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Market Orientation: Review, Refinement, and Roadmap

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Abstract. Over the past ten years, significant progress has been made in the market orientation area. Scholarly attention has focused on the definition, measurement, and impact of a market orientation. Attention has also focused on organizational drivers of market orientation and its enhancement. Despite progress, several research challenges remain and rich opportunities exist for further work in the area. This paper critically reviews the "state-of-the-art" and offers a roadmap for future work in the area. The review primarily focuses on (1) the meaning of market orientation, (2) its relationship with several emerging topics/themes in the literature (e.g., market information processing, organizational learning, knowledge use, industry foresight and driving markets), (3) the quality of market-oriented behaviors, (4) impact of market orientation, and (5) issues in enhancing market orientation. We conclude with a conceptual synthesis and methodological suggestions.

Keywords: market orientation, organizational learning

Since the late 1980's there has been a steady stream of research in the area of market orientation (see Ross, 1987; Swartz, 1990). The early work focuses heavily on the meaning and measurement of market orientation (Kohli and Jaworski, 1990; Narver and Slater, 1990; Shapiro, 1988; Webster, 1988). More recent work has focused on how to become more market oriented. This stream of research addresses topics such as the skills and capabilities of market-oriented companies (Day, 1994), alternative organizational interventions to enhance a market orientation (Narver and Slater, 1991), and specific levers that can be used to enhance a market orientation (Jaworski and Kohli, 1993). Finally, new contexts for studying market orientation have been pursued including both international studies (Deshpande, Farley and Webster, 1993; Selnes, Jaworski, and Kohli, 1996) and studies of small businesses (Pelham and Wilson, 1995).

The purpose of this article is to critically review work to date and provide a roadmap for future research in this area. In so doing, we address several issues. First, there are at least four distinct definitions of market orientation. At a minimum, future work in this area should recognize the similarities and differences among these definitions and their implications for designing research studies as well as change efforts. Second, there is a host of work on related topics in marketing including research use (e.g., Moorman, Deshpande, and Zaltman, 1992), market information processing (Moorman, 1995; Sinkula, 1994), and the intelligent enterprise or learning organization (Quinn 1992; Slater and Narver, 1995). This article addresses how these themes/topics relate to and inform market orientation. Third, we focus on antecedents and consequences of market orientation and offer several suggestions for research on substantive and methodological issues in the area.

We begin with a review of the meaning of market orientation and its relationship with other concepts. Our intent is not to provide detailed reviews of each article, rather we focus on the general findings, patterns of relationships, and key issues. This is followed by a review of the effects of market orientation and how market orientation may be enhanced. We conclude with a synthesis and summary observations. Throughout the article, we identify research opportunities for some very promising work in the area.

Market Orientation: What Does it Mean?

As is the case with many areas of marketing, there are a number of definitions of the "core" concept. An analogous situation relates to the concept of marketing culture. As Deshpande and Webster (1989) note, there are at least five distinct meanings of the term culture. Each definition implies a distinct perspective and associated research orientation (see Smircich, 1983 for a definition and description of each meaning). Fortunately, the market orientation definitions do not span as broad a range as the culture definitions; however, the same caution applies. Namely, it is extremely important to design a research study (or organizational interventions) with a clear definition of the concept since each perspective implies a somewhat different conceptual and measurement approach and different interventions for effecting change.

Before discussing the definitions, it is important to reflect briefly on the origin of these more recent developments. Early writings on the marketing concept (Felton, 1959; McKitterick, 1957), and Kotler's (1994) distillation of these ideas have played an influential role in the evolution of this area. Equally important is the joint influence of George Day's and Fred Webster's leadership of the Marketing Science Institute. MSI played and continues to play a significant role in shaping the market orientation research agenda. Moreover, each former Director authored influential works in this area (e.g., Day and Wensley, 1988, Webster, 1988) early in the development of this research stream. With this background in mind, the four most commonly cited definitions are as follows:

> Market orientation is defined as organizationwide generation of market intelligence pertaining to current and future customer needs, dissemination of intelligence across departments, and organizationwide responsiveness to it (Kohli and Jaworski, 1990).

> ... market orientation consists of three behavioral components—customer orientation, competitor orientation, and interfunctional coordination—and two decision criteria—long-term focus and profitability (Narver and Slater, 1990).

> ... we define *customer orientation* as the set of beliefs that puts the customer's interest first, while not excluding those of other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise (Deshpande, Farley, and Webster, 1993).

