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Market Orientation: The Construct, Research Propositions, and Managerial Implications

The literature reflects remarkably little effort to develop a framework for understanding the implementation of the marketing concept. The authors synthesize extant knowledge on the subject and provide a foundation for future research by clarifying the construct's domain, developing research propositions, and constructing an integrating framework that includes antecedents and consequences of a market orientation. They draw on the occasional writings on the subject over the last 35 years in the marketing literature, work in related disciplines, and 62 field interviews with managers in diverse functions and organizations. Managerial implications of this research are discussed.

THOUGH the marketing concept is a cornerstone of the marketing discipline, very little attention has been given to its implementation. The marketing concept is essentially a business *philosophy*, an ideal or a policy statement (cf. Barksdale and Darden 1971; McNamara 1972). The business philosophy can be contrasted with its *implementation* reflected in the activities and behaviors of an organization. In keeping with tradition (e.g., McCarthy and Perreault 1984, p. 36), we use the term "market orientation" to mean the implementation of the marketing concept. Hence, a market-oriented organization is one whose actions are consistent with the marketing concept.

In recent years, there has been a strong resurgence of academic as well as practitioner interest in the marketing concept and its implementation (e.g., Deshpande and Webster 1989; Houston 1986; Olson 1987; Webster 1988). We seek to further that interest by providing a foundation for the systematic development of a theory of market orientation. Given its widely acknowledged importance, one might expect the concept to have a clear meaning, a rich tradition of theory development, and a related body of empirical findings. On the contrary, a close examination of the literature reveals a lack of clear definition, little careful attention to measurement issues, and virtually no empirically based theory. Further, the literature pays little attention to the contextual factors that may make a market orientation either more or less appropriate for a particular business. The purpose of this article is to delineate the domain of the market orientation construct, provide an operational definition, develop a propositional inventory, and construct a comprehensive framework for directing future research.

We first describe our method. Essentially, we draw on the literature in marketing and related disciplines, and supplement it with findings from field interviews with managers in diverse functions, hierarchical levels, and organizations. Our discovery-oriented approach (cf. Deshpande 1983; Mahrer 1988) is similar to the qualitative, practitioner-based approach used by Parasuraman, Zeithaml, and Berry (1985) and is de-

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Journal of Marketing
Vol. 54 (April 1990), 1–18

signed to tap the "cause and effect" maps of managers (see Zaltman, LeMasters, and Heffring 1982).

We then compare and contrast the alternative conceptualizations in the literature with the view that emerges from the field interviews and provide a synthesis. Next we develop a series of research propositions in the spirit of propositional inventories developed in such diverse areas as sales management (cf. Walker, Churchill, and Ford 1977; Weitz 1981), organization of marketing activities (cf. Ruekert, Walker, and Roering 1985), diffusion of technology (cf. Robertson and Gatignon 1986), information processing (cf. Alba and Hutchinson 1987), and marketing control systems (cf. Jaworski 1988). These literature-based and field-based propositions are synthesized in an integrative framework that provides for a parsimonious conceptualization of the overarching factors of interest. Finally, we conclude with a discussion that alerts managers to important issues involved in modifying business orientations.

Method

Literature Review

A review of the literature of the last 35 years reveals relatively little attention to the marketing concept. The limited research primarily comprises (1) descriptive work on the extent to which organizations have adopted the concept (e.g., Barksdale and Darden 1971; Hise 1965; Lusch, Udell, and Laczniak 1976; McNamara 1972), (2) essays extolling the virtues of the business philosophy (e.g., *Business Week* 1950; McKitterick 1957; Viebranz 1967), (3) work on the limits of the concept (e.g., Houston 1986; Levitt 1969; Tauber 1974), and to a lesser extent (4) discussions of factors that facilitate or hamper the implementation of the marketing concept (e.g., Felton 1959; Lear 1963; Webster 1988). We draw on these limited writings, especially the last category, and also on related literature in the management discipline.

Field Interviews

The field research consisted of in-depth interviews with 62 managers in four U.S. cities. Because the purpose of the study was theory construction (i.e., elicitation of constructs and propositions), it was important to tap a wide range of experiences and perspectives in the course of the data collection. Therefore, a purposive or "theoretical" sampling plan (Glaser and Strauss 1967) was used to ensure that the sample included marketing as well as nonmarketing managers in industrial, consumer, and service industries. Care also was taken to sample large as well as small organizations.

Of the 62 individuals interviewed, 33 held marketing positions, 15 held nonmarketing positions, and 14 held senior management positions. A total of 47 organizations were included in the sample; multiple individuals were interviewed in certain organizations. The organizations of 18 interviewees marketed consumer products, those of 26 marketed industrial products, and those of 18 marketed services. In size, the organizations ranged from four employees to several tens of thousands. The sample thus reflects a diverse set of organizations, departments, and positions, and hence is well suited for obtaining a rich set of ideas and insights. In addition to managers, 10 business academicians at two large U.S. universities were interviewed. The purpose of these interviews was to tap insights that might not emerge from the literature review and the field interviews.

A standard format generally was followed for the interview. After a brief description of the research project, each interviewee was asked about four issues along the following lines.

1. What does the term "market/marketing orientation" mean to you? What kinds of things does a market/marketing-oriented company *do*?
2. What organizational factors foster or discourage this orientation?
3. What are the positive consequences of this orientation? What are the negative consequences?
4. Can you think of business situations in which this orientation may not be very important?

These questions provided a structure for each interview, but it was frequently necessary to explain and clarify some of the questions, as well as probe deeper with additional questions to elicit examples, illustrations, and other insights.

The personal interviews typically lasted about 45 minutes and were audiotaped unless the interviewee requested otherwise. The information obtained from these interviews affords novel insights into the meaning, causes, and consequences of a market orientation. Though a large number of new insights emerged from the study, we focus on the more "interesting" ones (see Zaltman, LeMasters, and Heffring 1982) and those with the greatest potential for stimulating future research.

Market Orientation: The Construct

Comparing Literature and Field Perspectives

A review of the literature reveals diverse definitions of the marketing concept. Felton (1959, p. 55) defines the marketing concept as "a corporate state of mind that insists on the integration and coordination of all the marketing functions which, in turn, are melded with all other corporate functions, for the basic purpose of producing maximum long-range corporate profits." In contrast, McNamara (1972, p. 51) takes a broader view and defines the concept as "a philosophy of business management, based upon a company-wide acceptance of the need for customer orientation, profit orientation, and recognition of the important role of marketing in communicating the needs of the market to all major corporate departments." Variants of these ideas are offered by Lavidge (1966), Levitt (1969), Konopa and Calabro (1971), Bell and Emory (1971), and Stampfl (1978).

Three core themes or "pillars" underlie these *ad hoc* definitions: (1) customer focus, (2) coordinated marketing, and (3) profitability (cf. Kotler 1988). Barksdale and Darden (1971, p. 36), point out, however, that these idealistic policy statements represented by the marketing concept are of severely limited practical value, and assert that "the major challenge is the development of *operational* definitions for the marketing concept . . ." (emphasis added). Hence, though the literature sheds some light on the philosophy represented by the marketing concept, it is unclear as to the specific activities that translate the philosophy into practice, thereby engendering a market orientation. Even so, it appears reasonable to conclude from the literature that a market-oriented organization is one in which the three pillars of the marketing concept (customer focus, coordinated marketing, profitability) are operationally manifest.

The view of market orientation that emerges from the field interviews is consistent with the "received view" in the literature, though certain differences are evident. Importantly, the field interviews provide a significantly clearer idea of the construct's domain and enable us to offer a more precise definition. This precision facilitates theory development, construct measurement, and eventually theory testing. In the following discussion, we first compare the field-based view of market orientation with the received view on the three commonly accepted pillars—customer focus, coordinated marketing, and profitability—and then elaborate on the elements of the field-based view of the construct.

Customer focus. Without exception, the managers interviewed were consistent in the view that a customer focus is the central element of a market orientation. Though they agreed with the traditional view that a customer focus involves obtaining information from customers about their needs and preferences, several executives emphasized that it goes far beyond customer research. The comments suggest that being customer oriented involves taking actions based on market intelligence, not on verbalized customer opinions alone. Market intelligence is a broader concept in that it includes consideration of (1) exogenous market factors (e.g., competition, regulation) that affect customer needs and preferences and (2) current as well as *future* needs of customers. These extensions do not challenge the spirit of the first pillar (customer focus); rather, they reflect practitioners' broader, more strategic concerns related to customers.

