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Abstract: inhibiting the envisioned cultural change was the power-base of those within the organisation who perceived that a national, market focus would eliminate local autonomy. Specific policy was required to align rewards with required behavioural change. Contribution This research provides a unique perspective of market orientation as a process of organisational development directed towards aligning the organisation with its served markets. Intervention strategies and incremental changes attempted to achieve a national market perspective, highlight the importance of aligning structure, human resource management strategy, top management commitment and leadership drive in achieving such a cultural change.

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Market Orientation: An Iterative Process of Customer and Market Engagement

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Abstract

Current theory suggests that market orientation implies a uniform, external focus, throughout the enterprise as a whole. Strategies for improving a firm’s market orientation have been directed largely at the intangible, knowledge management and marketing processes of the firm. Through its failure to demonstrate how the more tangible resources of the firm, such as manufacturing and logistics, might participate in this construct, market orientation theory has been criticised as operationally impractical. An examination of market orientation in a manufactured, outsourced business service company revealed that a firm’s transition toward a market orientation is progressive. At a given point in time, a firm may be undertaking the process of adjusting to its markets intuitively or cognitively; market responsiveness may be occurring as a location-specific approach within pockets of the firm, or as an enterprise-wide strategy; and some of the conditions specified may be met, some may be partly met and others may remain to be addressed in the future. Transient structures as management techniques for improving a market orientation did not resolve the underlying dilemma of establishing an enterprise-wide market-oriented organisational structure.

Key Words: Customer Focus; Customer Orientation; Market Orientation

Market Orientation: Conditions and Assumptions

Manufactured, outsourced business services companies (MOBSC) provide their client organisations with services that have a substantial manufacturing base. They source data from their client firms, deliver a range of service solutions to these same organisations and deliver manufactured outputs of their services directly to the customers of their client organisations. Considerable research has been undertaken in establishing viable measurement techniques suitable for market orientation surveys. However, consequent strategies for improving the firm’s market orientation have been directed largely at the intangible resources of the firm – in marketing, research and knowledge management. Through its failure to demonstrate how the tangible resources of the firm, such as manufacturing and logistics, might participate in this construct, market orientation theory has been criticised as operationally impractical (Chase and Stewart, 1994). In light of the critical importance of manufacturing operations to MOBSC in the value creation process, this gap in the literature illustrates the need for new explanations for market orientation in outsourced services firms.

A meta-analysis of fifty-one papers and articles in the field of market orientation revealed frequent and consistent reference by thirty-six authors, to the works of one or more of four groups of ‘thought leaders’: (1) Shapiro; (2) Deshpande, Farley and Webster Jr.; (3) Narver and Slater; and (4) Jaworski and Kohli. Contemporary debate in market orientation theory is dominated by the views of these primary theorists.

The term market orientation is used to categorise attention to both the representative needs of the generic category of purchasers of a firm’s goods and / or services i.e. a customer
orientation; and, all sources of relevant knowledge and ideas pertaining to customers and customer value creating capabilities. Whereas customer orientation is confined to a collective of the prospective purchasers of the firm’s outputs, the construct of ‘market’ extends beyond that limitation, since management theory confirmed that firms needed to pay attention to the twin foci of customers and competitors (Henderson, 1982; Lusch and Laczniak, 1987; Mintzberg, 1988; Porter, 1985). The term market is further extended to include distribution channel partners, suppliers, regulators and other players within the value chain structure of the firm’s industry (Jaworski and Kohli, 1993; Jaworski, Kohli and Sahay, 2000; Lusch and Laczniak, 1987). Thus, market orientation comprises a broad customer orientation, combined with a focus on the interests and capabilities of relevant other stakeholders.

Much of the literature in market orientation does not distinguish between the terms market-driven and market-oriented (Deshpande, Farley and Webster Jr., 1993; Deshpande and Webster Jr., 1989; Shapiro, 1988; Slater and Narver, 1995). However the term market-driven, reflecting a responsive approach to market demands, could be distinguished from driving markets as a pro-active approach to building and capturing market potential (Jaworski, Kohli and Sahay, 2000). Current theory suggested that market-driven was sufficient in itself for market orientation, however, the suggestion that a market-driven approach lacks customer pre-empting capabilities may encourage scholars to challenge that assumption. Whilst acknowledging Woodruff’s (1997) distinction between firm value (attaching to its owners) and customer value (attaching to its customers), it was generally accepted that the interests of other stakeholders should be embraced in the concept of market (Narver and Slater 1990; Slater and Narver, 1994a, 1994b, 1995). Thus,

Proposition 1 While acknowledging the value creating potential residing in other stakeholders, a market oriented firm will place its highest priority on customers and the delivery of superior customer value.

Market-oriented companies use information acquisition, market sensing, shared diagnosis, and inter-functional decision making to deliver superior value to customers and to pre-empt competitors (Cravens, Greenley, Piercy and Slater, 1998; Day, 1994a, 1994b; Morgan, 1992). Jaworski and Kohli (1993) concluded that organisational systems were antecedents to a market orientation. They were particularly concerned with intra-divisional ‘connectedness’ and the impact of incentive schemes, training programmes and inter-departmental communication practices on market orientation.