> ... market orientation represents superior skills in understanding and satisfying customers (Day, 1994).

Similarities. These four definitions share several similarities. First, all focus on the customer as a core component of the definition. Second, and relatedly, all entail an external orientation, i.e., a focus outside the organizational boundaries. Third, all implicitly or explicitly acknowledge the importance of being responsive to customers. That is, it is not enough to simply believe customers are important; rather the organization must act to provide value to customers.

Fourth, all sets of authors suggest that market orientation involves focusing on more than just customers. Narver and Slater explicitly focus on both customers and competitors. Day's discussion of market-sensing capabilities clearly notes the import of tracking competitors' moves. Kohli and Jaworski argue that market orientation additionally entails focusing on forces shaping customers' needs and expectations (e.g., technology, regulation). Although Deshpande, Farley and Webster view customer orientation as putting customers' interests first, they clearly note that interests of other stakeholders are important as well. Furthermore, their measure of customer orientation include a focus on competitors ("We know our competitors well"). This too suggests that the construct represents a focus broader than just customers.

Differences. While the similarities are considerable, there are also important differences worth noting. First, is the choice to take a behavioral/activities/process perspective versus a cultural one. Kohli and Jaworski (1990) focus on ongoing behaviors and activities in an organization—generation and dissemination of market intelligence, and responsiveness to it. Day (1994) also views market orientation as ongoing behaviors or processes—market sensing, customer linking. In contrast, Deshpande, Farley and Webster (1993) adopt a cultural perspective and emphasize the shared values and beliefs in an organization. (Their measure, however, appears to employ a mix of values/beliefs and activities/behaviors—e.g., "I believe this business exists primarily to serve customers," "We have routine or regular measures of customer service"). Narver and Slater (1990) also acknowledge the importance of culture, but their primary focus is on behaviors, particularly in the measurement (e.g., "understand customer needs," "respond rapidly to competitor actions").

The cultural and behavioral perspectives both appear to have merit. It may be argued that values/beliefs are among the more important influences on the behaviors in an organization. However, their measurement may be more prone to social desirability biases than the measurement of actual behaviors or activities. Further, an organization may believe something is important, but fail to act on its beliefs for a variety of reasons (e.g., resource constraints). Thus, from a manager's perspective, it may be more important to focus on what an organization actually does than what it feels is important. The choice between focusing on values/beliefs or activities/behaviors is an important one, with direct implications for research design (conceptualization, measurement) as well as implementing organizational change interventions.

The second issue concerning the concept relates to the use of the terms market oriented, market driven, and customer oriented. We emphasize that these terms are not synonymous. The term market orientation focuses energy and attention on the broader set of marketplace conditions and stakeholders—not just customers. Customer orientation focuses the organization on customers—their needs, expectations, and complaints (see McQuarrie and McIntyre, 1990, 1992). While important, this narrower focus does not examine the underly-

ing market characteristics (e.g., technology and social changes) that shape customer needs and entire industries. This can be myopic and with potentially detrimental consequences (see Hamel and Prahalad, 1994).

We will offer a more detailed discussion of the domain of market orientation later in the paper. For the purposes of the following sections, we use a working definition of market orientation as the organizationwide generation, dissemination, and responsiveness to customer and competitor intelligence. This is the essence of the behavioral perspective adopted by Kohli and Jaworski (1990), Narver and Slater (1990), and Day (1994) as discussed above.

Market Orientation and Related Concepts

As with many embryonic research streams, emerging concepts often overlap—covering very similar conceptual territory. Within the marketing literature, several related concepts have emerged over the recent years. The intent of this section is to compare and contrast these concepts with the market orientation construct with a view to clarifying how the two are related and obtaining insights into market orientation.

Market Information Processing

Sinkula (1994) discusses market information processing as market-based organizational learning, and consisting of the acquisition, distribution, interpretation, and storage of market information. He makes the point that organizational market information processing is distinct from other types of organizational learning on five accounts. First, it is externally focused rather than internally focused. Second, market-based organizational learning results in the fundamental bases of competitive advantage. Third, market-based organization learning is distinct in that the observation of others is essential. Fourth, it resides in organizational memory and is more difficult to access. Finally, it is more equivocal than other information processing. It is important to stress that some of these observations are positions Sinkula holds about market information processing—as opposed to empirically supported observations.