Coordinated marketing. Few interviewees explicitly mentioned coordinated marketing in the course of the discussions, but the majority emphasized that a market orientation is not solely the responsibility of a marketing department. Moreover, the executives interviewed emphasized that it is critical for a variety of departments to be cognizant of customer needs (i.e., aware of market intelligence) and to be responsive to those needs. Thus, the interviewees stressed the importance of concerted action by the various departments of an organization. Importantly, the field findings limit the domain of the second pillar of market orientation to coordination *related to market intelligence*. This focused view of coordination is important because it facilitates operationalizing the construct by clearly specifying the type of coordination that is relevant.

Profitability. In sharp contrast to the received view, however, the idea that profitability is a component of market orientation is conspicuously absent in the field findings. Without exception, interviewees viewed profitability as a *consequence* of a market orientation rather than a part of it. This finding is consistent with Levitt's (1969, p. 236) strong objection to viewing profitability as a component of a market orientation, which he asserts is "like saying that the goal of human life is eating."

Thus, the meaning of the market orientation construct that surfaced in the field is essentially a more precise and operational view of the first two pillars of the marketing concept—customer focus and coordination. The findings suggest that a market orientation entails (1) one or more departments engaging in activities geared toward developing an understanding of customers' current and future needs and the factors affecting them, (2) sharing of this understanding across departments, and (3) the various departments engaging in activities designed to meet select customer needs. In other words, a market orientation refers to the organizationwide generation, dissemination, and responsiveness to market intelligence.

Further, though the term "marketing orientation" has been used in previous writings, the label "market orientation" appears to be preferable for three reasons. First, as Shapiro (1988) suggests, the latter label clarifies that the construct is not exclusively a concern of the marketing function; rather, a variety of departments participate in generating market intelligence, disseminating it, and taking actions in response to it. Hence labeling the construct as "marketing orientation" is both restrictive and misleading. Second, the label "market orientation" is less politically charged in that it does not inflate the importance of the marketing function in an organization. The label removes the construct from the province of the marketing department and makes it the responsibility of all departments in an organization. Consequently, the orientation is more likely to be embraced by nonmarketing departments. Third, the label focuses attention on *markets* (that include customers and forces affecting them), which is consistent with the broader "management of markets" orientation proposed by Park and Zaltman (1987, p. 7) for addressing limitations in currently embraced paradigms. We next discuss in more detail each of the three elements of a market orientation—intelligence generation, dissemination, and responsiveness.

Explicating the Market Orientation Construct

Intelligence generation. The starting point of a market orientation is market intelligence. Market intelligence is a broader concept than customers' verbalized needs and preferences in that it includes an analysis of exogenous factors that influence those needs and preferences. For example, several managers indicated that a market orientation includes monitoring factors such as government regulations and competition that influence the needs and preferences of their customers. Several interviewees who cater to organizational customers emphasized that a market orientation includes an analysis of changing conditions in *customers'* industries and their impact on the needs and wants of customers. Likewise, the importance of monitoring competitor actions and how they might affect customer preferences emerged in the course of the interviews. (Day and Wensley 1983 also point out the limitations of focusing on customers to the exclusion of competitors.) Hence, 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.

An important idea expressed by several executives is that effective market intelligence pertains not just to current needs, but to future needs as well. This idea echoes Houston's (1986) assertion and reflects a departure from conventional views (e.g., "find a need and fill it") in that it urges organizations to *anticipate* needs of customers and initiate steps to meet them. The notion that market intelligence includes anticipated customer needs is important because it often takes years for an organization to develop a new product offering. As a senior vice president of a large industrial services company observed:

> [When] should [our company] enter the [certain services] area? Is there a market there yet? Probably not. But there's going to be one in 1990, '91, '92, '96. And you don't want to be too late because it's going to take you a couple of years getting up to speed, getting your reputation established. So you've really got to jump into it two years before you think [the market for it is going to develop].

Though assessment of customer needs is the cornerstone of a market orientation, defining customers may not be simple. In some cases, businesses may have consumers (i.e., end users of products and services) as well as clients (i.e., organizations that may dictate or influence the choices or end users). For example, executives of several packaged goods companies indicated that it is critical for their organizations to understand the needs and preferences of not just end customers but also retailers through whom their products are sold. This sentiment reflects the growing power of retailers over manufacturers owing to the consolidation of the former, retailers' access to scanner data, and increased competition among manufacturers due to proliferation of brands. As one executive indicated, keeping retailers satisfied was important to ensure that they carried and promoted his products, which in turn enabled him to cater to the needs of his end customers.

Interestingly, in the 1920s and 1930s, the term "customer" primarily referred to distributors who purchased goods and made payments (McKitterick 1957). Starting about the 1950s, the focus shifted from distributors to end consumers and their needs and wants. Today the appropriate focus appears to be the market, which includes end users and distributors as well as exogenous forces that affect their needs and preferences.

Identifying who an organization's customers are is even more complex when service is provided to one party, but payments are received from another. For example, the director of marketing for a health care organization recalled:

> In the past we asked patients what they wanted for services, how they wanted the service delivered. Now the patient is no longer making those decisions. [It is] more complicated. [We define] our customers today as those paying for the patient's care.

The generation of market intelligence relies not just on customer surveys, but on a host of complementary mechanisms. Intelligence may be generated through a variety of formal as well as informal means (e.g., informal discussions with trade partners) and may involve collecting primary data or consulting secondary sources. The mechanisms include meetings and discussions with customers and trade partners (e.g., distributors), analysis of sales reports, analysis of worldwide customer databases, and formal market research such as customer attitude surveys, sales response in test markets, and so on. The following quotation from the director of marketing in a high-tech industrial products company illustrates the information collection and analysis activity.

> We do a lot of visiting with customers, talking with customers on the phone, we read the trade press—it is full of good information about what our competitors are doing. We always want to position relative to competitors. A lot of marketing is information gathering.

Importantly, intelligence generation is not the exclusive responsibility of a marketing department. For example, R&D engineers may obtain information at scientific conferences, senior executives might uncover trends reported in trade journals, and so on. Managers in several industrial products companies indicated that it was routine for their R&D personnel to interact directly with customers to assess their needs and problems and develop new business targeted at satisfying those needs. One company we interviewed goes to extreme lengths to encourage exchange of information between nonmarketing employees and customers. For its annual "open house," invitations to customers are hand delivered by manufacturing—not marketing—personnel. Customers visit the plant and interact with shop floor personnel as well as white collar employees. This approach not only enables manufacturing personnel to understand better the purchase motivations of customers, but also helps customers to appreciate the limits and constraints of processes involved in manufacturing items they require. As the president of this company described it:

> [The "open house"] does two things for you. First, it impresses the customers that the people in manufacturing are interested in your business, and the other thing is that it impresses on the people in manufacturing that there are people who buy the product—real, live-bodied, walking-around people. *Our* people learn, but our *customers* are educated at the same time.

To help it anticipate customer needs accurately, one blue chip industrial product company assigns certain individuals exclusively to the task of studying trends and forces in the industries to which major customer groups belong (see related discussion by Lenz and Engledow 1986). This company goes so far as to identify future needs of customers and plan future offerings jointly with customers. The important point is that generation of market intelligence does not stop at obtaining customer opinions, but also involves careful analysis and subsequent interpretation of the forces that impinge on customer needs and preferences. Equally important, the field findings suggest that the generation of market intelligence is not and probably cannot be the exclusive responsibility of a marketing department (see also Webster 1988). Rather, market intelligence is generated collectively by individuals and departments throughout an organization. Mechanisms therefore must be be in place for intelligence generated at one location to be disseminated effectively to other parts of an organization.

Intelligence dissemination. As the interviews progressed, it became increasingly clear that responding effectively to a market need requires the participation of virtually all departments in an organization—R&D to design and develop a new product, manufacturing to gear up and produce it, purchasing to develop vendors for new parts/materials, finance to fund activities, and so on. Several managers noted that for an organization to adapt to market needs, market intelligence must be communicated, disseminated, and perhaps even sold to relevant departments and individuals in the organization. Marketing managers in two consumer products companies developed and circulated periodic newsletters to facilitate dissemination of market intelligence. These activities echo suggestions in the literature that organizational direction is a result of marketing managers educating and communicating with managers in other functional areas (Levitt 1969) and that marketers' most important role may be selling within the firm (Anderson 1982). As noted before, however, market intelligence need not always be disseminated by the marketing department to other departments. Intelligence may flow in the opposite direction, depending on where it is generated. Effective dissemination of market intelligence is important because it provides a shared basis for concerted actions by different departments. A vice president of an industrial products company recounted the intelligence dissemination process for a new product required by a customer:

> I get engineering involved. Engineering gets production involved. We have management lunches and informal forums. Call reports circulate. By the time you design, [you have] engineering, production, and purchasing involved early in the process.

