment is in the continuous state of flux; marred by progressive globalization, shortening product life cycles, intensifying competition, and more demanding customers. In such an environment company's ability to quickly calibrate its marketing manoeuvres is critical if it is to remain competitive in the long run. In other words, organisation must exhibit market orientation. Even before the globalisation era started, authors like Narver and Slater (1990), Dickson (1992), and Jaworski and Kohli (1993) have had emphasize the importance of market orientation and now with the changes happening at the breakneck pace, the incorporation of market orientation has become absolute mandatory for the organisations for sustaining their business profitability in the long run. This is the reason why many authors in the literature have constantly emphasized the incorporation of market orientation in the strategic aspect of the policy making.

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The top management of the organisation must follow the market orientation strategy and hence, the role of company's CEO become very important in shaping the long term vision of the organisation.

The personality of the CEO is important aspect that has relationship with the firm performance. The personality traits of the leader are directly related to organization's performance and long term vision of the organisation. There are many studies which have found direct relationship between leader personality and the firm performance (Hayes and Garry 1994; Hayward and Hambrick 1997). Digging deep into the literature of leadership personality and firm performance, researchers have found a very interesting pattern in this regard. While some of the study is found there is direct relationship between leader personality and the farm performance (McCrae and Costa 1999; McDonal et al. 2008), there are others who fails to establish any direct relationship between these two aspects (Peterson 2003; Nadkani and Narayanan 2007). Behind these equivocal results, we propose that the relationship between leader personality and the firm performance is mediated by the market orientation aspect and that's why there is no consistent pattern in the results. Through this research, we propose to build a theoretical model depicting the relationship between leader personality, firm performance, and market orientation. Along with the theoretical development, this research also aims to give theoretical propositions that will be tested in the future on the Indian automobile industry.

Literature Review

Market Orientation The concept of market orientation has been defined in the literature by various authors from different viewpoints and hence, it comes as no surprise that wide variety of definitions exist for this concept. Some authors have defined the market orientation in terms of the generation of relevant information and its dissemination (Langan 2007; Miller and Toulouse 1986) while others has used the market orientation in order to define responses as well as implementation of the marketing plan for achieving higher market share (Kohli and Jaworski 1990; Jaworski and Kohli 1993). In its simplest terms, market orientation can be defined as the implementation of the concept of marketing (Logman 2008). This means the organisation which act according to the various concepts of marketing is said to have implemented the market orientation. It goes without saying that companies adopting market orientation are in a better position to meet the customers' need more effectively than the rivals' propositions. There are many studies happened in the various parts of the world,

especially in the US market, which testifies the importance of market orientation for the performance of the firm (Jaworski and Kohli 1993; Narver and Slater 1990). Here it is important to clarify the difference between customer orientation and market orientation, which are the entire completely different concept but many a times confused to be the same. While the customer orientation is focused on the present needs of the customers, market orientation is related to the both future and present need of the buyers. Also the concept of market orientation signifies the importance of learning from the competition along with the customers while customer orientation completely neglects the important aspect of competition. What really sets market orientation apart is the fact that this concept involves the learning of the organisation from all its stakeholders including customers and competition (Sanchez 1995). This implies that both short term objective and long term goals will be covered by the market orientation concept which is really good for the sustainability of the business of the organisation in the long run.

Leader Personality Literature review on the leader personality suggests that traits of the organisation's CEO play a very important role in fostering firm performance. There is a consensus in the literature that personality of the leader affects the performance of the firm (Ansoff 1965; Bahrami 1992). However, there is a difference in the way leader personality affect the organisation's performance. This difference has been highlighted by the various studies in which some of the authors have found a direct relationship between leader personality and the performance while others have found no such direct linkages between these two aspects.

When we talk about leader personality, there are three important concepts that need to be taken into consideration while delineating the role of personality in affecting the performance. First concept is related to field of vision of the leader which is defined as overall outlook and exposure that the leader has got over the years during its professional career while handling various responsibilities at various levels of hierarchies in various organisations (Hambrick and Mason 1984). Larger the field of vision of the leader, more capable one will be in handling that different kind of situations and hence, better will be the performance of the organisation. Second concept in the leader personality relates to the selective perception of the large number of stimuli that a leader come across during its interaction and facing of different situations and challenges (Gundlach and Achrol 1993). This selective perception act as a major barrier to performance of the organisation in the long run and therefore, it is recommended that leader must not exhibit selective perception in dealing with the different situation and challenges. Third and last aspect in the leader

personality that affects the performance of the organisation is the selective interpretation. This simply means how the leader attaches meaning to the various stimuli and this is the last step in the process in the way information is perceived, consumed, and interpreted by the leader (Bowman and Hurry 1993). All these three aspects come together and collectively decide the personality of the leader heading the organisation which in turn affects the organisation performance in a significant manner.