From this definition and description it would appear that there is a clear overlap between market information processing and market orientation. We believe that this overlap is best characterized as a Venn diagram—with clear overlapping and nonoverlapping areas. Both concepts include the acquisition, interpretation, and dissemination of market information. They are distinct in that market orientation also includes responsiveness—the use of market information for making decisions and taking actions. In contrast, market information processing stops at the storage (organizational memory) stage.

The market information processing literature, however, offers several insights into market orientation. First, viewing market orientation as the generation of market intelligence and its dissemination within an organization implicitly suggests that the interpretation of market information is done by the person(s) acquiring the information prior to disseminating it. In contrast, the market information processing literature suggests that the interpretation may also occur after the information is shared with others. Second, the market information

processing literature suggests that environmental characteristics influence the amount and type of information an organization processes. This has direct normative implications for managers. Third, the market information processing literature is explicit about how organizational memory (storage) shapes the nature of intelligence generated and disseminated within an organization. Fourth, whereas market orientation scholars tend to focus more on obtaining information from external sources, the market information processing perspective suggests that market intelligence may also be generated from internal sources or organizational memory (e.g., company databases for tracking changes in the size of customer segments over time).

It should be noted that in contrast to Sinkula (1994), Moorman (1995) discusses four organizational market information processes—information acquisition, information transmission, conceptual utilization, and instrumental utilization. Note that a key distinction between the two perspectives is that Moorman views information utilization as part of market information processing. If this view of market information processing is adopted, then this concept and market orientation appear to be virtually identical, as is discussed below in greater detail.

Market Research/Knowledge Use

The stream of research on market research use and, more generally, knowledge use emerged in the early 1980's (e.g., Deshpande and Zaltman, 1982). It deals with the use of market research information by managers in an organization. Historically, this research has focused on formally collected and used customer information, which are a subset of market orientation activities. Market knowledge use in particular is very similar to the third component of market orientation—responsiveness to market intelligence. However, at least in its measurement (see Kohli, Jaworski, and Kumar, 1993), market orientation focuses on instrumental as opposed to symbolic or conceptual use (see Menon and Varadarajan, 1992 discussion).

Several interesting findings in this research stream appear to have direct implications for researchers in the market orientation area. First, early evidence suggests that a host of structural variables affect the extent of market information use (e.g., Deshpande and Zaltman, 1982). This work has obvious extensions to organizationwide systems that seem to foster a market orientation. For example, both streams of research have focused on the negative role that centralization and formalization have on the use of market information (e.g., Deshpande and Zaltman, 1982; Jaworski and Kohli, 1993). Second, this work has highlighted the characteristics of the information itself—the quality of research, its credibility, political acceptability, format and so forth (see Deshpande and Zaltman, 1982; Menon and Varadarajan, 1993). Each of these characteristics are likely to affect the extent to which information is used. Third, this work stresses the relationship between the providers and users of market research (e.g., Moorman, Zaltman, and Deshpande, 1992). Most notably, recent work has focused on the trust between providers and users (e.g., Moorman, Deshpande, and Zaltman, 1993). The market orientation stream can also benefit from these insights. For example, work on competitive intelligence and environmental scanning (Engledow and Lenz, 1986) often involves the interplay between individuals within the organization. Thus, it would

seem that the insights from the focus on specific market research projects have the potential to generalize to the more loosely defined, often informal exchanges of market intelligence that take place in organizations. Recent evidence (Maltz and Kohli, 1996) supports this contention.

There are, however, very subtle differences between the two research streams. The market orientation stream has focused on ongoing formal and informal flows of market intelligence (very broadly defined) while the market research use stream has typically focused on formal research projects. Second, the market research use stream has primarily focused on interorganizational dynamics (i.e., focal firm and research agency) while the market orientation stream focuses on intraorganizational dynamics (i.e., horizontal and vertical exchanges within an organization). Third, it could be argued that market information use is broader in scope than responsiveness to market intelligence since the former captures all forms of use (symbolic, conceptual, instrumental). The market orientation stream could benefit from this work by emphasizing more precisely the time frame in which information use occurs (see Menon and Varadarajan, 1993). Fourth, both research streams have considered the role that the environment plays in shaping use; however, the knowledge use stream examines the environment as an enabling condition whereas the market orientation stream has focused on the moderating role of the environment on the market orientation-performance linkage (Jaworski and Kohli, 1993; Slater and Narver, 1994).

