How To Become Market Oriented

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Today, there seems to be conformity in the view that successful firms are market oriented. Since the beginning of the 1990s market orientation has increasingly been recognised as a critical factor in business success. Major research issues on market orientation include the links between market orientation and company performance, the appropriate organisational design to achieve market orientation as well as the influence of external factors on it. The focus in this study is primarily on the link between market orientation and organisational culture as well as the importance of the interaction between marketing and other functional units in the process of implementing market orientation.

1. INTRODUCTION

Perhaps the real fathers of the term “market orientation” have been Kohli & Jaworski (1990) and Narver & Slater (1990). Both ran parallel and chronologically coinciding studies, addressing what appeared to be a deficit in studies on the implementation of the marketing concept. The literature on market orientation does seem to have shown that market orientation positively influences performance. The necessary assumption is therefore that market orientation is closely associated with improved business performance. This study endorses the assumption due to the strong positive associations demonstrated at least in the US environment. The main concern of this study is the importance of organisational culture and the interaction between the departments in the process of implementing market orientation. However, the background and the terminology of market orientation are not dealt with.

2. ACHIEVING MARKET ORIENTATION

A plethora of studies concentrate on the characteristics and activities of organisations which are required to achieve a market orientation. For instance Canning (1988) has devised a set of questions to test whether a company has a marketing consciousness. He focuses on identifying the roles of the CEO of the corporate strategy information systems, of new product development, of the sales and staff and of varied corporate cultures, in establishing a firm’s market orientation.

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The main theme is that every employee needs to look at his or her job as including a marketing element.

Shapiro (1988) has drawn three characteristics as making a company market driven, notably,

1- Information on all important buying influences permeates every corporate function.

2- Strategic and tactical decisions are made interfunctionally and interdivisionally.

3- Divisions and functions make well-coordinated decisions and execute them with a sense of commitment. (Shapiro; 1988, p. 120.)

Some authors have attempted to identify the reasons (and characteristics) that hinder market orientation in some companies. For instance, Masiello (1988; p.86) cites the following:

"1- Most functional areas in the company do not understand the concept of being truly driven by the market/customer needs.

2- Most employees do not know how to translate their classical functional responsibilities into market/customer responsive actions.

3- Most functional areas do not understand the roles of the other functions in the company.

4- The employees in each functional area do not have meaningful input to the marketing direction of the company although they are often closest to the operational characteristics of the marketplace”.

Webster (1988; p. 29) has illustrated what he calls the barriers to develop market orientation:

"1- An incomplete understanding of the marketing concept itself;

2- The inherent conflict between short-term and long-term sales and profit goals;

3- An overemphasis on short-term, financially-oriented measures of management performance; and

4- Top management’s own values and priorities concerning the relative importance of customers and the firm’s other constituencies”.

Some authors have proposed a “golden key” to be market-oriented. Having identified the reasons why companies are not market oriented, Webster has stated that the success for market orientation lies in

“the marketing strategy which is an extension and implementation of corporate and business strategies, and it focuses on the definition and selecting of markets and customers to be served and the continual improvement, in performance and cost, of products to be offered in those markets. In a market driven, customer-oriented business, the key element of the business plan will be a focus on well-defined market segments and the firm’s unique competitive advantage in those segments.”(Webster; 1988, p. 37.)
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Some of the basic requirements for achieving market orientation according to Webster (1988; p. 37) are;

1- Customer-oriented values and beliefs supported by top management;
2- Integration of market and customer focus into the strategic-planning process;
3- The development of strong marketing managers and programs;
4- The creation of market-based measures of performance; and
5- The development of customer commitment throughout the organisation.

Payne (1988; p. 46) has suggested a program to increase market orientation which can be developed through:

1- Understanding the mix of potentially conflicting orientations in the organisation;
2- Identifying the present levels of marketing effectiveness; and
3- Implementing a plan to improve marketing orientation.

Tierno (1987) has challenged the traditional market-driven strategy "which means researching the market place, identifying an opportunity and developing a product based on perceived needs" (Tierno; 1987, p. 92). He is advocating

"the new market-driven approach which determines an opportunity, determines what areas will provide a niche that a consultant can fill with a high level of competence, and leaves a consultant in a position to protect that bailiwick should the competition follow". (ibid p. 93)

He stresses however that the new market-driven strategy is not necessarily right for every service or product and he has given a step-by-step guide for professional service firms on how to be market-driven.