Where organisational processes are intended specifically to deliver customer value, they may require interdepartmental co-operation. Decentralised organisational structures may not be conducive to such co-operation, particularly if decentralised units are internally competitive. This dilemma illustrates the need for a shared management perspective of the business, to drive structural and cultural change and thereby facilitate market-oriented value delivery systems (Woodruff, 1997). Thus,

Proposition 2 Market orientation requires adaptive organisational structures characterised by flexible structural boundaries, dynamic interdivisional teams, delegated authority and accountability, and top management commitment.
Research Method

A case study research method is the most suitable research approach when a how or why question is being asked about a contemporary set of events, over which the investigator has little or no control (Yin, 1994). This case study achieved methodological triangulation by employing three data collection methods: in-depth, semi-structured interviews, document analysis and physical artefact analysis. Investigations were extremely broad, encompassing 135 informants within three embedded study units, spanning 85 employees from 45 different roles and three locations, 27 customers, 12 consultants, three suppliers, six Board members, one regulator and one industry association representative.

The inquiry also extended to great depth, incorporating 1,606 documents of 12 different types, from 135 different authors, 1,167 lines of informant testimony from 19 in-depth personal interviews, 107 physical artefacts, 31 informant cognitive maps and spanning a period of nine years. Hierarchical cluster analysis, (McClintock, 1985), was used to determine the presence of sub-units of analysis within the data. Weak correlation on the basis of functional roles and strong correlation on the basis of functional scope gave rise to the identification of three embedded study units, comprising the corporate, branch and external informant groups. Such embedded study units provided the basis for replication logic to enhance validity.

Data were coded in context, to allow codes to emerge from patterns within the data themselves. Strauss and Corbin’s (1997) line-by-line approach was employed. The reliability of the resultant field code register was tested by key informant review, an important measure to specifically control for potential researcher bias. The single case design is justifiable on three grounds: criticality, uniqueness and revelation. This case exhibits elements of all three such criteria. The selected case is justified as a critical case, in that it represents a singular opportunity in which to generate theory. The case is unique, in that it is a large, manufactured, outsourced business services firm, and justified as a revelatory case, in that the researcher has had the opportunity to observe and analyse phenomena previously inaccessible to researchers.

Results

In exploring Proposition 1, time series analysis of documented management decisions over seven years showed that during that period 50 management decisions had an impact on the firm’s business orientation during the period of the study. As illustrated in Table 1, over time, the firm selected nine approaches to re-position the orientation of the firm.

Table 1. Approaches to Re-position the Orientation of the Firm

<table>
<thead>
<tr>
<th>Nomenclature</th>
<th>Direction</th>
<th>Focus on</th>
<th>Benefit to</th>
<th>Attempts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Quality Management</td>
<td>Internal</td>
<td>Systems</td>
<td>Firm</td>
<td>4</td>
</tr>
<tr>
<td>The Customer Comes Second</td>
<td>Internal</td>
<td>Employees</td>
<td>Firm</td>
<td>2</td>
</tr>
<tr>
<td>Customer-focused Quality</td>
<td>Internal</td>
<td>Systems</td>
<td>Customer</td>
<td>9</td>
</tr>
<tr>
<td>Strategically Driven Quality Journey</td>
<td>Internal</td>
<td>Systems</td>
<td>Market</td>
<td>2</td>
</tr>
<tr>
<td>Market-oriented Strategic Alignment</td>
<td>Internal</td>
<td>Resources</td>
<td>Market</td>
<td>13</td>
</tr>
<tr>
<td>Customer-driven Company</td>
<td>External</td>
<td>Customer</td>
<td>Customer</td>
<td>3</td>
</tr>
<tr>
<td>Customer-oriented Ideology</td>
<td>External</td>
<td>Customer</td>
<td>Customer</td>
<td>6</td>
</tr>
<tr>
<td>Increased Customer Value</td>
<td>External</td>
<td>Customer</td>
<td>Customer</td>
<td>1</td>
</tr>
<tr>
<td>Market-oriented Ideology</td>
<td>External</td>
<td>Market</td>
<td>Market</td>
<td>10</td>
</tr>
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</table>
When a customer-focused quality approach (CFQ) was selected, the firm was rewarded with increased productivity. When a customer-oriented ideology (COI) of the business was selected, the firm was rewarded with increased customer satisfaction. Four underlying premises emerged from the data: 1. We look to our systems to improve operationally; 2. We look to our systems in order to better satisfy our external stakeholders; 3. We listen to external stakeholders in order to improve our systems; and 4. We listen to external stakeholders in order to improve their satisfaction. In premises two, three and four, the term ‘external stakeholders’ refers to client organisations and their client organisation’s customers.