Intelligent Enterprise and the Learning Organization

Research on the intelligent enterprise (Quinn, 1992) or learning organization (e.g., Huber, 1991; Senge, 1990) offers much potential for those pursuing work on market orientation (see Slater and Narver, 1995). The work on the learning organizations focuses on five "component technologies" that facilitate organizational learning (Senge, 1990). These five domains are systems thinking, personal mastery, mental models, building a shared vision and team learning. Systems thinking focuses on the connections among all events—even those that are very distant (e.g., downstream effects of customer understanding tools and customer loyalty). Personal mastery emphasizes the special level of proficiency that is often metaphorically referred to as a craftsperson. Mental models are the deeply ingrained assumptions and generalizations about the world. They play a significant role in how people subsequently take action on a problem or issue. Building a shared vision refers to a common picture of the future that binds employees with a shared sense of destiny. Team learning raises the attention from individual learning to team-based knowledge accrual.

Slater and Narver (1995) argue that the "... cultural values of a market orientation are necessary, but not sufficient, for the creation of a learning organization." Based on the extant literature, they suggest that organizational learning occurs through a three stage process—information acquisition, information dissemination, and shared interpretation. They note that market orientation is "inherently a learning organization" and caution against narrowly focusing market intelligence efforts on current customer and competitors. Consistent with Kohli and Jaworski (1990), they make a strong case that the "... scope of market orientation must include all stakeholders and constituencies ..." that are knowledgeable about creating superior customer value and/or are threats to competitive advantage.

It would appear from the above discussion that the work on learning organizations can inform work on market orientation. A key component of a learning organization, as discussed by Slater and Narver (1995) is an organization's ability to engage in adaptive as well as generative learning. Generative learning occurs when an organization begins to challenge its long-held assumptions about customers, markets or strategy. These notions appear to have direct implications for how organizations acquire, process, and subsequently use market intelligence, i.e., their market orientation. Similarly, this literature suggests that market intelligence may be generated not just by surveys and customer visits and the like, but also by market experimentation and trial-and-error (see Day, 1994a). Future research along these lines is likely to provide useful insights.

Importantly, market orientation and organizational learning are not identical. It is probably safe to conclude that organizational learning focuses on learning about internal issues (e.g., human resource policies) as well as external issues, and as such, is broader in scope. In contrast, market orientation primarily entails learning about markets and responding to that which is learnt. The key point, however, is that principles of organizational learning can help foster market-oriented thought and behavior in an organization.

Industry Foresight and Driving Markets

Hamel and Prahalad (1994) describe industry foresight as an organization's ability to anticipate and perhaps even shape the evolution of markets. They state:

> ... We conclude that some management teams were simply more "foresightful" that others. Some were capable of imaging products, services, and entire industries that did not yet exist and then giving them birth. These managers seemed to spend less time worrying about how to position the firm in existing 'competitive space' and more time creating fundamentally new competitive space (p. xi).

This effort explicitly requires managers to take a point of view about the future. This point of view focuses on the intersection of changes in technology, regulation, lifestyles, unarticulated customer needs, core competencies, and such. An example cited is Motorola:

> Motorola has such a point of view. Motorola dreams of a world in which telephone numbers will be assigned to people, rather than places; where small hand-held devices will allow people to stay in touch no matter where they are; and where the new communicators can deliver video images and data as well as voice signals. For this world to become a reality, Motorola knows it will have to strengthen its competencies in digital compression, flat screen displays, and battery technology. Motorola knows that to capture a significant share of a burgeoning customer market, it will have to substantially increase the familiarity of its brand with customers around the world (pp. 73–74).

Importantly, Hamel and Prahalad point out that a vision and market foresight are distinct:

> Vision connotes a dream or an apparition, but there is more to industry foresight that a single blinding flash of insight. Industry foresight is based on deep insights

> about the trends in technology, demographics, regulation and lifestyles that can be harnessed to rewrite industry rules and create new competitive space. While understanding that potential implications of such trends requires creativity and imagination, a 'vision' that is not based on a solid factual foundation is likely to be fantastical (p. 76).

We view industry foresight as an important component of being market oriented. Importantly, this does not mean being led by current customers, markets, and competitors. Rather it entails a sensitivity (as the above quote implies) to the underlying forces that shape a market and industry. As Kohli and Jaworski (1990) note:

> ... though market intelligence pertains to customer needs and preferences, it includes an analysis of how they may be affected by exogenous factors such as government regulation, technology, competitors and other environmental forces. Environmental scanning activities are subsumed under market intelligence generation (p. 4).