A formal intelligence dissemination procedure is obviously important, but the discussions with managers indicated that informal "hall talk" is an extremely powerful tool for keeping employees tuned to customers and their needs. Despite sparse treatments of the effects of informal information dissemination in virtually any literature (for a rare exception, see Aguilar 1967), the importance of this factor is well recognized by managers and it is tapped extensively. For example, the vice president of a manufacturing firm indicated that customer information is disseminated in her organization by telling stories about customers, their needs, personality characteristics, and even their families. The idea is to have the secretaries, engineers, and production personnel "get to know" customers. Her description of informal intelligence dissemination follows.

> One goal when I took over was to know everything about customers, [whether] they liked cats, know [their] wives' names, favorite pet peeve about our products. Our sales reps need to know this . . . I do a lot of storytelling. Later, [I] developed software to computerize all this. Everyone in the organization has access to this database.

This emphasis on intelligence dissemination parallels recent acknowledgement of the important role of "horizontal communication" in service organizations (Zeithaml, Berry, and Parasuraman 1988). Horizontal communication is the lateral flow that occurs both within and between departments (Daft and Steers 1985) and serves to coordinate people and departments to facilitate the attainment of overall organizational goals. Horizontal communication of market intelligence is one form of intelligence dissemination within an organization.

Responsiveness. The third element of a market orientation is responsiveness to market intelligence. An organization can generate intelligence and disseminate it internally; however, unless it responds to market needs, very little is accomplished. Responsiveness is the action taken in response to intelligence that is generated and disseminated. The following statement by an account executive in a service organization describes this type of responsiveness.

> We are driven by what the customer wants. [We] try to gather data, do research, put together new products based on this research, and then promote them.

The field findings indicate that responsiveness to market intelligence takes the form of selecting target markets, designing and offering products/services that cater to their current and anticipated needs, and producing, distributing, and promoting the products in a way that elicits favorable end-customer response. Virtually all departments—not just marketing—participate in responding to market trends in a market-oriented company.

Synthesis and Commentary

From the preceding discussion, we offer the following formal definition of market orientation.

> 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.

Defining market orientation as organizationwide generation, dissemination, and responsiveness to market intelligence addresses the concerns of Barksdale and Darden (1971) by focusing on specific *activities* rather than philosophical notions, thereby facilitating the operationalization of the marketing concept. Interestingly, it appears more appropriate to view a market orientation as a continuous rather than a dichotomous either-or construct. As the sales manager for Asia in an industrial products company put it:

> The first thing to recognize is that there is no absolute, that there are many shades of gray.

In other words, organizations differ in the extent to which they generate market intelligence, disseminate it internally, and take action based on the intelligence. It therefore is appropriate to conceptualize the market orientation of an organization as one of degree, on a continuum, rather than as being either present or absent. This conceptualization facilitates measurement by avoiding certain difficulties inherent in asking informants to indicate whether or not their organization is market oriented (e.g., it may be somewhat market oriented). The proposed definition suggests that a measure of market orientation need only assess the *degree* to which a company is market oriented, that is, generates intelligence, disseminates it, and takes actions based on it. Relatedly, the appropriate unit of analysis appears to be the strategic business unit rather than the corporation because different SBUs of a corporation are likely to be market oriented to different degrees.

We next discuss antecedents and consequences of a market orientation, and moderators of the linkage between market orientation and business performance. We draw on the marketing literature, management literature, and field interviews for developing research propositions.

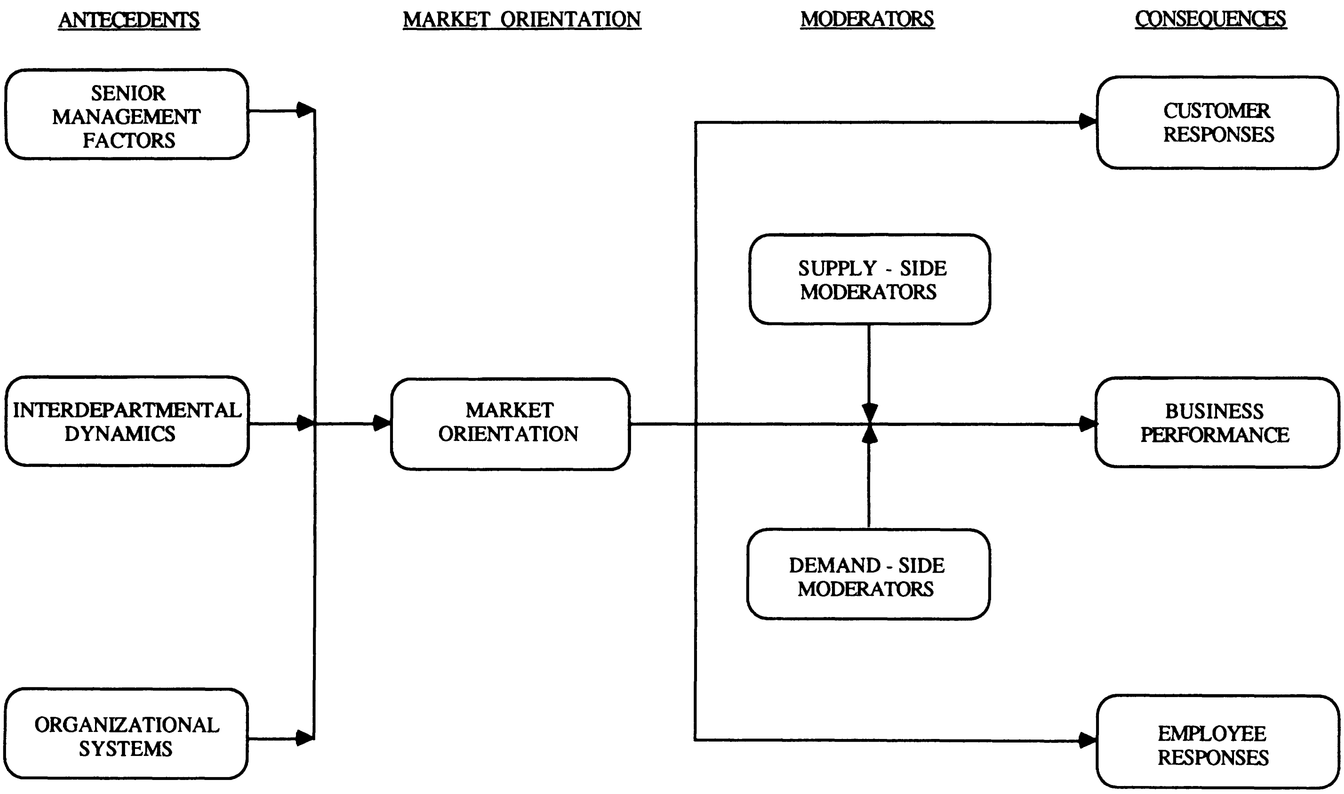
Research Propositions

Figure 1 is a conceptual framework for the following discussion. Briefly, the framework comprises four sets of factors: (1) antecedent conditions that foster or discourage a market orientation, (2) the market orientation construct, (3) consequences of a market orientation, and (4) moderator variables that either strengthen or weaken the relationship between market orientation and business performance. We discuss each of the four factors and develop propositions based on the literature and the field interviews.

Antecedents to a Market Orientation

Antecedents to a market orientation are the organizational factors that enhance or impede the implementation of the business philosophy represented by the marketing concept. Our examination of the literature and the insights from the field interviews reveal three hierarchically ordered categories of antecedents to a market orientation: individual, intergroup, and organizationwide factors. We label these as senior management factors, interdepartmental dynamics, and organizational systems, respectively.

FIGURE 1
Antecedents and Consequences of a Market Orientation



Senior management factors. The role of senior management emerged as one of the most important factors in fostering a market orientation (see Figure 2). Interviewees repeatedly emphasized the powerful impact of top managers on an organization. The following quotations are representative of the ideas that surfaced in the interviews.