Linking Leader Personality to the firm performance

In accordance with the extant literature, we propose that leader personality affect the performance of the firm. The three important characteristic of the personality model, i.e., field of vision, selective perception, and selective interpretation are responsible how the personality of the leader will affect the performance of the organisation. The first aspect that is related to the vision field is very much important in order to have broad outlook and open mind set for taking the decisions in the environment which hasn't been previously encountered by the leader of the organisation. This means broad vision of the leader is helpful in an unorthodox condition and especially significant in today's turbulent environment (Judge et al. 2002). The enlargement of the vision field of the leader thus become instrumental in dealing with the emerging situation which affect the organisation performance in a positive manner. Accordingly we hypothesize the relationship between vision field and organisational performance as follows:

Hypothesis 1: Broad field of vision of the leader is positively related to the firm performance.

The second aspect of selective perception is detrimental to the organisation performance, owing to its limitation of perceiving only the small number of stimuli present within the vision field of the leader (Starbuck and Milliken, 1988). This selective perception is what inhibits the leader to open up to new ideas and information, which is really detrimental to the performance of the organisation. Especially, in this time and era when the things are changing at a very swift pace; thereby requiring the new information and tactics are required to deal with the emerging situations. In such situations, the selective perception will be very harmful and conspires to spoil the fortunes of the organisation in the long term. Also as noted by Johnson et al. (2003), selective perception will filter out important information and emerging market trends; thereby crippling the response of the leader to address the changing business situations on the various fronts.

Hypothesis 2: Selective perception of the leader is negatively related to firm performance.

Along the lines of selective perception, selective interpretation too is harmful for the firm performance. Interpretation is the last step in the three way procedure by which leaders conceive, understand, comprehend, extrapolate, and predict the various strategic stimuli that will impact the future of the organisation (Starbuck and Milliken, 1988). These interpretations in turn will be responsible for making choices and evaluating the different situations for taking the business decisions in different contexts. Any leader with the selective interpretation will not be able to sustain the business growth and the organisation performance because of the limited number of options he will able to engineer for tackling the different challenges arising from the uncertain environment (McDonald 2008). This is the reason why importance of effective, broad, and timely interpretation of various strategic stimuli arising from both external and internal environment for enhancing the performance of the organisation has been highlighted time and again (Bahrami 1992; Moorman and Anne 1998).

Hypothesis 3: Selective interpretation of the leader is negatively related to the firm performance.

Mediating Role of Market Orientation We hypothesize that market orientation mediates the relationship between leader personality and firm performance. There are a number of theoretical and empirical studies which support the relationship between market orientation and the performance of an organisation (Bahrami 1992; Nadkarni and Narayanan 2007). In the context of changing situations, organisations need to calibrate and recalibrate the market orientation accordingly for effectively implementing the strategic course and enhancing the performance of the organization. Authors like Grewal and Tansuhaj (2001) and Nadkarni and Narayanan (2007) have found a positive relationship between market orientation and the firm performance which act as a basis for our next hypothesis.

Hypothesis 4: Market orientation is positively related to firm performance.

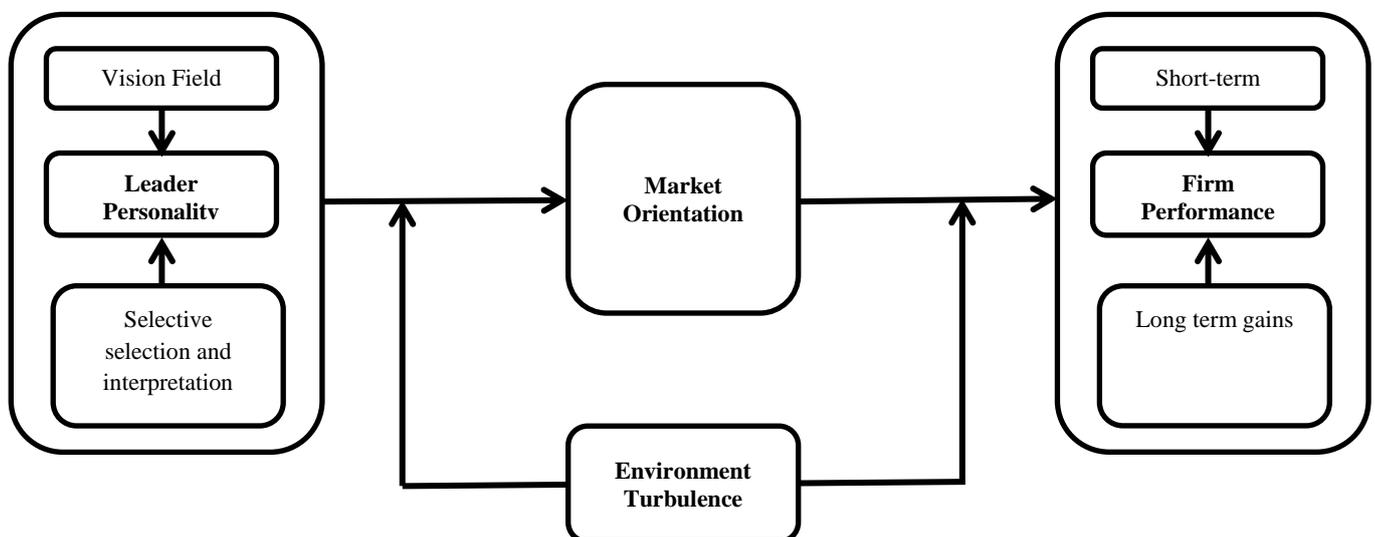
As mentioned earlier, researchers are still to find consensus on the direct relationship between leader personality and the firm performance, with results coming out equivocal on these aspects. There are some studies which have found the leader personality directly affect the