From our viewpoint, market foresight is a strategic orientation to markets that moves beyond the short-term current customers and competitors to the broader forces that shape markets. Given the above Kohli and Jaworski quote, it is appears that market foresight is a subset—albeit an extremely important one—of being market oriented. This observation also highlights why a market orientation (customers and the macro forces that shape their preferences and views) is a more appropriate term than customer orientation since it focuses on influences and developments beyond the current set of customers.

A important issue related to industry foresight/market intelligence is one of being market driven versus driving markets. In other words, should organizations react to their markets or should they proactively influence their markets? This issue has been discussed over a decade ago (see Zeithaml and Zeithaml, 1984) as well as more recently (Dickson, 1992). It has clear implications for market orientation. Much of the work on market orientation has implicitly adopted a reactive stance towards markets (e.g., selecting market segments, finding out what customers value and delivering that to them). It would appear that the explicit incorporation of a proactive stance in addition to a reactive stance would be more accurate from a descriptive as well as a prescriptive standpoint. In other words, it would be useful to define responsiveness to market intelligence (the third component of market orientation) in terms of reactive responses as well as proactive responses.

The issue of being proactive is of particular interest to hi-tech companies such as Texas Instruments, Hewlett-Packard, Intel, and Motorola. Some have argued that the engineers in these companies must drive new technological breakthroughs—independent of market and customer research studies. A recent article in Fortune (May 1, 1995) was titled "Ignore Your Customers." We believe this misses the point by viewing market intelligence generation narrowly as asking customers to conceptualize innovative products. Customers may or may not be able to think of breakthrough innovations, but in most cases can provide meaningful reactions to the breakthrough solutions that may be proposed to their problems. In other words, the source of a new product or service concept may be internal or external, but the concept can be refined via market intelligence, and assessments of the concept's commercial success can be made through market studies. This represents a blend of technology driven

and market led. Stated differently, proactively shaping markets even in hi-tech industries still requires the generation and dissemination of market intelligence, just that the seeds of a new product/service or other initiatives (e.g., advertising strategy) are obtained from within rather than from the outside.

There is a need for more research into the notion of proactive responsiveness or driving markets. First, it would be useful to understand the specific ways in which an organization might shape its markets. For example, Sheth and Mittal (1996) discuss ways in which an organization can shape customer expectations. More work along these lines is likely to be very useful. A second issue with respect to this idea is the question of who, and under what conditions can realistically expect to shape which aspects of markets. For example, a relatively small firm is unlikely to be able to exert much influence on its markets, neither is a large firm that lacks credibility in the marketplace.

The Quality of Market Oriented Behaviors

An issue that warrants strong research attention is the quality of market oriented behaviors. If market orientation is viewed as comprised of three core processes—generation, dissemination, responsiveness to market intelligence—it is important to ask whether these processes are being executed well or poorly in an organization. The work on market orientation primarily focuses on the *extent* to which an organization engages in these processes. While important, it would be useful to complement this perspective with that of the *quality* of the processes. Although some of the measures of market orientation touch on elements of quality (e.g., how quickly the organization responds to market developments), this area could benefit from more attention to conceptual and empirical issues.

For example, how should the quality of market intelligence generation, dissemination and responsiveness be conceptualized? How many dimensions should be considered for each processes? This issue is somewhat tricky because one would not want to assess the quality of these processes in terms of the outcomes they produce (e.g., market share, profitability). These outcomes are affected by a number of controllable and uncontrollable factors, and using them as indicators of the quality of market orientation processes would neither be accurate nor diagnostic. Further, in considering the quality of these processes, attention needs to focus on the effectiveness of the process as well as their cost efficiency. For example, it is easy to argue that use of teams is good for developing new products, but a critical issue is the cost of using teams versus other mechanisms and their relative effectiveness (see Olson, Walker and Ruekert, 1995).

Perhaps a useful approach is to develop intermediate concepts of process quality (e.g., the perceived timeliness of market intelligence generated, speed of complaint resolutions). Similarly, it may be useful to focus on practices that are arguably likely to affect the quality of these processes (e.g., whether alternate points of view are encouraged and openly debated in the organization). Some insights along these lines are beginning to emerge in recent writings. For example, Day (1994a) discusses open-minded inquiry, Madhavan and Grover (1996) describe practices such as use of teams that have prior experience in working together, and Maltz and Kohli (1996) discuss optimal levels of frequency and formality of

market intelligence dissemination. However, much work remains to be done in developing additional insights and synthesizing them into a usable framework.

