# Introduction to market orientation marketing essay

The market orientation concept, which was such a simple idea to understand, was found so hard to implement and so difficult to put in operation by practitioners for so long decades. The fact is that firm may define its target market, but fail to clearly understand customers' needs. Understanding customers' needs and wants is not always simple. Customers may have some needs, which they may not be fully aware of or they are simply unable to explain them. The concept is based on the assumption that customers know their needs, but what if these customers do not know their current and future needs or cannot explain them in business terms? In addition, consumers are constantly in a learning mode and companies develop strategies to shape consumers' needs and wants. Therefore, simply giving customers what they want is not enough to gain a competitive advantage. Companies must help customers to learn what their want and what value will satisfy their needs.

By the late 1980's, the term market orientation was being used synonymously with marketing concept (Shapiro, 1988; Webster, 1988). It is perhaps worth noting here that the importance of the market orientation concept was recognized by academics years before that. In 1963, Lear (1963) asserted that the market-oriented approach appears to be more suitable for business organizations to fulfill the desires of their customers. He claimed that despite the complication within the business organizations, which creates tremendous pressures toward adopting product-oriented approach, market orientation is needed, and it appears to be a must. However, he suggested that a number of factors must be present before any attempt is made toward adopting the market oriented approach. These factors include having a clear definition and thorough understanding of the targeted market, a careful evaluation of the costs’ structure, an assessment of the competitors’ reactions, a clear and complete understanding of the various organizational responsibilities, a backlog of accumulated experience, a full commitment of top and marketing management, and a willingness to continuously evaluate and reappraise the progress achieved in the process.

In April 1987, the Marketing Science Institute (MSI) organized a conference covering the issue of “ Developing a marketing orientation”. Accordingly, Deshpandé (1999) noted that while during that conference John Farley, the MSI Executive Director, presented three required themes that should be discussed, another two themes surfaced as a result of the discussion. Therefore, Deshpandé (1999) presents the following five themes and argues that they require farther investigation and exploration through empirical research.

**“ A need for measurement of the level of a firm’s market orientation”.**

**“ A need for understanding whether there is an optimal level of market orientation given the strategic context of a firm and its industry”.**

**“ A need for thinking of market orientation as a basis of, rather than a substitute for, innovation in businesses.**

**“ A need to understand what causes a high market orientation in a company and its impact on business profitability”.**

“ A need for understanding market orientation at multiple levels, including those of a corporate culture and a strategic orientation”. (Deshpandé, 1999, p. 4&5)

On the other hand, Webster (1994) suggests that the following three areas should be subjected to further investigations:

The extent to which market orientation is a valid and sound approach.

Errors, problems, and shortcomings in the implementation process of market orientation.

The resulted and inherited conflicts between marketing and other management functions within the organization.

In addition, Webster (1994) argues that one can distinguish three separate marketing approaches under satisfying consumers’ needs. He explains that these approaches include responsive marketing, anticipative marketing, and creative marketing. He asserts that a responsive marketer finds the stated customers' need and fills it; an anticipative marketer predicts the needs customers may desire in the near future; while the creative marketer develops and produces solutions to customers' problems, which the customers did not ask for but they may be willing to investigate, try, and adopt.

On the other hand, Shapiro argues that after years of research, he is convinced that market orientation " represents a set of processes touching on all aspects of the company" (Shapiro (1988, p. 3). He also claims that there is no difference between a " market driven" and " customer oriented" organizations. Furthermore, he suggests that acquiring customer information must move beyond the market research and marketing function activities to be the responsibility of the entire organization and across all the different functional areas. In addition, he suggests that a customer oriented organization should establish a mechanism that facilitates the resolution of conflicts and differences between functional areas, and encourages the coordination and cooperation in order to reconcile the various points of views. He adds that an organizational environment and culture that encourages cooperation and integration and allows all the different functional areas or divisions to communicate their ideas and listen to each other is important to facilitate participation in the decision making process throughout the organization to ensure the overall enrollment and commitment in such process. This is partly supported by Kohli and Jaworski (1990) and Deshpandé and Webster (1989) defining market orientation as " a set of shared values and beliefs about putting the customer first in business planning" (Deshpandé and Webster, 1987, P. 3)

In addition, Shapiro (1988) concludes that changing the culture with more emphasis on understanding thoroughly and continuously our customers, competitors and environment, enhances internal communication and interdepartmental cooperation, and ensures commitment that will drive the business closer to its markets and customers.