Lear's (1963) centralised approach (common in multidivisional companies) for achieving economy and efficiency, could be instrumental for achieving market orientation via concentration of activities. Lear suggests three steps that include:

1- Centralised headquarters: Having all division managers in one city and building makes it easier for the managers to meet and discuss coordinated marketing plans.

2- Consolidated field sales offices: When district managers of different divisions are remote from one another, even though they are in the same city, it is unrewarding to attempt coordinated marketing programming. When they are lodged together, it becomes more feasible for them to conduct joint campaigns, share specialised market personnel and plan out local strategy for selling whole markets as opposed to directing sales efforts along straight sales territorial lines.
3- Centralised marketing staff: By drawing together into one centralised division many of the primary staff marketing functions (advertising, market research, physical distribution, and so on), it is possible to introduce a coordinated marketing concept in the planning phase of marketing work.

In Lear’s opinion, “the key role in developing market oriented plans and in seeing that the plans are effectively carried out, must be played by the chief marketing executive.” (Lear; 1963, p. 59.)

The implementation of market orientation seems to be difficult. Top management commitment is said to be the first prerequisite. Other important aspects are the involvement of all functional departments, human resources development, and adequate marketplace information. (Swartz, 1990.)

Narver & Slater (1991) suggest that there are two strategies to increase a market orientation, assuming that two facilitating conditions are provided. These facilitating conditions concern the role of the CEO and the education of employees on the importance of a market orientation. From here onward, Narver & Slater (1991) describe two strategies to increase a market orientation: The programmatic approach attempts to influence culture by injecting the shared value of creating superior value for customers. To induce this commitment, the programmatic approach attempts to change a number of organisational variables such as business structures, systems and staffing. The second approach to affecting an increase in market orientation is termed “the market-back approach”. This is more of a continuous learning process where a business “continuously learns from its efforts to create buyer value and continuously adapts its structures, systems, staffing etc., to reinforce its success and avoid repeating any failures” (Narver & Slater; 1991, p.26). The latter approach yields a closer relationship to effecting increased market orientation, as witnessed by the correlation coefficient of its concepts (ibid; p.18-19).

Evidently the essential factor to become market-oriented is the commitment of the managers and employees of the company. If top management believe and adopt the market orientation, they can drive the company and the staff to succeed in this goal. However, this can only be effected if the implementation plan is well-coordinated and suitable for the company’s source as well as targets. The prominence of the organisational culture in this process is evident throughout the relevant literature and it would therefore be appropriate to examine the organisational culture in greater detail in the following section.

3. MARKET ORIENTATION AND ORGANISATIONAL CULTURE

The importance of organisational culture in general and within the framework of achieving a market orientation in particular, is a topic that has received a great deal of attention in recent years. In order to place “culture” in a business perspective, Deshpande & Webster (1989) list a number of alternative options in viewing it
within the framework of an organisation. Two, of the many, are of direct relevance to this study: One possibility is that culture could be taken as an exogenous factor, albeit one with strong feedback effects on the development (or reinforcing) of core beliefs and values within the organisation. Studies centred around this notion are usually of a cross-cultural management nature, concerned with differences across national boundaries. Alternatively, culture can be viewed as independent but endogenous to the firm, influencing corporate performance via the shared values, beliefs identities and commitment of the organisational members, and this approach is typical of contingency management models.

Whilst there are a number of other ways to approach culture (with more emphasis on an anthropological rather than sociological perspective), for Deshpande & Webster (1989) the important notion linking the two approaches mentioned, is that they are “explicitly interventionist” (ibid; p.7). Indeed, such cultural artefacts could be employed “to build organisational commitment, convey a philosophy of management, rationalise and legitimate activity [as well as] motivate personnel (Smirich; 1983, p.345). Herein perhaps lies the crucial importance of culture in facilitating the achievement of market orientation.