The Benefits of Market Orientation

From the conceptual and empirical work done to date, there appear to be several broad classes of benefits of market orientation. Drawing on Kaplan and Norton's (1992) idea of a "balanced scorecard" and Kohli and Jaworski (1990), we group these benefits into financial, customer, employee, and innovation categories. Below, we review work in each domain.

Financial Consequences. The financial implications of being market oriented have received the most empirical attention to date—even though this may be the most difficult question to investigate. Evidence to date suggests that market orientation enhances business performance (Deshpande, Farley and Webster, 1993; Jaworski and Kohli, 1993; Narver and Slater, 1990; Narver, Jacobsen, and Slater, 1993; Ruekert, 1992). Narver and Slater investigate the impact of market orientation on managers' judgments of the return on assets of their businesses relative to competitors. Jaworski and Kohli (1993) also focus on informants' judgments of business performance. Deshpande, Farley and Webster (1993) focus on informants' judgments of performance construed as a mix of market share, size of the organization, growth rate, and profitability relative to largest competitor. A novel feature of this study was the use of internal and external informants (customers) for measuring the study constructs. Finally, Pelham and Wilson (1995) study effects on profitability as measured by managers' assessments of five financial indicators (operating profits, profit-to-sales ratio, cash flow, return on investments and return on assets) being above or below expectations. With respect to market share, Jaworski and Kohli (1993) did not find it to be related to market orientation, and suggested that future work take into account the strategic objectives of a business. Pelham and Wilson (1995) report parallel results of a lack of relationship between market orientation and growth/share. Taken together, the above studies suggest that market orientation enhances profitability (or more generally financial performance).

Despite significant progress, this set of findings is limited in two key respects. First, all work to date has relied on judgmental measures of performance or profitability. While previous studies have reported a positive relationship between subjective and objective measures (e.g., Dess and Robinson, 1984; Pearce, Robbins and Robinson, 1987), it would be useful to include some "objective" measures in future studies. Put differently, a thoughtful executive is likely to desire more evidence before investing large sums of money in changing his or her organization's culture and processes to become more market oriented. Indeed in our consulting experience, some business leaders have asked pointed questions to the following effect: By how much can I expect my ROA to go up if I enhance my market orientation by x%? It would be useful to be able to provide meaningful responses to such questions, recognizing that they will probably be different in different industries.

A second limitation is that the measures of business performance tend to be rather global and reflect several metrics (or dimensions of performance). Kaplan and Norton (1992) argue that each dimension of performance provides a unique perspective on operating performance. As such, if diverse metrics such as cash flow, return on assets, net income,

market share, and so forth are measured, there is no a priori theoretical or practical reason why they should be combined into a single aggregate measure of performance. Indeed, a careful reflection of how these diverse metrics are affected by market orientation may provide management with insightful revelations for navigating their businesses.

Customer Consequences. In the balanced scorecard discussed by Kaplan and Norton (1992), the customer perspective includes such metrics as customer-perceived quality and value, customer-perceived levels of service, and customer based order-to-delivery times. Interestingly, there is little research linking market orientation to customer satisfaction with quality, value, lead times, and so forth. Pelham and Wilson (1995) come closest to addressing this issue by showing that market orientation is related to managers' perceptions of relative product quality.

Perhaps the most striking observation with respect to effects of market orientation on customers is the paucity of empirical studies on the subject. It should be noted that although these linkages are quite direct, studying them would entail obtaining data from customers and matching them with data from internal informants (managers) who are in a better position to report on internal culture and behaviors. Further, inquiries in this area would be most beneficial if they could identify conditions under which market orientation has a strong versus a small impact on customer satisfaction and perhaps more important, on customer loyalty. A cautionary note with respect to the identification of the appropriate customers as informants is in order here. Specifically, businesses typically provide varying levels of service and responsiveness across customers depending on their importance. Further, businesses also focus on distinct customer segments and tailor their products and services to primarily appeal to those segments, and by implication, not appeal to other customer segments. Thus, the same firm may be rated very differently by different customers depending on whether they belong to the "in group" or the "out group."

Employee Consequences. Do employees who work for a market oriented company feel any different from employees working for companies that are less market oriented? This issue has received relatively little research attention. Jaworski and Kohli (1993) provide some evidence that market orientation is related to employee esprit d' corps and commitment to the organization. The study by Siguaw, Brown, and Widing (1994) suggests that market orientation affects salespeople's customer orientation, role stress, job satisfaction and organizational commitment.