> We'll do almost a $100 million [worth of sales] this year. We have a customer that bought [a mere] $10,000 worth of services. [He] calls the president [and launches into a long tirade of complaints]. [The president] writes down what he says and responds to him in writing. He investigates the difficulty. He gets back to him. In that process, if you are a junior engineer who just worked on a $10,000 project and the *president* calls you up and says "let's talk about this and work out some kind of response to him," the word spreads throughout the base of the company [that] we're a customer-oriented company, we're marketplace oriented, we want to satisfy customer needs.
> —Senior vice president, industrial services company

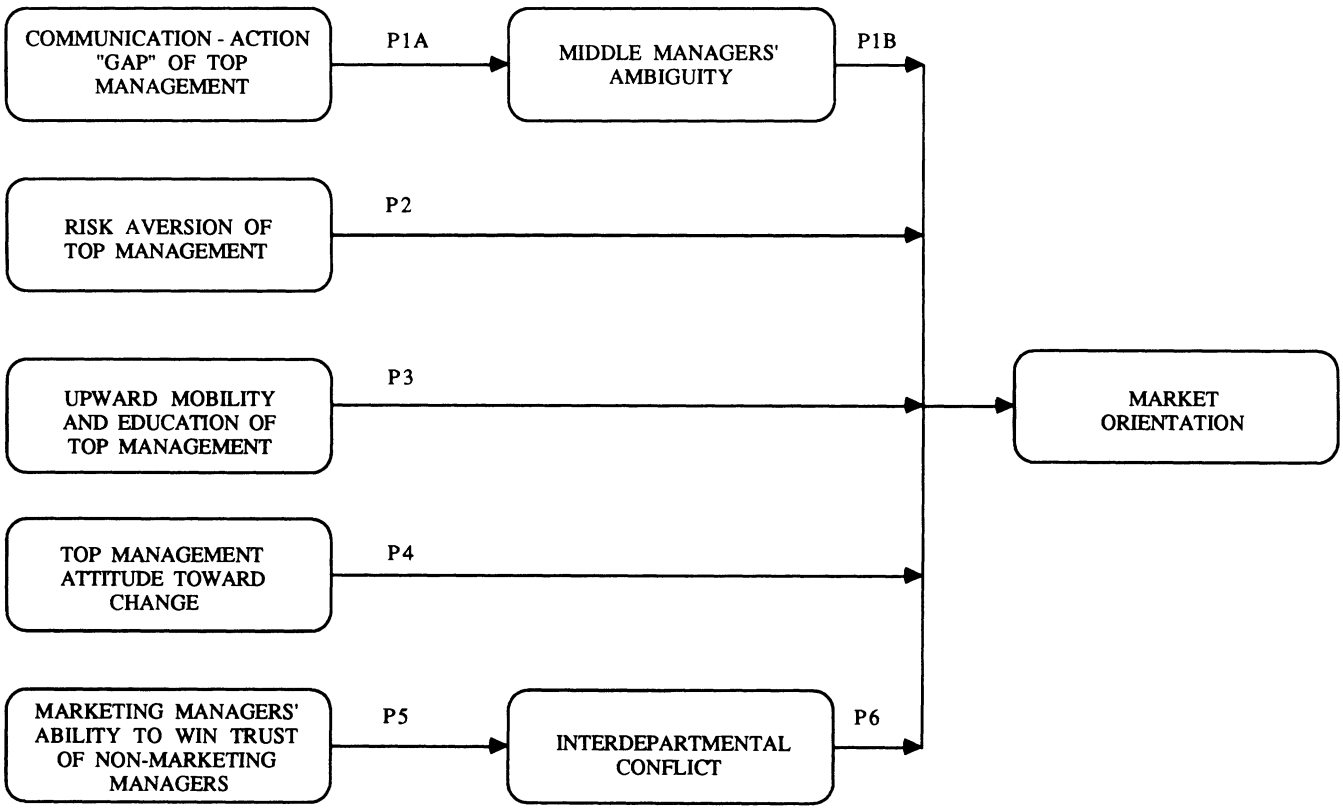
> The founder of this organization is a salesman. His shortcoming is that he does not know what marketing is. We reflect the leader.
> —Marketing manager, service organization

The critical role of top managers in fostering a market orientation is also reflected in the literature. For example, Webster (1988) asserts that a market orientation originates with top management and that "customer-oriented values and beliefs are uniquely the responsibility of top management" (p. 37). Likewise, Felton (1959) asserts that the most important ingredient of a market orientation is an appropriate state of mind, and that it is attainable only if "the board of directors, chief executive, and top-echelon executives appreciate the need to develop this marketing state of mind" (p. 55). In other words, the commitment of top managers is an essential prerequisite to a market orientation.

Additionally, Levitt (1969, p. 244) argues that one of the factors that facilitates the implementation of the marketing concept is the presence of "the right signals from the chief operating officer to the entire corporation regarding its continuing commitment to the marketing concept." In a similar vein, Webster (1988, p. 37) suggests that "CEOs must give clear signals and establish clear values and beliefs about serving the customer." Thus, these scholars assert that in addition to being committed to a market orientation, top managers must clearly *communicate* their commitment to all concerned in an organization.

Interestingly, the management literature goes a step further to provide novel insights. Argyris (1966) argues that a key factor affecting junior managers is the

FIGURE 2
Senior Management Factors and Market Orientation



gap between what top managers say and what they do (e.g., they *say* "be market oriented," but cut back market research funds, discourage changes). Argyris examined 265 decision-making meetings with senior executives and concluded that the actual behavior of managers does not conform to their verbal espousals. One could argue, however, that if the gap is consistent over time, junior managers may to be able to infer what top managers truly desire. In contrast, if the size and/or direction of the gap is inconsistent over time, junior managers are unlikely to be able to infer top managers' actual preferences. Such variability is likely to lead to ambiguity about the amount of effort and resources junior managers should allocate to market-oriented tasks, thereby leading to lower market orientation. Hence:

> P_{1a}: The greater the variability over time in the gap between top managers' communications and actions relating to a market orientation, the greater the junior managers' ambiguity about the organization's desire to be market oriented.

> P_{1b}: The greater the junior managers' ambiguity about the organization's desire to be market oriented, the lower the market orientation of the organization.

A market orientation involves being responsive to market intelligence. Changing market needs call for the introduction of innovative products and services to match the evolving needs. The introduction of new/modified offerings and programs, however, is inherently risky because the new offerings may fail. As two executives noted:

> Hospitals cannot survive unless they are innovative throughout the organization. It means taking risks, doing some real concrete things with customers.
> —Marketing director, service organization

> To be marketing oriented is not to be safe because you're running a risk. You have to invest in your ideas. To not be marketing oriented is to be safe. [It means doing] the same old [thing]. You're not investing in your business, not [taking] risks.
> —President, industrial services company

In the course of the discussion with the latter executive, it became clear that top managers' response to innovative programs that do not succeed sends clear signals to junior employees in an organization. If top managers demonstrate a willingness to take risks and accept occasional failures as being natural, junior managers are more likely to propose and introduce new offerings in response to changes in customer needs. In contrast, if top managers are risk averse and intolerant of failures, subordinates are less likely to be responsive to changes in customer needs. Hence:

P_2: The greater the risk aversion of top managers, the lower the market orientation of the organization.

Because a market orientation involves being responsive to changing customer/client needs with innovative marketing programs and strategies, it can be viewed as a continuous innovative behavior. Hambrick and Mason (1984) suggest that organizations headed by top managers who are young, have extensive formal education, and are of low socioeconomic origin (and, by implication, have demonstrated upward social mobility) are more likely to pursue risky and innovative strategies. In the diffusion of innovations literature, formal education and upward mobility are reported as being related consistently to innovative behavior (see Rogers 1983, ch. 7). However, the age variable does not produce consistent findings across studies. Taken together, these findings suggest that the market orientation of an organization may be a function of the formal education of its senior managers and the extent to which they are upwardly mobile. More formally:

P_3: The greater the senior managers' (1) educational attainment and (2) upward mobility, the greater the market orientation of the organization.

A positive attitude toward change has been linked consistently to individual willingness to innovate. In a comprehensive review, Rogers (1983, p. 260) reports that 43 of 57 studies found a positive relationship between these two constructs. Willingness to adapt and change marketing programs on the basis of analyses of consumer and market trends is a hallmark of a market-oriented firm. Hence, top managers' openness to new ideas and acceptance of the view that change is a critical component to organizational success are likely to facilitate a market orientation. That is:

P_4: The more positive the senior managers' attitude toward change, the greater the market orientation of the organization.