It is perhaps interesting to mention that prior to the 1990s, there was surprisingly little attention to carefully define and measure the market orientation constructs. Since then however, significant researches have been undertaken to define market orientation, its antecedents, implementations, enablers, moderators, and consequences.

Following the Marketing Science Institute (MSI) conference covering the issue of " Developing a marketing orientation", pioneering research by Kohli and Jaworski (1990); Narver and Slater (1990); Ruekert (1992); Deshpandé, Farley, and Webster (1993); and Day (1994 a and b) have contributed significantly to advancing knowledge in this area. Their work and that of other researchers is reviewed in the following pages.

## Market Orientation: Definitions

Firstly, most researchers agree that customer orientation and competitor orientation are part of market orientation which is a broader concept and includes integrated marketing strategy, profit orientation, competitor orientation, inter-functional coordination, as well as innovativeness and company culture. However, there were several attempts to define market orientation in the literature, each emphasizing a different aspect of this concept.

Kohli & Jaworski (1990) findings indicate that customer focus involves taking actions based on gathered market intelligence that include consideration of the external market and environmental factors which affect customer needs and preferences, as well as understanding the current and future needs of the customer. Accordingly, Kohli & Jaworski define market orientation as “ the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it” (Kohli & Jaworski, 1990, p. 6). They assert that market orientation also provides a number of other benefits as it provides employee with a sense of pride related to the team spirit within the organization. They add that their work and cooperation toward the achievement of a common goal enhances their moral and job satisfaction. They also suggest that the level of market orientation adaptation will vary according to the environmental context. Hence, they argue that organizations operating in a more competitive environment are expected to be more market-oriented (See also Bennett and Cooper, 1981; Houston 1986; and Lusch et. al., 1976).

However, while Kohli and Jaworski (1990) propose that an organization must enhance its ability to generate, disseminate, and utilize the generated information in the process of coordinating the design and implementation of the organizational response. While Deshpandé et al. (1993) suggest that market orientation is a set of beliefs that puts the customer’s interest first. In fact, They use the term customer orientation instead of market orientation to define the former as “ the set of beliefs that puts the customer’s interest first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise" (Deshpandé et al, 1993, P. 27)

Similarly, Narver and Slater (1990) define market orientation as " the business culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for customers" (Narver and Slater, 1990, p. 20). They also claim that market orientation " consists of three behavioral components: customer orientation, competitor orientation, and inter-functional co-ordination – and two decision criteria – long-term focus and profitability" Narver and Slater, 1990, p. 21). They support Shapiro (1988) suggestion that market orientation is the process of coordinating and applying inter-departmental resources to continuously create a superior value for customers.

On the other hand, Ruekert (1992) in his attempt to explore the degree of market orientation from an organizational strategy perspective, defines market orientation as " the degree to which the business unit gathers and uses information pertaining to customers, develops a strategy that allows the business to meet its customer needs, and implement such strategy through his responsiveness to customers needs and wants" (Ruekert, 1992, p 228).

However, Becker and Homburg (1999) argue that there is a missing discussion related to the management issues of market orientation and attempt to fill this gap by employing a systems-based perspective. Therefore, they consider " market-oriented management in terms of the degree to which management systems are designed in such a way as to promote a business organization’s orientation toward its customers and competitors” (Becker an Homburg, 1999, p. 18). They suggest that a management system consists of five subsystems that include organization, information, planning, controlling, and human resource systems.

In a market driven organization, Day (1994b) believes that “ it represents the superior skills in understanding and satisfying customers” (Day, 1994b, P. 37).

Even though the various perspectives have remarkable differences in their understanding of market orientation, there is seem to be a fair amount of overlap between them. In fact, Cadogan and Diamantopoulos (1995) argue that the behavioral and cultural perspectives contain conceptual and operational overlaps in nearly all dimensions. Furthermore and based on their empirical findings, Avlonitis and Gounaris (1997) suggest that a dissociation of the cultural and the behavioral approach should be avoided. Therefore, one can always argue that the organizational members and department behaviors are driven by certain norms, values, and attitudes that guide such behavior.