It is important to note two issues in this area. First, although it is reasonable to argue that market orientation affects employee attitudes (e.g., esprit d' corps, satisfaction, commitment), a strong argument can be made for the reciprocal effect. Specifically, "helpful" employee attitudes should lead to more coordinated and faster responsiveness to market developments. Such reciprocal causal effects have not been the subject of empirical inquiry. Second, it would be very interesting and useful to study whether market orientation affects employees in different functional areas (e.g., marketing, R&D) differently. An argument may be made that some R&D employees may be more enthusiastic about working in companies that are internally focused rather than market oriented.

Innovation Consequences. Finally, there is little in the literature on the effects of a market orientation on metrics related to innovation such as percent of revenues derived from new products/services, innovativeness of products/services, creativity in delivering value to

customers, and so forth. One set of arguments suggests that focusing on changing markets gives rise to fresh ideas and sensitizes organizations to the need for developing innovative solutions. A counter argument suggests that focusing on customers and competitors imposes mental blinkers and discourages frame breaking innovations (see Bennett and Cooper, 1981; Kaldor, 1971; Tauber, 1974). Empirical evidence on the issue is scant. Lawton and Parasuraman (1980) found no effect of adopting the marketing concept on new product innovativeness. Deshpande, Farley and Webster (1993) measured innovativeness but did not link it to market orientation.

This area could clearly benefit from further study. Two points should be noted regarding future studies in this area. First, it is useful to distinguish between innovations that are new to the firm versus those that are new to the world. Although a fairly obvious point, there is the risk of measuring the wrong thing, especially if internal informants are used for data collection. Second, it would be useful to construe innovations in broader terms than just product innovations to include innovations in pricing structures, channel arrangements, advertising and promotion, and other practices (see Shervani and Zerrillo, 1996).

Enhancing Market Orientation

There appear to be two basic approaches to enhance the market orientation of an organization: top-down and bottom-up initiatives (see Narver and Slater, 1991). The top down initiatives refer to organizational change efforts that are led by senior management. Bottom-up initiatives are those that "percolate" up from the lower/middle levels of the organization—often by a champion manager—and eventually spread throughout the company. We briefly articulate developments in each of these areas.

Top Down Change Efforts. Kohli and Jaworski (1990) proposed that there are three levers that management can use to increase the market orientation of an organization: senior management actions, interfunctional relationships, and organization-wide systems. Within the domain of senior management actions, key issues are communicating a highly visible and consistent commitment to building a market-oriented enterprise, making credible resource allocations, and encouraging informed risk-taking. Change efforts could also focus on getting the various functional groups to work with each other in a more seamless fashion. Here attention would on reducing interfunctional conflict and increasing their connectedness (networking). Finally, the organization itself could be modified. Such initiatives as changing the organizational structure and introducing market-based reward systems imply a big role of senior management in the change efforts.

Bottom-Up Change Efforts. Interestingly, Beer, Eisenstat and Spector (1990) argue that systematic organizational change efforts do not consistently lead to significant change. Drawing heavily on this work, Narver and Slater (1991) argue that programmatic approaches to enhancing market orientation are likely to be less effective than what they call "market-back" approaches. The market-back approach is " . . . bottom-up in style and illustrates an "emergent" strategy . . . " (p. 9). Per this approach a business should first develop a strategy for creating buyer value, learn from its efforts at value creation, and continually adapt its structure, staffing, systems and other organizational properties.

Day (1994) argues that little is known about the characteristics of successful programs

for building a market orientation. In particular, he is concerned that research on market orientation has provided the prescription but has not followed through with the tools to help managers. He recommends diagnosing current levels of market sensing and customer linking capabilities, anticipating the capabilities needed in future, and engaging in bottom-up efforts to redesign key market sensing and customer linking processes coupled with top-down direction. It would seem that a judicious blend of top-down and bottom-up initiatives is key to enhancing market orientation.

Grover (1995) makes an important point—approaches for becoming more market oriented will vary by product, firm and industry conditions, and hence it is difficult to specify them all. Still, we believe more insights could be developed into the issue of enhancing market orientation. For example, what kind of initiatives/programs are more appropriate for different types of firms? Different industry conditions? Second, a lot more work needs to be done in coming up with practical suggestions for enhancing market orientation. For example, one organization known to us had its market orientation assessed at three different levels of the corporation. The perceptions of top managers were far more favorable than the middle or junior managers. This finding was a rude surprise to the top management and galvanized their efforts to enhance their market orientation. Another practical suggestion is offered by Bisp, Harmsen and Grunert (1996). They argue that it is important to assess market orientation processes in an organization and employees attitudes toward those processes. This is because the gap between the two is an indicator of the potential for change in the organization.