Certain characteristics of department managers and the nature of interactions among them appear likely to affect an organization's market orientation through their impact on interdepartmental conflict (see Figure 2). Interdepartmental conflict is tension between two or more departments that arises from incompatibility of actual or desired responses (cf. Gaski 1984; Raven and Kruglanski 1970, p. 70). Felton (1959) and Levitt (1969) suggest that it is critical for a marketing vice president to be able to win the confidence and cooperation of his or her corporate peers to minimize conflict and engender a market orientation, though they do not elaborate on the factors that afford this ability. The implication is that:

P_5: The greater the ability of top marketing managers to win the confidence of senior nonmarketing managers, the lower the interdepartmental conflict.

Interdepartmental dynamics. Interdepartmental dynamics are the formal and informal interactions and relationships among an organization's departments. In P_5 we introduced the first interdepartmental construct, conflict. We begin our discussion in this section with the linkage between interdepartmental conflict and market orientation, then examine additional interdepartmental dynamics (see Figure 3).

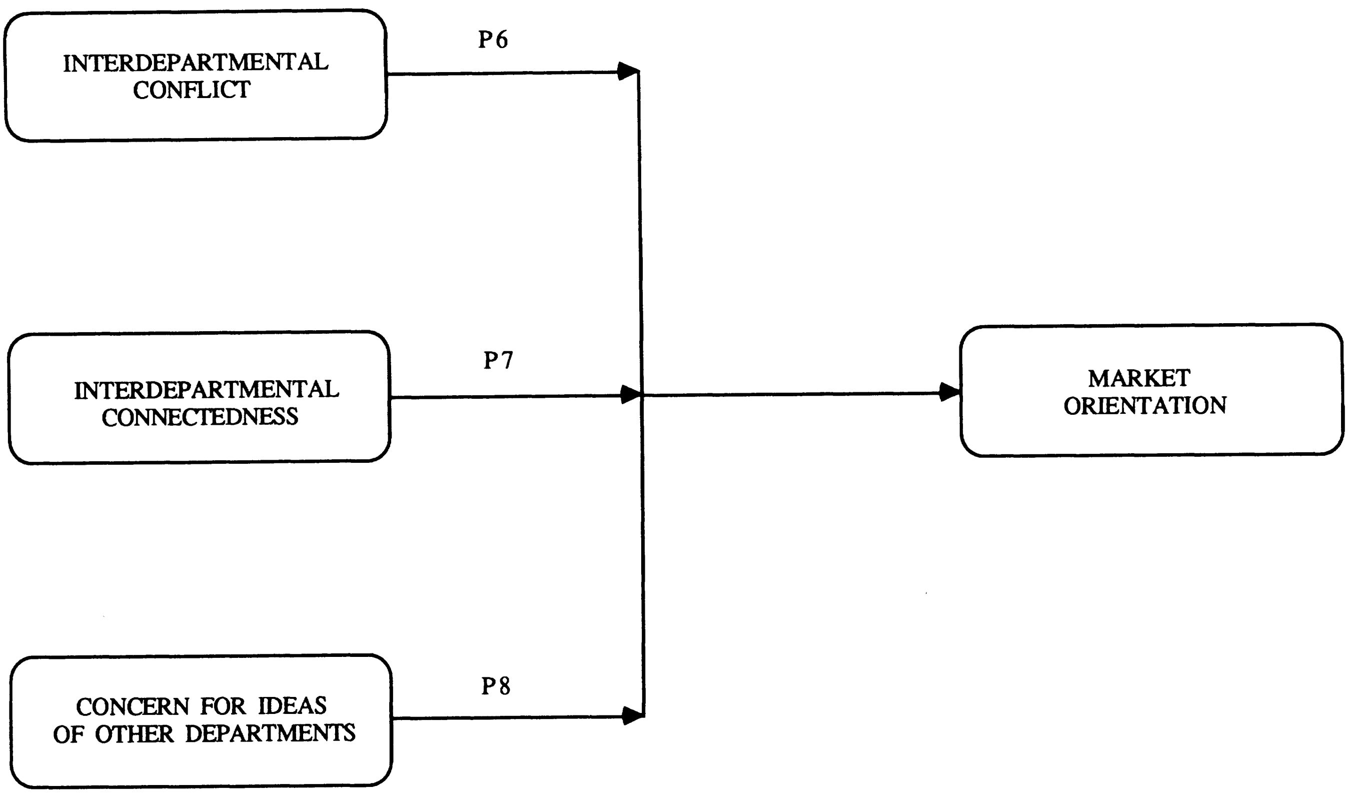
Levitt (1969), Lusch, Udell, and Laczniak (1976), and Felton (1959) suggest that interdepartmental conflict may be detrimental to the implementation of the marketing concept. Interdepartmental conflict may stem from natural desires of individual departments to be more important or powerful, or may even be inherent in the charters of the various departments. For example, Levitt (1969) argues that the job of a manufacturing vice president is to run an efficient plant. Therefore it is only natural for that individual to oppose costly endeavors that might be called for by a market orientation. Recent research (e.g., Ruekert and Walker 1987) suggests that interdepartmental conflict inhibits communication across departments. Hence interdepartmental conflict appears likely to inhibit market intelligence dissemination, an integral component of a market orientation. Additionally, tension among departments is likely to inhibit concerted response by the departments to market needs, also a component of market orientation. We therefore expect that:

P_6: The greater the interdepartmental conflict, the lower the market orientation of the organization.

A second interdepartmental dynamic that emerged in several interviews as an antecedent of a market orientation is interdepartmental connectedness. This variable is the degree of formal and informal direct contact among employees across departments. For example, one executive noted that to improve its market orientation, her organization opened communication channels across departments—in marked contrast to the earlier practice of departments operating independently of one another and coordinated only by top management. One interviewee indicated that her organization *formally* required periodic meetings of employees from different departments, thereby facilitating the sharing of market intelligence.

The importance of interdepartmental connectedness in facilitating the dissemination of and responsiveness to market intelligence is supported by the evaluation literature (cf. Cronbach and Associates 1981) and the marketing literature (cf. Deshpande and Zaltman

FIGURE 3
Interdepartmental Dynamics and Market Orientation



1982). Indeed, the key predictors of research information utilization in program evaluation settings are the extent and quality of interaction between the evaluators and the program personnel (see Patton 1978). Hence:

> P_7: The greater the interdepartmental connectedness, the greater the market orientation of the organization.

