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The Current Models of Market Orientation

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Abstract:

The paper is focused on the development of the model of market orientation. The model of market orientation looks for the factors that preceded the market orientation and detects the factors that are from the market orientation affected. At first, there is stated compilation of the new finding at definition market orientation. The second part is devoted to positive and negative influences market orientation on business performance. There is also compilation of theoretical information about marketing orientation by authors working in this field in the paper. The main conclusions are stated in the last part of the work.

1. Introduction

The history of market orientation is longer than somebody could think. The reason is that market orientation is based on the marketing concept. The marketing concept is derived from the managerial concept, which was popular in the 50s of the last century. The market orientation is stated by Drucker (1954) as the example of General Electric at first. After that, many researchers aimed their attention to customer orientation and customer satisfaction as the main factor of market orientation.

"Revival" of market orientation was in the 90s of the 20th century. The two research works sponsored by the Marketing Science Institute were published. These two publications - the works of Kohli and Jaworski and Narver and Slater had a substantial impact on the literature of that period related to the problems of marketing. They contained the first approaches to the definition of market orientation, development of measurement methods and statement of proposals connecting market orientation with an organisation performance. The market orientation was declared as the implementation of marketing concept. Many studies have solved market orientation until the present. The importance of the market orientation is that application of this concept has a positive effect on the company performance.

The objective of this article is to present the new perception of definition of market orientation and above all current models of Market Orientation. The method was Compilation, analysis and syntheses are used for the article processing.

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2. Approaches of definition of market orientation

In addition to the definition of the market orientation term itself the focus is directed to the relationship of the market orientation and the company performance, manners and methods of the market orientation measurement and its implementation in companies. But some of the published studies contain different approaches. What individual schools agree on is that the market orientation contains the acquisition and distribution of market information. Most of available studies more or less agree with the customer orientation, the competitor orientation and the inter-functional coordination as the most important partial elements of the market orientation.

The more used definition belong to Kohli and Jaworski (1990) and Narver and Slater (1990). Kohli and Jaworski have offered many definition of market orientation during the last years. The most known is: „Market orientation is the organizationwide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organizationwide responsiveness to it."

Narver and Slater (1990) created this definition of market orientation: "Market orientation consists of three behavioral components – customer orientation, competitor orientation and interfunctional coordination – and two decision criteria – long-term focus and profitability."

The aspects of definition of market orientation can be selection to some few parts during the years:

- Market intelligence, e. g. Kohli and Jaworski (1990), Hooley et al. (1990), Erdil et al. (2004)
- Culture behavior, e. g. Narver and Slater (1990), Narver et al. (1998), Olavarrieta and Friedmann (1999), Varela and Río (2003)
- Strategic marketing, e. g. Ruekert (1992), Day (1994)
- Customer orientation, e. g. Desphandé et al. (1993), Deshpande a Farley (1998)
- Interfunctional coordination and motivation, e.g. Harris and Ogbonna (2001)
- Stakeholders, e.g. Helfert (2002), Hernández-Espallordoa and Arcas-Lario (2003), Bigné at al (2004)

Last years, the market orientation is connected to stakeholders. Although customers and competitors represent the most important stakeholders, the range of stakeholders should not be restricted only to these two groups. The number of the market orientation elements is currently extended by other stakeholders. In this spirit we can define the market orientation as a means, which enables managers to focus on external and internal elements and activities, which influence the activity of an organisation leading to its performance increase.

3. The model of market orientation

After findings of the new definition, we can state the current model of market orientation. Every model should involve the factors which influence the market orientation and factors which are influenced by market orientation.

3.1. Factors which influence the market orientation

Factors which influence the market orientation can be divided to external and internal groups. To the external groups involve factors as state, technologies, economy, customers, suppliers and competitors.

Market orientation is affected by the state its policy and legislative measures. The influence of the state interferences on market orientation was studied in the works of Hooley et al (2001). Results of the executed research showed that organizations with a higher level of market orientation are able to adapt to new conditions much better. Cervera et al (2000) proved that organizations achieve lower market orientation in case of higher level of local self-government. The state activity also affects market orientation.