A four quadrant matrix was developed, founded in constructs of the origin of the stimulus for change and the intended beneficiary of the change initiative, illustrated in Figure 1. The catalyst that drove the evolution from (specific) customer focus to (generic) customer orientation was a business crisis requiring the industrialisation of common processes to achieve greater productivity. The development of new intellectual processes for the combination of traditional services into vertically integrated business applications, was followed by retraining at all levels, the creation of new customer-interface teams, and the reconfiguration of sales, customer support and operational work-flows. The matrix illustrates the iterative process of customer and market engagement as market and customer triggers stimulated movement between the quadrants.

Figure 1. Balancing Internal and External Orientations

From cross-unit analysis of the evidence on customer focus, three conclusions were drawn. Each attested to the criticality of a customer focus to the emergent firm. 1. a customer focus is critical to the firm’s survival during its embryonic state of emergence; 2. a customer focus is critical to retaining high value clients; and 3. a customer focus is critical to the learning process of emergent firms. From the cross-unit analysis of evidence on customer orientation,
it was revealed that a customer orientation emerges only when customer-focused learning is accumulated into meaningful patterns. This conclusion attests to the evolution of a customer orientation through the accumulation of customer-focused knowledge.

Although an absence of either an enterprise-wide customer or market orientation was observed in the case, a heightened sense of responsiveness to market requirements was observed at both the acute customer focus level and at the customer-oriented level, within a regionalised organisational structure. Responsiveness is located within individual customer relationships, and is not contingent upon an enterprise-wide perspective.

In examining Proposition 2, it was revealed that cross functional teams were established, incorporating local branch staff, corporate support staff and employees of customer organisations to provide a dynamic and flexible response to customers. Their function was to design and develop unique customer solutions, transfer knowledge between team members and improve customer satisfaction. Such teams were formed and disbanded fluidly as needed. Although enterprise-wide information sharing was limited, market information gathering and sharing occurring within pockets of the firm nevertheless indicate the presence of local commitments to the market orientation concept. The transient cross functional team structures did not resolve the underlying dilemma of establishing an enterprise-wide market-oriented organisational structure. In the case organisation, an acute focus on the needs of individual customers stands in counterpoint to the desire for enterprise-wide uniformity, raising internal conflicts in regard to delegated authority over resources and accountability for outcomes.

**Conclusion**

The common attribute endowed to market orientation has been the external direction of its focus (Butz and Goodstein, 1996; Deshpande, Farley and Webster Jr., 1993; Deshpande and Webster Jr., 1989; Drucker, 1973; Shapiro, 1977; Shapiro, 1988; Slater and Narver, 1995). Proponents of an internal focus on resources as sources of competitive advantage (Comaris and Kleiner, 1995; Garvin, 1983; Leonard and Sasser, 1982) have been soundly criticised in the literature. This polar stance has been acknowledged as contributing to the difficulty in the operationalisation of a market orientation (Burns and Woodruff, 1992; Day, 1999).

This research has revealed that the outsourced services provider and both its client organisations and its client organisation’s customers benefit from a balanced perspective, in both direction and degree of orientation of the firm. The direction of orientation of the firm may fluctuate between internal and external, as the firm seeks information externally about market needs and then focuses internally to adjust its capabilities to meet those needs.

The research findings also reveal that in the process of market orienting, the degree of orientation of the firm may vary from acutely customer-focused to broadly customer-oriented. During organisational adolescence, in defending against vulnerability to disproportionate customer power and in experientially accumulating knowledge of customer value, an acute customer focus may be essential. Extending the construct posited by Yovovich (1994), the accumulation of customer-focused relationships, through purposeful selection and de-selection, constitutes a generative mechanism for the transition from customer focus to customer orientation. Since the accumulation of customer-focused sets of customers can occur at any location where two or more customers share common attributes, customer focus and customer orientation are not contingent upon an enterprise-wide customer orientation. The
enterprise-wide customer orientation is clearly a stronger degree of market orientation of the firm, with local customer orientation a less advanced point on the same continuum.

In contrast to the view of market orientation as an ideal state, the findings reveal market orientation as a process, which may commence with minimal compliance with the theoretical propositions, progressing to optimal compliance with those propositions. The implication of this perspective is that market orientation is not a condition (Day and Nedungadi, 1994), nor is it an ideal state to which a firm might aspire (Hamel and Prahalad, 1989; Waterman, Peters and Phillips, 1980). By contrast, in MOBS, market orientation is a process, through which the firm continuously makes changes to values, strategy, structure, systems and culture, so as to be increasingly more capable of understanding and responding to the needs of its customers, and creating and delivering customer value. This construct is consistent with Slywotzky’s (1996) value migration and Utterback’s (1994) dynamic innovation.

The drive for intra-divisional ‘connectedness’ was revealed in the case through the formation of cross functional teams whose responsibility was to capture and transfer market knowledge in order to build customer satisfaction. However, these structures were found to be insufficient in stimulating an organisation-wide market orientation. Constructs of accountability and authority which subsequently emerged are fundamental to the degree of difficulty experienced in implementing the market orientation concept and have implications for business philosophy, structural and cultural inertia, organisational strategy and leadership. The case study approach limits the generalisibility of the findings. In addition, the manufacturing services firm in which the research was undertaken was unsuccessful in its attempts to move from a customer orientation to a market orientation.

References