Market orientation is often described as “a business culture... committed to the continuous creation of superior value for customers... from which “...business creates superior value for itself” (Narver & Slater; 1991, p.3). The wider notion of business (or organisational) culture, articulated for instance by Deshpande & Webster (1989; p.4) in terms of “a pattern of shared beliefs... [helping individuals to] understand organisational functioning and... [providing] norms of behaviour” invokes the framework of the Waterman et al (1980) illustration where an organisation consists fundamentally of seven major components: organisation structure, staffing, skills, leadership style, shared values, systems and strategy. “The component ‘shared values’ represents the organisation’s culture” (Narver & Slater; 1991, p.3). Naturally therefore the emphasis of Waterman et al (1980) that any changes in one component ultimately affects the other six, lead to the important implication for the concept of market orientation, that a business can attempt to change its culture toward a more market oriented one by trying “to change its shared values directly, or indirectly by changing one or more of the other six components” (Narver & Slater; 1991, p. 3).

Alternatively, a prominent feature of the theory of market orientation is that the commitment of top management and the coordinated organisation & operation of the organisation as a unit are required in order to achieve market orientation. These factors are embedded in the culture of the organisation: “Firms that truly adopt the marketing concept, develop a distinct organisational culture-a culture based on a shared set of beliefs that make the customer’s needs the pivotal point of a firm’s decisions about strategy and operations” (Pride & Ferrell; 1993, p. 681). A market-
oriented organisation concentrates on discovering what buyers want and allowing firms to provide it in a way that facilitates firms achieve their objectives. Such a company has an organisational culture that effectively and efficiently produces a sustainable competitive advantage. It focuses on customer analysis, competitor analysis, and in the integration of the firm’s resources so as to provide customer value and satisfaction, as well as long term profits.

When Drucker (1954) first articulated the marketing concept, he perceived marketing not as a separate management function. For him, marketing was the whole business as seen from the customer’s point of view. In this framework, the marketing concept defines a distinct organisational culture, a fundamental shared set of beliefs and values that put the customer in the centre of the firm’s thinking about strategy and operations. Organisational culture takes centre stage to marketing issues. Never the less, there has been relatively little scholarly study of its impact in a marketing concept. This lack of scrutiny perhaps reflects, as Ruekert and Walker (1987) suggest, the relatively greater attention which is given to consumers than to organisational issues.

Weitz, Sujan and Sujan (1986) included organisational culture concepts in their development of a model of selling effectiveness. Parasuraman and Deshpande (1984) suggested that greater attention should be paid to the organisational culture and to structural explanations for managerial effectiveness. Raising the awareness for implementation issues in marketing strategy was prominent in Walker & Ruekert (1987). Questions specifically relating to organisational culture in the development of a customer orientation within organisations were also to be found in Bonoma (1984), Deshpande & Parasuraman (1986) and Webster (1981; 1988).

In contrast to the scant attention given to organisational culture in marketing, a major thrust into the theoretical modelling and empirical research on the topic has occurred in the field of organisational behaviour (Jelinek, Smircich and Hirsch 1983; Kilman, Saxton and Serpa 1985; Hofstede 1986). As a result, organisational culture has become one of the most active research areas within the discipline (Allaire and Firshtrotu 1984; Frost et al. 1985; Ouchi and Wilkins 1985). In addition, Deal and Kennedy’s (1982) book about the cultural determinants of the corporate performance has been influential in the field of organisational culture.

On the importance of understanding the culture of an organisation Cynthia Webster (1993) has stated that the organisational culture:

- provides the central theme around which employees’ behaviour can coalesce
- is the critical key that strategic managers might use to direct the course of their firms
- provides a pattern of shared values and beliefs, the norms for behaviour, and a form of control of employees
- influences productivity, the manner in which the firm copes with the various aspects of the external environment, and newcomer socialisation
- aids in hiring practices-i.e. helps in understanding the characteristics of people who would do well in the firm
- establishes the rationale for “do’s and don’t’s” of behaviour.

Deal & Kennedy (1982) state that the culture of the company work in the day-to-day life of a company and they propose the elements of the culture that affects the way the company is. They are; (Deal & Kennedy; 1982, p. 13-15).