Technologies play an important role in market orientation. Market orientation is focused on mapping of the latest technologies in all fields and their use in the field of activity the given organization operates in. This statement is substantiated by the study of Olavarrieta and Friedmann (1999) who described the use of new technologies as a necessary element leading to the creation of a “learning organization” based on the market orientation application. In Han et al (1998) stated that an organization must spend substantial funds for innovation of technologies and such funds could be used in a different way. This version was supported by Varela and Río (2003) who also dealt with the relation of technological progress and market orientation. Substantial changeability of technologies has an important influence on market orientation.

Economy is the third element of external environment. Han et al (1998) stated that high changeability of economy is not suitable for the market orientation. Palmer and Pels (2002) deals the differences between “newly established economies” (in this case of Argentina) and "developed stable economies" (Great Britain) on market orientation. They also supported the thesis that high market turbulences may negatively affect market orientation. Perry and Shao (2002) confirmed an important influence of economy of a particular country on market orientation.

All available studies contain relation between market orientation and customers. It is not important if the customer is final customer or distributor. Both these groups have influence on market orientation. The relation between market orientation and final customer was examined and verified in the 90s. It is viewed as a basic prerequisite for the possibility to speak about market orientation at all. As far as distributors´ influence on market orientation is concerned, it was revealed for the first time by Lado, Mayderu-Olivares and Rivera (1998). Bigné et al (2004) specified distributor as a full-valued customer. Influence by distributors on market orientation is not questioned by anybody.

Competitors are necessary factor for market orientation determination. Competitor orientation appears as early as in the first studies together with customer orientation. Some studies deal with the comparison of mutual relationship between these two elements. The results of Dawes´s study (2000) showes competitor orientation reaches higher correlation in relation to the company performance than customer orientation. According to Harrison-Walker (2001) the company performance is influenced only by customer orientation. But we have many of studies that have valided the same rate at business performance by customer orientation and competitor orientation. We can generally state that competitor orientation and customer orientation are the most important elements of market orientation.

Orientation on supplier has not been included in any market orientation model yet. Definition of market orientation which aims to suppliers is in studies in several recent years. Egan (2001) stated that the dynamics forces organizations to think of relationship with suppliers to better customers' satisfaction and to higher business performance. According to Hernández-Espallardo and Arcas-Lariob (2003) have stakeholders an important position on market. Suppliers are market as stakeholders too and managers should be to improve supplires position. Esteban et al (2002) introduced a supplier as one of the market orientation elements. According to them market orientation focuses on the following elements: customer orientation; competitor orientation; supplier and client orientation; environment orientation and inter-functional co-ordination. Bigné et al (2004) declared that market orientation has a positive relationship not only for customers and distributors but for suppliers too.

The internal environment of market orientation is influenced by the elements as top management, organizational structure, strategy of the organization, culture of the organization and employees.

The most important element of the internal environment is opinions and approach of top management. The attitude of top managers towards market orientation is measured e.g. by Helfert et al (2000). If the more positive relationship of senior managers to market orientation is than we can see higher degree of market orientation is achieved by the organization. Homburg and Pflesser (2000) assess the attitude of senior managers towards employees. Results of this research proved the presumption that if the top management's attitude towards employees is in the spirit of the market orientation rules, such organization is more market oriented. Harris and Ogbonna (2001) confirmated that the management style influences market orientation. They showed that the directive management style prevents implementation of market orientation. Trueman (2004) assesses the relationship of top management and market orientation on the basis of managers´ approach to risks, changes and education. We can see problems in much conservatism, insufficient discipline and purposefulness in one's own education.

The second factor of internal environment is organizational structure, e.g. Varelo and Río (2003). Results of their research led to the verification of a hypothesis that excessive centralization adversely affects market orientation. A year later Trueman (2004) confirmed this hypothesis by his own research and added a new factor - excessive formalization.

Strategy of the organization is one of very significant factors that influence market orientation. According to Olavarrieta and Friedmann (1999) the effective management can be achieved based on the application of the market orientation principles. They stated that managing according to the principles of market orientation lend to the high business performance, build image and goodwill of the organization. Harris (2000) dealt with the strategy of diversification and the low cost strategy. According to him diversification shows a higher degree of market orientation. Kasper (2002) understands market orientation itself as the strategy of an organization focused on results. Lado and Maydeu-Olivares (2001) claim that the strategy of an organization based on market orientation must show innovative character. The same idea had Erdil et al (2004). They said that market orientation is a strategy based on innovation. Before the selection of any strategy organizations should first realize the sense of their business, determine their visions and goals. Then they should propose strategies for them which would contribute to the attainment of the set objectives and goals. Some strategies selected by top management may have nothing in common with market orientation. Managers may reject the strategy based on market orientation, because it will be less profitable in the initial stage. Others may understand market orientation as a strategy, which offers organizations the possibility to select from many elements to focus on.