firm performance while there are other studies which failed to establish any such a relationship. In this regard, we posit that that market orientation mediates the relationship between leader personality and the firm performance. The absence of market orientation in the model depicting the relationship between leader personality and the firm performance could be one of the reasons why the results on this relationship have confounded the researchers for a long time. Inclusion of market orientation as a mediating variable will help to demystify the complex web of relationship between leader personality and firm performance.

Hypothesis 5: Market orientation mediates the relationship between leader personality and the firm performance.

Integrative model and Performance Outcomes The development of market orientation in the organisation is not an end state rather it is a continuous process which manifest it beneficence in terms of generating market specific options which are useful for meetings both short term objectives and long term goals of the organisation. This will also be helpful in acquiring more market share and in the long term, enhance the customer loyalty and strengthen the market share over the rivals. As there is no standard definition of long term and short term and therefore, it will be appropriate to assume short term benefits in terms of cash flow and long term benefits market share and positioning. In terms of long term benefits, market orientation will have the organisation to strengthen its competitive position against the rivals by securing more market share and strengthening brand loyalty.

Figure 1: Integrative model



Working in conjunction with strong leadership skills, market orientation will allow the organisations to leverage on various opportunities arriving from both macro- and micro environment to strengthen its customer share over the competing firms. This will also manifest its benefits in terms of expanding the operations globally and winning the market overseas by focusing on both present and future needs of the customers. Short term benefits arising out from market orientation approach; on the other hand, will have their merit in terms of better cash flow and management of demand supply situation. It may be noted that the definition of both short term and long term will differ from industry to industry and hence, caution must be taken in order to apply the concept of market orientation.

In addition to this, our proposed integrative model also delineates the role of environment turbulence in moderating this relationship between leader personality and firm performance. As suggested by Bowman and Hurry (1993) and Grewal and Tansuhaj (2001), environment turbulence also play a very important role in shaping the broad contours of the competition and hence, performance of the organisation. Therefore, it is mandatory to include the aspect of environment turbulence in order to make this relationship more comprehensive and holistic in nature. Depending upon the intensity of turbulence, the investment in the market orientation must be decided within the various constraints of the resources that an organisation faces while taking such critical decisions. It naturally follows that the situation in which market turbulence is moderate on the lower side, huge investment in the market orientation capabilities doesn't make as much as it makes in the case of environment marred by high level of unpredictability and upheaval. We also proposed environment turbulence moderate the relationship depicted in the proposed by the study.

Hypothesis 5: Market Turbulence moderates the relationship between leader personality and the firm performance.

Discussion and Implications

The changing face of business environment poses a huge challenge for marketing strategist across the globe. Contemporary theorists and leaders can address this issue of environment turbulence by inculcating the market orientation in the business philosophy of their organisation. Through this research, we have linked the concept of leader personality, market orientation, and the firm performance by developing an integrative model. This model proposed that market orientation mediates the relationship between leader personality and the

performance of the organisation. Further, we have stated that environment turbulence moderate this relationship and has important bearing on the performance of the organisation. One of the most important contributions of our study is the generation of number of testable propositions which we will be testing on Indian automobile industry in the future. The integrative model proposed by the study will also undergo empirical analysis on the same industry as Indian automobile sector is facing the brunt of continuously changing environment and business conditions. Therefore, in line with our intent of testing this model empirically, the next logical step will be related hypothesis and model testing. We will be defining constructs related to these concepts and then propose to test the model either via experimental method or survey method.

We expect both theorist and practitioners to get benefited from this research. The theoretical contribution of the study is that it has linked the important concepts of market orientation, leader personality, and performance of the organisation. Researchers can be benefited from the development of various testable propositions and hence, empirically test these propositions on the different sectors of economy. From a corporate viewpoint, practitioners can be benefited from the understanding of fostering market orientation in the strategic scheme of the organisation and how to use it fully to their advantage. We expect there will be shift in the thinking pattern of leaders of different organisations and efforts will be made in order to inculcate the market orientation in their strategic perspective for ensuring better performance of the organisation in the wake of changing environmental and business conditions.

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