Summary and Conclusion

The marketing field has made much progress on the subject of market orientation. Research on the subject has focused on U.S. organizations (e.g., Jaworski and Kohli, 1993; Narver and Slater, 1990) as well as Japanese organizations (Deshpande, Farley and Webster, 1993), and Scandinavian companies (Selnes, Jaworski and Kohli, 1996). Each set of studies suggests that the effect of market orientation in business performance generalizes across national cultures. At the same time, it is important to stress that the concept can also apply to smaller firms (Pelham and Wilson, 1995), nonprofit organizations (Kotler, 1992), social issues (Kotler and Roberto, 1989), health care (Coddington and Moore, 1987), and a host of other organizational contexts.

As far as the meaning of the construct is concerned, based on the above review, we believe it is useful to define market orientation as the organizationwide *generation* of market intelligence pertaining to customers, competitors, and forces affecting them, internal *dissemination* of the intelligence, and reactive as well as proactive *responsiveness* to the intelligence. It is important to note that market intelligence is a broad construct and can be generated from internal and external sources. Among the research issues identified earlier, those relating to the efficiency and effectiveness of these three component processes, implementing change efforts, bottom-line financial effects, and proactive responsiveness offer the potential for the greatest fresh insights.

An interesting question that has not been addressed in the marketing literature concerns the boundaries and limits of a market orientation. An argument is sometimes made that

firms that position themselves as selling "commodities" are not market oriented since they are only concerned about price, and do not add extra features, services, and relationships. Our position on this issue is that if the firm's target customers care primarily about price and little else, the firm is very market oriented—it understands its customers' value function and is responsive to it.

Turning to methodological issues, the typical approach to studying the factors affecting market orientation is the cross-sectional survey method. It would be useful to incorporate natural experimental designs in future studies. Specifically, discontinuities occur in companies on a regular basis. These discontinuities could involve a new CEO, appointments of a new marketing team, a new "market-driven" structure, or the introduction of customer metrics (e.g., satisfaction) into senior management appraisal systems. While it is not possible to create marketplace experiments (e.g., fire a CEO, create a new structure), it is possible to anticipate natural "experiments" that capture the pre and post effects of a discontinuity on the degree of market orientation. Given that these discontinuities are often reported in the public domain prior to their actual implementation, it is possible to sample a select number of firms that are implementing planned change programs (i.e., a form of discontinuity). By studying firms pre and post change program, it is possible to gain added insight into the effects of planned discontinuities on market orientation. It is important to stress that this work would pose many challenges including controlling for history effects, industry structure, and alternative third variable explanations.

Panel studies have been used in several disciplines of the social sciences to study dynamic processes. A key issue confrontation market orientation research is the search for causal relationships between market orientation and business performance. A snapshot of this relationship in a traditional survey does not capture the probable "lag" effects of market orientation on business performance. Panel studies have the potential to provide more robust answers to the "lifetime value" of being market driven. A recent example is the effort of Narver, Jacobsen and Slater (1993). Using a panel approach, these researchers were able to examine the effects of market orientation on business performance controlling for unobserved business unit-specific factors. We believe this approach has the promise to offer more precise insights concerning the effects of market orientation. At the same time, however, it is important to stress that panel studies cannot unambiguously establish the causal priority of variables (see Kessler and Greenberg, 1981).

Finally, most studies employ managers' reports for assessing market orientation. In an interesting study, Deshpande, Farley, and Webster (1993) obtained reports from both managers and customers. We believe this is very useful for measuring the responsiveness component of market orientation because customers are arguably the true judge of a firm's responsiveness. Indeed, it would be interesting to obtain reports from suppliers, distributors and even competitors on the subject. Each point of view is likely to provide a novel and richer perspective on the issue. For example, it would be interesting to study competitors' views of whether a firm reacts quickly, correctly, and with sufficient resources to key competitive moves. Such external informants, however, may not be particularly knowledgeable about and hence not in a very good position to assess the internal processes of an organization—market intelligence generations and internal dissemination.

To conclude, we believe research on market orientation has resulted in significant progress

over the last ten years. The purpose of this paper was to critique "what we know" and the provide a possible roadmap for future research in the area. Despite the significant progress, several substantive and methodological issues remain. It is our hope that this paper will encourage fresh work on these issues.

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