However, Raaij and Stoelhorst (2008) assert that while most definitions imply an external focus and consider the customer as the vital focal point, all of these definitions except the definition suggested by Deshpandé et al (1993) contain clear action components. They also claim that the major differences between the various definitions that have been suggested by various studies lie in the organizational elements, which have been emphasized in these definitions. In fact, They point out that Shapiro (1988) emphasizes the decision making process, Kohli and Jaworski (1990) emphasize the collection and dissemination of information, Narver and Slater (1990) and Deshpandé et al (1993) emphasize culture with a set of behavioral components or as a set of beliefs, Ruekert (1992) emphasizes the business strategy process, and Day (1994b) emphasizes the organizational skills and capabilities.

However, with such various definitions presented in the literature, the researcher concludes that even though empirical studies have focused on a certain perspective of market orientation whereby most of them imply an external focus and consider the customer as the focal point of their existence, only the work of Raaij and Stoelhorst (2008) and Deshpandé (1999) managed to a certain extent to provide a perspective and conceptualization that tackle market orientation from various angles. Accordingly the researcher adopts Deshpandé (1999) view of market orientation as " operating at three levels: as a culture" that guides the organization members' behaviors to put the customer first, " as a strategy (creating continuously superior value for a firm's customers, and as tactics (the set of cross-functional processes and activities directed at creating and satisfying customers" (Deshpandé, 1999, p. 6).

## Market Orientation: Antecedents

Kohli and Jaworski (1990) argue that in a stable environment with a low level of competitive intensity, business organizations require few adjustments to their marketing mix. Therefore, such business organizations operating in such an environment will require a low level of market orientation. In addition, Ruekert (1992) identifies three organizational processes that foster and facilitate market orientation, which include recruiting and selecting customer focused individuals, market orientated training, and market oriented reward and compensation system. He also suggests that for a business organization to foster its adoption of market orientation, it must recruit and select customer focused individuals, provide them with the required market oriented training, and utilize a market oriented appraisal and reward systems. He also claims that his findings support such suggestion as these factors were positively correlated with market orientation. Furthermore, Jaworski and Kohli (1993) suggest that the antecedents include the role of top management in emphasizing the importance of being responsive to customers' needs and encouraging the individuals and groups within the organization to monitor and sense the changes occurring in the market, sharing such knowledge and being responsive to the market needs. In addition their findings support their assumption that in order to respond to market development and evolving customers' needs, the top management commitment and willingness to accept certain risks associated with new product development and failure is required. Furthermore, they assert that the level of cross-functional coordination, cooperation, and connectedness will have a great impact on market intelligence dissemination, team spirit and sharing of knowledge, as well as the response to market needs. (Narver and Slater, 1990; Jaworski and Kohli, 1993) In addition, they claim that their findings provide support to the management and employees' appraisal and rewards system, and suggest that the management and employees must be appraised and rewarded on the basis of customer satisfaction, and building and maintaining enhanced relationships with customers. (See also Harris, 1996) This represents a strong support to Webster's (1988) emphasizes of the importance of managers’ evaluation and reward system for market-driven and customer-oriented businesses. Jaworski and Kohli (1993) claim that the level of the organizational structure, and systems employed have a great influence on intelligence generation, dissemination, as well as the organizational effort to design and implement its response. Furthermore, Day (1994b) argues that if the emerging literature during the last few decades indicts that market orientation provides superior skills in understanding and satisfying businesses’ customers. Then and based on the capability and resource-based theories, one could claim that resources and capabilities could be the important sources for creating a sustainable competitive advantage and leads to the creation of superior value for customers in order to achieve superior performance. He also claims that the extent to which the organization’s capabilities are consider being strategically important will lie in their demonstrable contribution to the creation of sustainable competitive advantage leading to superior performance. In fact, even though Slater and Narver (1995) view market orientation as a business culture, they emphasize the continuous collection of information related to customers’ needs and competitors’ capabilities in order to utilize such information to create and maintain superior value for customers. (See also Day 1990 and 1991; Deshpandé and Webster 1989; Narver and Slater 1990; Shapiro 1988) Furthermore, Pelham and Wilson (1996) claim that formulating proper and suitable strategies can play an important role to facilitate the market orientation behaviors.