**Business Environment:** Each company faces a different reality in the marketplace depending on its products, competitors, customers, technologies, government influences, and so on. To succeed in its marketplace, each company must carry out certain kinds of activities very well. In some markets that means selling; in others, invention, in still others, management of cost. In short, the environment in which a company operates determines what it must do to succeed. This business environment is the single greatest influence in shaping a corporate culture.

**Values:** These are the basic concepts and beliefs of an organisation; as such they form the heart of the corporate culture. In another way, values are the soul of the culture. Values define “success” in concrete terms for employees-”if you do this, you too will be a success”- and establish standards of achievement within the organisation. The strong culture companies that they investigated all had a rich and complex system of values that were shared by employees.

**Heroes:** These people personify the culture’s values and as such provide tangible role models for employees to follow. Some heroes are born. These are what we call the visionary heroes, the people whose influence lasts for generations. Some heroes are made. They are “situational heroes”, because they tend to arise from particular situations within the business; they are heroes of that moment or day, although they can last for years given the right environment.

**The Rites and Rituals:** These are the systematic and programmed routines of day-to-day life in the company. In their mundane manifestations-which we call rituals-they show employees the kind of behaviour that is expected of them. In their extravaganzas-which we call ceremonies-they provide visible and potent examples of what the company stands for. Strong culture companies go to considerable trouble of spelling out, often in copious detail, the routine behavioural rituals they expect their employees to follow.

**The Cultural Network:** As the primary (but informal) means of communication within an organisation, the cultural network is the “carrier” of the corporate values and heroic mythology. It include storytellers, spies, priests, cabals, and whispers
form a hidden hierarchy of power within the company. Working the network effectively is the only way to get things done or to understand what is really going on.

In summary therefore, the culture factor is inherent in the determination of a firm’s market orientation.

"An organisation’s behaviour is shaped by its culture, and in turn, over time, the culture is shaped by the organisation’s behaviour and performance. For a business continuously to create superior value for customers it must have a culture that manifests itself as an ongoing commitment to customer orientation, competitor orientation and interfunctional coordination in each and every market... A market orientation culture comprises the norms for these three sets of behaviours.” (Narver & Slater; 1991, p. 4.)

Clearly, efforts to change a business’s culture can focus on either the culture itself or on the results of behaviour and performance. To this effect, the interaction of the marketing department with the other functional units of the organisation is a critical factor.

4. IMPORTANCE OF THE INTERACTION BETWEEN MARKETING AND OTHER FUNCTIONAL UNITS

The interaction between marketing and other functional units of the organisation is important in order to implement an effective business strategy. Organisations that are able to recognise and manage this interaction gain a sustainable source of competitive advantage (Porter; 1985). Moreover, for market driven organisations, it is fundamental to provide and manage these linkages (Ames & Hlaveck; 1989). Wind (1981) stresses that the interface between marketing and the various management functions takes two major avenues. First, in developing a business plan, it is essential to coordinate the marketing component with the other functions of the firm; i.e., the marketing plan should be coordinated with the financial, production, procurement, personnel, R & D plans and the short and long term corporate strategies and objectives. Second, it is essential to incorporate marketing inputs in the other corporate plans (e.g., financial production, procurement, R & D and personnel) as well as the overall short and long term plans of the firm. (Wind 1981; p.248.)

Lim & Reid (1992) suggest that “a firm should take an integrative or cross-functional perspective in developing its strategy, with each function explicitly focused on improving the firm’s overall market responsiveness.”(Lim & Reid; 1992, p. 159.) The authors have proposed a framework that incorporates an integrative cross-functional perspective that focuses on the interrelationships between
marketing, other functional areas, and their impact on planning and performance. They state that "to arrive at truly integrated cross-functional plans must be coordinated as they are being developed so that each function is aware of and understands what its counterparts are doing. In developing its plans, each function also needs to recognise the potential impact of its actions on the customer and, ultimately, market response" (Lim & Reid; 1992, p. 160).

According to Lim & Reid (1992), marketing's functional interface involves two key components: (1) the impacts of other functional plans on the marketing plan, and (2) the impacts of marketing on other functional plans. In table 1 some typical areas where functional interfaces exist between marketing and other functional areas are displayed.