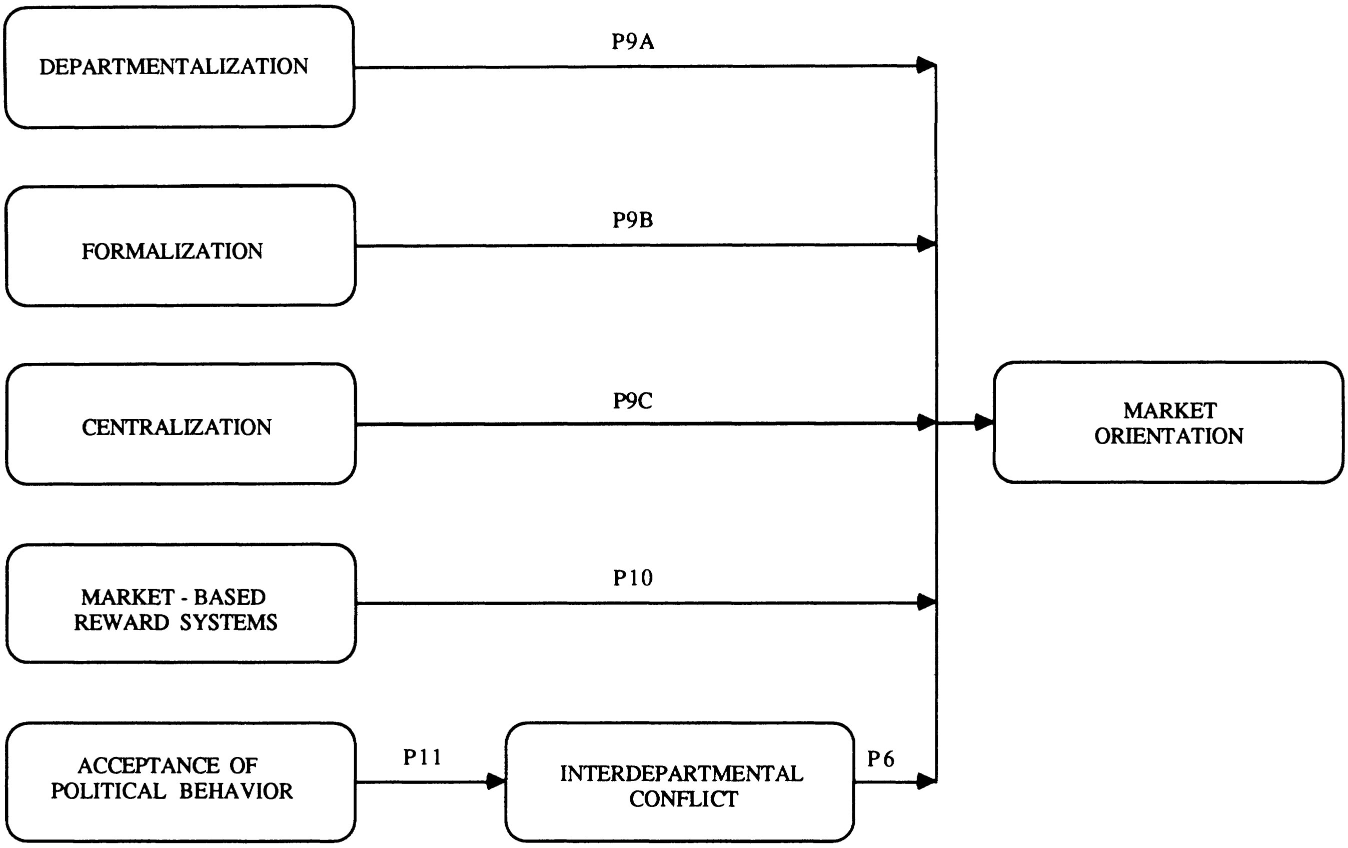
As Figure 3 illustrates, an additional construct pertaining to interdepartmental dynamics suggested by the literature on group dynamics is concern for others' ideas (Argyris 1965, 1966). Concern for others' ideas refers to openness and receptivity to the suggestions and proposals of other individuals or groups. In the previously noted study on decision making, Argyris (1966) observed that low levels of concern are related directly to restricted information flows, distrust, and antagonism, which result in ineffective group processes. Therefore, low levels of concern for the ideas of individuals in other departments can be expected to impede the dissemination of market intelligence across departments as well as the responsiveness of individuals to intelligence generated in other departments. That is:

> P_8: The greater the concern for ideas of employees in other departments, the greater the market orientation of the organization.

Organizational systems. The third set of antecedents to a market orientation relate to organizationwide characteristics and therefore are labeled "organizational systems" (see Figure 4). A set of barriers to a market orientation briefly hinted at in the marketing literature is related to the structural form of organizations. Lundstrom (1976) and Levitt (1969) discuss departmentalization or specialization as a barrier to communication (and hence intelligence dissemination). Additionally, Stampfl (1978) argues that greater formalization and centralization make organizations less adaptive to marketplace and environmental changes.

These references to organizational structure have their roots in the organizational sciences literature. Formalization is the degree to which rules define roles, authority relations, communications, norms and sanctions, and procedures (Hall, Haas, and Johnson 1967). Centralization is defined as the delegation of decision-making authority throughout an organization and the extent of participation by organizational members in decision making (Aiken and Hage 1968). Historically, both formalization and centralization have been found to be related inversely to information utilization

FIGURE 4
Organizational Systems and Market Orientation



(Deshpande and Zaltman 1982; Hage and Aiken 1970; Zaltman, Duncan, and Holbek 1973). In our context, information utilization corresponds to being responsive to market intelligence. Thus, the literature suggests that structural characteristics of an organization can influence its market orientation.

Interestingly, there is reason to believe that organizational structure may not affect all three components of a market orientation in the same way. Because a market orientation essentially involves doing something new or different in response to market conditions, it can be viewed as a form of innovative behavior. Zaltman, Duncan, and Holbek (1973, p. 62) characterize innovative behavior as having two stages, (1) the initiation stage (i.e., awareness and decision-making stage) and (2) the implementation stage (i.e., carrying out the decision). In our context, the initiation stage corresponds to intelligence generation, dissemination, and the design of organizational response, whereas the implementation stage corresponds to the actual organizational response.

Zaltman, Duncan, and Holbek (1973) draw on numerous studies to argue that organizational dimensions such as departmentalization, formalization, and centralization may have opposite effects on the two stages of innovative behavior. In particular, they indicate that whereas these variables may hinder the initiation stage of innovative behavior, they may facilitate the implementation stage of innovative behavior. Hence departmentalization, formalization, and centralization may be related inversely to intelligence generation, dissemination, and response design, but positively to response implementation.

> P_{9a}: The greater the departmentalization, (1) the lower the intelligence generation, dissemination, and response design and (2) the greater the response implementation.
>
> P_{9b}: The greater the formalization, (1) lower the intelligence generation, dissemination, and response design and (2) the greater the response implementation.
>
> P_{9c}: The greater the centralization, (1) the lower the intelligence generation, dissemination, and response design and (2) the greater the response implementation.

The management literature reflects a rich history of work on measurement/reward systems and their effects on the attitudes and behavior of employees (see Hopwood 1974; Lawler and Rhode 1976 for reviews). Recent research in marketing builds on this work by emphasizing the importance of measurement and reward systems in shaping both desirable and undesirable behaviors (cf. Anderson and Chambers 1985; Jaworski 1988). Webster (1988, p. 38) argues that "the key to developing a market-driven, customer-oriented business lies in how managers are evaluated and rewarded." He observes that if managers are evaluated primarily on the basis of short-term profitability and sales, they are likely to focus on those criteria and neglect market factors such as customer satisfaction that ensure the long-term health of an organization.

Webster's observations are supported by the practices of several organizations included in our study. Though only one organization sampled appears to tie compensation to market-oriented performance, if rewards are construed more broadly to include appreciation, recognition, and approval, a larger number of organizations in the sample measure and reward market-based performance. For example, several organizations make it a point to single out and recognize employees who are identified by customers as being particularly helpful. Other organizations have instituted one or more variations of the "employee of the month" theme.

However, considerable variance is evident in the extent to which organizations measure and reward market-based performance. One marketing manager recounted a current situation in which employees are rewarded for short-term financial performance (i.e., units sold). She noted that this system works against a long-run market orientation and any long-run strategic orientation that the organization may decide to take. A sales manager in an industrial firm made a similar observation, noting that his sales reps may lead the company astray because their reward systems are based on sales in the short run. Currently, no system is in place to encourage them to think strategically. The preceding discussion suggests that:

> P_{10}: The greater the reliance on market-based factors for evaluating and rewarding managers, the greater the market orientation of the organization.

All of the preceding organizationwide characteristics involve formal systems within organizations. Recent writings in the management literature reflect an increasing recognition of the important role of looser, less formal systems in shaping organizational activities (e.g., Feldman and March 1981; Ouchi 1979; Ouchi and Wilkens 1985; Pettigrew 1979; Smircich 1983). More recently, these informal characteristics have gained the attention of marketing academicians (cf. Deshpande and Webster 1989; Jaworski 1988). Though several different concepts can be identified, an informal organizational characteristic that appears to be particularly relevant as a determinant of a market orientation is political norm structure, a variable discussed in some detail by Porter, Allen, and Angel (1981).

Political behavior consists of individuals' attempts to promote self-interests and threaten others' interests (Porter, Allen, and Angel 1981). Political norm structure is an informal system that reflects the extent to which members of an organization view political behavior in the organization as being acceptable. A market orientation calls for a concerted response by the various departments of an organization to market intelligence. A highly politicized system, however, has the potential for engendering interdepartmental conflict (thereby inhibiting a market orientation). Hence,

> P_{11}: The greater the acceptance of political behavior in an organization, the greater the interdepartmental conflict.