However, Lafferty and Hult (2001) assert that despite the perspective or view of market orientation, most authors covering the subject agree to a certain extent that market orientation contains elements of generating market intelligence, disseminating such generated intelligence throughout the entire organization, and employing the generated information to create a superior value for its customers.

Various studies in the literature identify those external antecedents to include competitive intensity and market dynamism. (See Kohli and Jaworski, 1993; Pelham and Wilson, 1996; Avlonitis and Gounaris, 1999) In addition, Kennedy et al (2003) argue that understanding the market orientation antecedents can help practitioners in the implementation process of market orientation by providing clues that help them in developing market orientation within their organization. However, this argument is also supported by Martin et al (1998) findings and conclusions that goal setting and managing by objective are important and effective tools employed by management to ensure employees' involvement in the market orientation activities. Accordingly, they suggest that in order to facilitate a full adaptation of market orientation, business organization should adjust their goal setting to reflect the cultural variations and the level of economical development in these different cultures and context, and implementing employees' involvement and empowerment would facilitate a full adaptation of market orientation.

On the other hand, Slater and Narver (1999) argue that various scholars and practitioners suggest that in such dynamic and competitive markets, acquiring knowledge and learning may be the only source for creating or obtaining a sustainable competitive advantage. Accordingly they suggest that a learning organization that acquires knowledge in a continuous basis, processes it, and disseminates it throughout the entire organization, would be able to learn better and faster than its competitors about the markets, products, technologies, and business process that would help such an organization to be in a better position to achieve its objectives and deliver superior value to its customers. They also claim that generating market intelligence and disseminating of such intelligence across the entire organization may not be enough without achieving congruence in its interpretation of the acquired information. They add that this can be achieved through the enhancement of communication and coordination processes in order to allow the organization to act swiftly and decisively to exploit the opportunities in such competitive and fragment markets. Therefore, they suggest that market orientation is only one of the components of a learning architecture, as the learning organization must also be entrepreneurial, accepting risk, and have the capability of developing and applying the acquired knowledge aggressively. However, while Kirca et al (2005) support and confirm Jaworski and Kohli (1993) arguments and findings, Raaij and Stoelhorst (2008) argue that despite the eight hypotheses of Jaworski and Kohli (1993) of the market orientation antecedents, only top management emphasis, interdepartmental connectedness, and reward system appears to be related to market orientation. They confirm such a view of the market orientation antecedents as consistent with Jaworski and Kohli's (1993) work, and indicate that antecedents include top management factors, interdepartmental factors, and the organizational systems. However, Kirca et al's (2005) findings lead them to conclude that top management emphasis and commitment, interdepartmental connectedness, and market-based appraisal and reward systems are very important for the implementation process of market orientation. They add that market orientation can be successfully and effectively implemented even within business organizations with a centralized decision-making process and structure.

There seems to be two types of antecedents as pinpointed by Raaij and Stoelhorst (2008). They claim that the antecedent of market orientation influences the degree of market orientation within a firm. Therefore, understanding comprehensively those antecedents help the practitioners and management in their efforts to implement a market orientation approach within their firm. They also claim that the product development and innovation process play a mediating role. Therefore, they suggest that improving the level of market orientation in a firm might not be enough to improve its performance. In addition, they distinguish between the external and internal antecedents. They suggest that the external antecedents are those environmental factors which stimulate and initiate the process of adopting market orientation, while the internal antecedents are related to the organizational factors which facilitate the process of adopting market orientation in a business organization.

Finally, They assert that from the literature they have reviewed they have drawn two important conclusions related to the implementation process, the first is that market orientation antecedents are considered as important levers to increase market orientation within a business organization. And the second is that " the mediating role of product development and innovation suggest that improving market orientation may not be enough to improve a firm's performance" (Raaij and Stoelhorst, 2008, p. 1272).