<table>
<thead>
<tr>
<th>FUNCTION</th>
<th>DIRECTION OF IMPACT</th>
<th>FUNCTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing; Sales forecasts, Market forecasts</td>
<td></td>
<td>Finance; Capital requirements, cash flow analysis</td>
</tr>
<tr>
<td>Marketing Control; New product decisions</td>
<td></td>
<td>Financial definitions of ROI, ROE, ROAE, ROS</td>
</tr>
<tr>
<td>Pricing decisions</td>
<td></td>
<td>Credit policies</td>
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<tr>
<td>Marketing; Product/product line profitability, Product line decisions</td>
<td></td>
<td>Accounting; Cost allocation procedures</td>
</tr>
<tr>
<td>Marketing control and evaluation</td>
<td></td>
<td>Accounting information</td>
</tr>
<tr>
<td>Marketing; Product assortment/development</td>
<td></td>
<td>Production; Production capabilities/facilities</td>
</tr>
<tr>
<td>Sales forecasts/market forecasts</td>
<td></td>
<td>Production efficiency/capacity planning</td>
</tr>
<tr>
<td>Marketing; Market research, Product development</td>
<td></td>
<td>R&amp;D; Product development, R&amp;D capabilities</td>
</tr>
</tbody>
</table>

Table 1. Functional Interfaces Between Marketing and Various Functional Areas


Table 1 displays typical examples of where one would expect a great deal of interaction to occur between marketing and other functions involved. Besides the importance of cross-functional linkages, Kotler (1991; p. 699) stresses that
"in practice interdepartmental relations are often characterised by deep rivalries and distrust. Some interdepartmental conflict stems from differences of opinion as to what is in the company's best interests, some from real tradeoffs between departmental well-being and company well-being, and some from unfortunate departmental stereotypes and prejudices. Under the marketing concept, all departments need to "think customer" and work together to satisfy customer needs and expectations. In practice, other departments often resist bending their efforts to meet customer interest. Just as marketing stresses the customer's point of view, other departments stress the importance of their tasks. Inevitably, departments define company problems and goals from their point of view. As a result conflicts of interests are unavoidable."

Table 2 shows the organisational conflicts between marketing and other departments.

<table>
<thead>
<tr>
<th>Department</th>
<th>Their Emphasis</th>
<th>Marketing's Emphasis</th>
</tr>
</thead>
<tbody>
<tr>
<td>R &amp; D</td>
<td>Basis research</td>
<td>Applied research</td>
</tr>
<tr>
<td></td>
<td>Intrinsic quality</td>
<td>Perceived quality</td>
</tr>
<tr>
<td></td>
<td>Functional features</td>
<td>Sales features</td>
</tr>
<tr>
<td>Engineering</td>
<td>Long design lead time</td>
<td>Short design lead time</td>
</tr>
<tr>
<td></td>
<td>Few models</td>
<td>Many models</td>
</tr>
<tr>
<td></td>
<td>Standard components</td>
<td>Custom components</td>
</tr>
<tr>
<td>Purchasing</td>
<td>Narrow product line</td>
<td>Broad product line</td>
</tr>
<tr>
<td></td>
<td>Standard parts</td>
<td>Nonstandard parts</td>
</tr>
<tr>
<td></td>
<td>Price of material</td>
<td>Quality of material</td>
</tr>
<tr>
<td></td>
<td>Economical lot sizes</td>
<td>Large lot sizes to avoid stockouts</td>
</tr>
<tr>
<td></td>
<td>Purchasing at infrequent intervals</td>
<td>Immediate purchasing for customer needs</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Long production lead time</td>
<td>Short production lead time</td>
</tr>
<tr>
<td></td>
<td>Long runs with few models</td>
<td>Short runs with many models</td>
</tr>
<tr>
<td></td>
<td>No model changes</td>
<td>Frequent model changes</td>
</tr>
<tr>
<td></td>
<td>Standard orders</td>
<td>Custom orders</td>
</tr>
<tr>
<td></td>
<td>Ease of fabrication</td>
<td>Aesthetic appearance</td>
</tr>
<tr>
<td></td>
<td>Average quality control</td>
<td>Tight quality control</td>
</tr>
<tr>
<td>Finance</td>
<td>Strict rationals for spending</td>
<td>Intuitive arguments for spending</td>
</tr>
<tr>
<td></td>
<td>Hard and fast budgets</td>
<td>Flexible budgets to meet changing needs</td>
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<tr>
<td></td>
<td>Pricing to cover costs</td>
<td>Pricing to further market development</td>
</tr>
<tr>
<td>Accounting</td>
<td>Standard transactions</td>
<td>Special terms and discounts</td>
</tr>
<tr>
<td></td>
<td>Few reports</td>
<td>Many reports</td>
</tr>
<tr>
<td>Credit</td>
<td>Full financial disclosures by customers</td>
<td>Minimum credit examination of customers</td>
</tr>
<tr>
<td></td>
<td>Long credit risks</td>
<td>Medium credit risks</td>
</tr>
<tr>
<td></td>
<td>Tough credit terms</td>
<td>Easy credit terms</td>
</tr>
<tr>
<td></td>
<td>Tough collection procedures</td>
<td>Easy collection procedures</td>
</tr>
</tbody>
</table>