Linkages Among the Market Orientation Components

Literature suggests that the three elements of a market orientation may be interrelated. For example, the literature on source credibility (cf. Petty and Cacioppo 1986; Zaltman and Moorman 1988) suggests that individuals in an organization are likely to be more responsive to intelligence generated by individual(s) who are regarded as having high expertise and trustworthiness. That is, responsiveness to market intelligence is likely to be a function of the characteristics of the source that generates the intelligence. Further, the literature on research utilization (cf. Deshpande and Zaltman 1982) suggests that responsiveness may be a function of such factors as the political acceptability of intelligence and the extent to which it challenges the status quo. Similarly, the extent to which intelligence is disseminated within an organization may depend on the political acceptability of intelligence and the challenge posed to the status quo. Hence the source of market intelligence and the very nature of intelligence may affect its dissemination and utilization (i.e., responsiveness). More formally:

> P_{12a}: The greater the perceived expertise of the source generating market intelligence, the greater the responsiveness to it by the organization.
>
> P_{12b}: The greater the perceived trustworthiness of the source generating market intelligence, the greater the responsiveness to it by the organization.
>
> P_{12c}: The smaller the challenge to the status quo posed by market intelligence, the greater (1) its dissemination and (2) the responsiveness to it by the organization.
>
> P_{12d}: The greater the political acceptability of market intelligence, the greater (1) its dissemination and (2) the responsiveness to it by the organization.

Consequences of a Market Orientation

Several insights obtained from the field interviews and the literature pertain to the consequences of a market orientation. The interviews uncovered an interesting consequence of a market orientation that is of major significance to large corporations. As the sales manager for Europe of an industrial products company indicated:

> [Market orientation leads to a] cohesive product focus, clear leadership, better coordination of sales activities, much better job of reviewing products from a worldwide basis, help in terms of differentiation.

In essence, the executive suggests that a market orientation facilitates clarity of focus and vision in an organization's strategy. This benefit corresponds to consistency, the first of Rumelt's (1981) four criteria—consistency, frame, competence, and workability—for evaluating strategies. Consistency is the extent to which a strategy reflects mutually consistent goals, objectives, and policies. Though strategies formulated by a single individual seldom have internal inconsistencies, the likelihood of inconsistencies increases when strategies emerge from interactions and negotiations among multiple individuals in different parts of an organization. A market orientation appears to provide a unifying focus for the efforts and projects of individuals and departments within the organization, thereby leading to superior performance.

Not surprisingly, virtually all of the executives interviewed noted that a market orientation enhances the performance of an organization. The typical response to our question about positive consequences was a "laundry list" of favorable business performance indicators such as ROI, profits, sales volume, market share, and sales growth. Preliminary support for some of these consequences is reported by Narver and Slater (1988). Hence:

> P_{13}: The greater the market orientation of an organization, the higher its business performance.

The second set of consequences that emerged from the interviews relate to the effects of a market orientation on employees. These effects are not addressed in the extant literature. A large number of executives noted that a market orientation provides psychological and social benefits to employees. Several respondents noted that a market orientation leads to a sense of pride in belonging to an organization in which all departments and individuals work toward the common goal of serving customers. Accomplishing this objective results in employees sharing a feeling of worthwhile contribution, as well as higher levels of job satisfaction and commitment to the organization. The vice president of a consumer products company described some of these consequences as:

> . . . better esprit de corps. [You get the feeling] that what you are doing is satisfying. I think people feel the need to contribute, to help individuals, the society, to make a contribution.

The espirit de corps construct has received some attention in the management literature (e.g., Jones and James 1979) and is very similar to the teamwork construct identified by Zeithaml, Berry, and Parasuraman (1988) in a services marketing context. The latter authors suggest that this variable is instrumental in reducing the gap between service quality specifications and actual delivery, thereby improving consumers' perceptions of service quality. Interestingly, our findings suggest that the espirit de corps within an organization may itself be improved by a market orientation. Therefore we propose that:

> P_{14}: The greater the market orientation, the greater the (1) espirit de corps, (2) job satisfaction, and (3) organizational commitment of employees.

The third set of consequences of a market orientation identified by the respondents involves customer attitudes and behavior. The thrust of the comments is that a market orientation leads to satisfied customers who spread the good word to other potential customers and keep coming back to the organization. The following quotations illustrate these ideas.

> . . . customer satisfaction, [positive] word of mouth, repeat business is enhanced. Customer retention is better for us, [it is] much less expensive.
> —Executive vice president, consumer products company

> . . . develops firm reputation, happy customers. Coming through when a customer is in a jam helps [our] reputation.
> —Vice president, industrial products company

These ideas also reflect Kotler's (1988) assertion that a market orientation is likely to lead to greater customer satisfaction and repeat business. Hence:

> P_{15}: The greater the market orientation, (1) the greater the customer satisfaction and (2) the greater the repeat business from customers.

The literature reflects few *empirical* studies of the consequences of a market orientation. Most studies focus primarily on the extent to which the marketing concept has been adopted by organizations, rather than its specific consequences. One noteworthy exception is the Lawton and Parasuraman (1980) study. The authors found that the adoption of the marketing concept had no apparent effect on the sources of new product ideas, the use of marketing research in new product planning, and the innovativeness of new product offerings. In a sense, these findings run counter to the assertions of such authors as Bennett and Cooper (1981), Kaldor (1971), and Tauber (1974), who argue that the adoption of the marketing concept inhibits organizations from developing truly breakthrough innovations. Lawton and Parasuraman (1980) caution, however, that additional research using new measures is needed before firm conclusions can be drawn.

Environmental Moderators of the Market Orientation–Business Performance Linkage

With a few exceptions, writings in the literature tend to view the marketing concept as a universally relevant philosophy. In contrast, the field interviews elicited several environmental contingencies or conditions under which the impact of a market orientation on business performance is likely to be minimal. That is, the field findings suggest that certain contingencies moderate (i.e., increase or decrease) the strength of the relationship between market orientation and business performance. In the following discussion, we consider four such contingencies or moderator variables.

One moderator that surfaced in the course of the interviews is market turbulence—changes in the composition of customers and their preferences. This variable is more focused than the widely studied environmental turbulence construct. The role of market turbulence in influencing the desirability of a market orientation was highlighted by the experience of two consumer (food) products companies that marketed their products in a specific region in the United States. The population in this region had remained unchanged for years, and the preferences of the customers were known and stable. Neither company did much market research. Over the last few years, however, the region had received a tremendous influx of population from other parts of the country. Both companies were forced to initiate research to assess the needs and preferences of the new potential customers, and to develop new products to suit their particular preferences. These experiences suggest that when an organization caters to a fixed set of customers with stable preferences, a market orientation is likely to have little effect on performance because little adjustment to a marketing mix is necessary to cater effectively to stable preferences of a given set of customers. In contrast, if the customer sets or their preferences are less stable, there is a greater likelihood that the company's offerings will become mismatched with customers' needs over a period of time. An organization therefore must ascertain the changed preferences of customers and adjust its offerings to match them. That is:

> P_{16}: The greater the market turbulence, the stronger the relationship between a market orientation and business performance.

Several authors (e.g., Bennett and Cooper 1981; Houston 1986; Kaldor 1971; Tauber 1974) point out that many generic product class innovations do not evolve from consumer research. Rather, these innovations are developed by R&D personnel who are often outside the industries into which the innovations eventually assimilate. Similar notions emerged in the interviews. As two of the managers interviewed indicated:

> [It is important to] recognize that new products do not always originate from the customer, [particularly] in high-tech industry. [An organization needs] to balance R&D [initiated] projects as well as customer/market driven products.
>
> —Sales manager, industrial products company

> Let me explain why we are not marketing oriented. We are a complex business, the industry is changing dramatically. Some of our products did not exist three years ago. The technology is changing. Everyone is getting wrapped up in production/operations.
>
> —Marketing manager, service organization

The basic idea expressed in the quotations is that in industries characterized by rapidly changing technology (note that firms in such industries often sell to other *firms*), a market orientation may not be as important as it is in technologically stable industries. "Technology" here refers to the entire process of transforming inputs to output and the delivery of those outputs to the end customer. The proposition is *not* that a market orientation is unimportant in technologically turbulent industries, but rather that it is *less* important. That is:

> P_{17}: The greater the technological turbulence, the weaker the relationship between a market orientation and business performance.