Culture is one of other factor that has influence on market orientation. The fist note about culture was by McCormack (1999). According to McCormack culture can positively or negatively influencing the whole business. Homburg and Pflesser (2000) deal with a responsibility for the performed work in relation to market orientation. Results of his study confirmed that the higher respective responsibility is, the higher market orientation is achieved by the organization. Trueman (2004) deals with a set of several elements preventing the market orientation implementation as conflicts between departments, mutual rivalry, reserve and insufficient communication and cooperation.

Employees are the last proposed element of the internal environment influencing market orientation. Harris have written many studies that valuated the relationship between employees and market orientation. Harris (1998) pointed out in several mutually interconnected studies the important role employees may play in the market orientation implementation. Reasons that might have negative impact on market orientation are the apathy of employees, their limited abilities or only temporary employment

3.2. Factors which are influenced by market orientation

Factors which are influenced by market orientation involve customer satisfaction, financial performance, employee satisfaction and long term development.

Customer satisfaction is one form the results of market orientation. We have stated that market orientation involved the philosophy of customer satisfaction. The principle of market orientation is individual approach to customers. Individual approach to customer has influence on his/her satisfaction. A few of studies mixed up the term of customer orientation with the market orientation. The current researches show us that market orientation contributes to the customer satisfaction.

Financial performance is the second factor that market orientation contributes. There are some critics studies pointing out that more level of market orientation could be negatively for the profit. Extensive focus on customer may have this result because it is very difficult (for many companies impossible) to satisfy all customers. Many customers with their specific needs and ideas can rather be a threat than opportunity for the organization. It is necessary to make segmentation of market and focus on a certain segments. Despite these arguments we can state that a satisfied customer will positively influence the financial performance of the organization. The influence between market orientation and business performance were confirmed by many studies.

Market orientation contributes to employee satisfaction too. The strategy based on market orientation is an important stimulating means motivating employees to higher performances. The emphasis is placed particularly on openness, confidence, possibility of professional growth, etc. We can state that customer satisfaction is the important factor of employee satisfaction as well. Not only is financial point of view concerned, when the amount of profit grows with the rate of satisfaction, but also the psychological point of view, i.e. the feeling of usefulness from well done work. Gray (1998) confirmed that satisfied employee will contribute to a higher financial performance of the organization. The reasons are the quality work and participation in spreading the company's good image.

Long-term development is the other aspect resulting from market orientation. The strategy based on the market orientation principles is typical of its long-term character. This relationship was examined by Ruekert (1992).

The studies shows that there are many of factors influenced the market orientation. It was certify contribution to better business position on the market by market orientation. We know only these factors but it is possible that it will appear same other factors having relationship with market orientation in the future.

4. Conclusion

All studies that examined the definition of market orientation generally agree with the main elements of market orientation such as customer orientation, competitor orientation and inter-functional coordination. Customers and competitors represent the most important external stakeholders, but it is not relevant to reduce the range of stakeholders only to two groups. The role and importance of individual stakeholders is different, it depends on the field of activity respective research focuses on, but it is by no means negligible.

There are defined some barriers having the negative influence on business performance. Companies should known these aspects and focus on elimination their influence. Many researches have confirmed factors having positive effect on business performance. Companies should strengthen their influence to high level of market orientation because market orientation leads to customer and employee satisfaction, higher financial performance and gaining of a competitive advantage. Having the competitive advantage has a marked influence on the position of the organization on the given market and its existence.

Market orientation is still an unknown in many ways. There is the area for other researchers to state the other barriers impeding the high level of market orientation, examined impact of market orientation on other factors and determined signification of market performance on the other markets. The Research is focused on implementation on market orientation in Hi-Tech Firms and it is supported by Grant Agency of the Czech Republic (GA 402/07/1493).

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