Table 2. Organisational Conflicts between Marketing and Other Departments

HUEKERT & WALKER (1987) propose that interfunctional interaction is motivated by the desire to achieve both the broad common objectives of the corporation or business unit and specific marketing objectives and individual goals. Similarly, people in other functional areas are driven to interact with marketing personnel to achieve goals that are both assigned and chosen. However, those goals of different functional areas and their personnel are rarely consonant. Thus, interfunctional interaction is driven by common objectives but is also a source of conflict due to differences in individual goals. Because people in each functional area have distinct skills, resources, and capabilities, they are functionally independent. However, each member of the system is dependent on the performance of others, both for the accomplishment of tasks that serve as inputs or preconditions for their own specialized functions and for the ultimate attainment of common goals.

LIM & REID (1992) agree with KOTLER (1991) and HUEKERT & WALKER (1987) that different functions have different goals, which could cause organizational conflict. They state that not all interactions among functional areas are necessarily productive, because the various functional areas typically have differing perspectives and interests. In order to evaluate systematically the possible outcomes of various interactions, they propose an integrative framework that provides a means for analyzing cross-functional interdependencies.

RUKERT & WALKER (1987) developed a generalizable framework for explaining how, why, and with what results marketing personnel in both physical product and service business interact with personnel in other functional areas in carrying out marketing functions. Their framework is based on the premise that interfunctional interactions constitute social action systems having predictable, interrelated properties. Figure 1 shows the relationships among the (1) environmental situations, (2) structure and process, and (3) outcome dimensions of an interfunctional social system, and it specifies the major components of each dimension.
Figure 1: A Framework for Assessing Marketing’s Interaction With Another Functional Area

SOURCE: Ruckert & Walker, (1987; p. 3.)
5. CONCLUSION

Whilst strong business performance is dogmatically assumed to be the result of being market oriented, objectives remain largely elusive. Perhaps the most spectacular example comes from the conflict between being customer-responsive as well as shareholder-responsive. Using pricing as the proxy agent to illustrate on this conflict, one is faced with the question “what is a market-oriented price”? This immediately degrees the realisation that market orientation is a relative concept, or put in another way, a question of degrees, i.e. “how much market oriented”? Even so, casual links and performance implications are very difficult to harness.

On the issue of implementing market orientation, there is more or less conformity in the view that top management commitment is important. This can ensure that adequate financial and managerial resources (including time) will be devoted, the importance of top management in shaping organisational factors such as culture notwithstanding. Here Sullivan (1990) notes that whilst marketers could be leading the process, adoption of the term market (rather than marketing) orientation could reduce interdepartmental rivalry and smooth implementation.

No successful swing to market orientation could however be completed without considerable investment in the human factor in organisations. This is clearly a subset of the wider “learning” concept in market orientation. Indeed, the importance of the “learning organisation” in later works of Slater & Narver (1995) is prominent and could also suggest an abandonment of a pure market orientation. Development of new knowledge and management skills with added emphasis on team work and interfuntional coordination are vital.
REFERENCES