Several executives noted that the degree of competition in an industry has a straightforward bearing on the importance of a market orientation. Strong competition leads to multiple choices for customers. Consequently, an organization must monitor and respond to customers' changing needs and preferences to ensure that customers select its offerings over competing alternatives. As two executives indicated:

> Historically, [we] were a technically driven company. In the early years it was a successful approach. If we had a better mousetrap, customers would search [us] out. However, as more companies came up with more solutions, we had to become more market oriented. Find out what solution [the] customer is looking for, and try to solve it. In the past little time was spent with customers. Now coordinate with customer, solution for him, try to utilize that development energy to provide solution for segment.
>
> —Sales manager, industrial product firm

> One thing is that marketing and advertising change so much. What worked last year may not work this year. A lot of it has to do with the competitive nature that you're in at the time because people's needs change. . . . If you don't have competition, you don't need it as much."
>
> —Marketing director, service organization

Thus, an organization with a monopoly in a market may perform well regardless of whether or not it modifies its offerings to suit changing customer preferences (see also Houston 1986, p. 84). As one service executive noted, "If one has a patent or lock on the product, it may not be efficient to allocate resources to marketing." In other words, the benefits afforded by a market orientation are greater for organizations in a competitive industry than for organizations operating in less competitive industries.

> P_{18}: The greater the competition, the stronger the relationship between a market orientation and business performance.

Several executives indicated that in strong economies characterized by strong demand, an organization may be able to "get away with" a minimal amount of market orientation. In contrast, in a weak economy, customers are likely to be very value conscious and organizations must be more in tune with and responsive to customer needs in order to offer good value for money. Paradoxically, marketing seems to require more resources precisely at times when the organization is short of resources because of weak business conditions. As one academician noted:

> I think in weak economies, on the one hand [there is a] need to be more marketing oriented [because] consumers might need better inducements, their dollar has to go farther. On the other hand, to be marketing oriented requires greater amounts of money that they may not be able to provide at that point.

The preceding observations suggest the following proposition.

> P_{19}: The weaker the general economy, the stronger the relationship between a market orientation and business performance.

Our 19 research propositions fit the broad framework depicted in Figure 1. Note that the moderator variables discussed are labeled supply-side and demand-side moderators. The latter relate to the nature of demand in an industry (e.g., customer preferences, value consciousness) whereas the former refer to the nature of competition among suppliers and the technology they employ. The framework in Figure 1 facilitates parsimonious conceptualization and, more importantly, offers the potential for extending research by identifying additional constructs that may fit into each of the broad categories (senior management factors, interdepartmental dynamics, etc.).

Managerial Implications

Our propositions have direct managerial implications. First, our research suggests that a market orientation may or may not be very desirable for a business, depending on the nature of its supply- and demand-side factors. Second, the research clearly delineates the factors that can be expected to foster or discourage a market orientation. These factors are largely controllable by managers and therefore can be altered by them to improve the market orientation of their organizations. Overall, our research gives managers a comprehensive view of what a market orientation is, ways to attain it, and its likely consequences.

To Be or Not To Be Market Oriented

Our study suggests that though a market orientation is likely to be related to business performance in general, under certain conditions it may not be critical. A market orientation requires the commitment of resources. The orientation is useful only if the benefits it affords exceed the cost of those resources. Hence, under conditions of limited competition, stable market preferences, technologically turbulent industries, and booming economies, a market orientation may not be related strongly to business performance. Managers of businesses operating under these conditions should pay close attention to the cost-benefit ratio of a market orientation.

Implementing a Market Orientation

Our research provides very specific suggestions about the factors that foster or discourage a market orientation in organizations. Because the factors identified are controllable by senior managers, deliberate engendering of a market orientation is possible.

For example, our findings suggest that senior managers must themselves be convinced of the value of a market orientation and *communicate* their commitment to junior employees. Though annual reports and public interviews proclaiming a market orientation are helpful, junior employees need to witness behaviors and resource allocations that reflect a commitment to a market orientation. Senior managers must develop positive attitudes toward change and a willingness to take calculated risks. A market orientation is almost certain to lead to a few projects or programs that do not succeed. However, supportive reaction to failures is critical for engendering a change-oriented philosophy represented by the marketing concept.

We also identify interdepartmental dynamics that can be managed through appropriate in-house efforts. Interdepartmental variables—conflict, connectedness—clearly have a key role in influencing the dissemination of and responsiveness to market intelligence. Some inexpensive ways to manage these two antecedents (conflict, connectedness) include (1) interdepartmental lunches, (2) sports leagues that require mixed-department teams, and (3) newsletters that "poke fun" at various interdepartmental relations. More advanced efforts include (1) exchange of employees across departments, (2) cross-department training programs, and (3) senior department managers spending a day with executives in other departments. Such efforts appear to foster an understanding of the personalities of managers in other departments, their culture, and their particular perspectives.

The third set of variables that senior managers might alter to foster a market orientation pertains to organizationwide systems. The impact of structural factors such as formalization and centralization is unclear because, though they appear to inhibit the generation and dissemination of market intelligence, these very factors are likely to help an organization implement its response to market intelligence effectively. How an organization should structure itself appears to depend on the activity involved. Clearly, however, senior managers can help foster a market orientation by changing reward systems from being completely finance based (e.g., sales, profits) to being at least partly market based (e.g., customer satisfaction, intelligence obtained). Simultaneously, informal norms such as the acceptability of political behavior in the organization should be changed to facilitate concerted response by the departments to market developments.

The Pace and Dynamics of Change

A change in orientation takes place slowly. We were apprised of certain organizations that were actively involved in becoming more market oriented, but planned to complete the change process over a period of about four years. In describing a change to a market focus, an executive director noted that there is always a "pull and tug between a new idea and old ways of doing things." It appears especially difficult to "carry" employees who are concerned that a movement along the market orientation dimension might jeopardize their power in the organization or expose other inadequacies related to their jobs.

Further, the balance of power across departments must be managed carefully in any effort to become more market oriented. Though a market orientation involves the efforts of virtually all departments in an organization, the marketing department typically has a larger role by virtue of its contact with customers and the market. Individuals in marketing departments may try to relegate other departments to a secondary status. One health care administrator recounted that when the organization had begun to emphasize a market philosophy, it had started treating marketing personnel as the "blue-eyed boys" of the organization. Within a very short time, personnel in other departments began to resent this treatment and raised questions with the chief executive ("What are you doing for us?").

For any change to take place, an organization first must perceive a gap between its current and its preferred orientation. We were apprised of several instances in which members of an organization felt they were very customer oriented, but in fact were hardly so. An executive narrated the example of a service organization's employees who felt they were very responsive to customer needs. However, when the interactions of these employees with customers (hospital patients) were videotaped and played back to the employees, they were horrified at the callous manner in which they saw themselves treating customers. As Weick (1979) notes, it is the perceptions of situations that are the triggers of action.

The Quality of Market Orientation

Though in general organizations that develop market intelligence and respond to it are likely to perform better and have more satisfied customers and employees than ones that do not, simply engaging in market-oriented activities does not ensure the *quality* of those activities. The quality of market intelligence itself may be suspect or the quality of execution of marketing programs designed in response to the intelligence may be poor. In such instances, a market orientation may not produce the desired functional consequences. For example, to meet a customer's needs, one industrial products company went to extreme lengths to customize small batches of products for the customer, which resulted in poor financial performance. Similarly, one executive noted that a company's efforts may so raise customer expectations about product quality, response time, and other factors as to result in either uneconomical operations or dissatisfied customers. This difficulty parallels the problem posed by overpromising in service settings discussed by Zeithaml, Berry, and Parasuraman (1988). Though we do not address the issue of variations in the quality of market intelligence, its dissemination, and organizational response, these variations clearly are important and warrant consideration by both managers and researchers.

Conclusion

We attempt to clarify the domain of the market orientation construct and provide a working definition and a foundation for developing a measure of the construct. Additionally, we identify three classes of factors affecting a market orientation and interrelationships among the elements of market orientation. We highlight the impact of a market orientation on an organization's strategy, employee dispositions, and customer attitudes and behavior. Finally, and in a significant departure from previous work, we introduce supply- and demand-side factors as potential moderators of the impact of market orientation on business performance.

Our propositional inventory and integrative framework represent efforts to build a foundation for the systematic development of a theory of market orientation. However, the objective of our research is theory construction rather than theory testing. Much work remains to be done in terms of developing a suitable measure of market orientation and empirically testing our propositions.

In recent years, considerable interest has focused on organizational resources and positions that represent sustainable competitive advantages (e.g., Day and Wensley 1988). Much less attention has focused on organizational *processes*, such as market orientation, that represent a long-term advantage. Because a market orientation is not easily engendered, it may be considered an additional and distinct form of sustainable competitive advantage.

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Reprint No. JM542100