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The Interaction Between Market Orientation, Industry Environment and Business Success: Evidence from an Exporting Context

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ABSTRACT

The present study extends the export market orientation research examining the impact of industry environment on the relationship between export market orientation and export performance using responses of 783 exporters. Our approach yields a better predictive validity for performance than earlier studies, and explains how the environment moderates the relationship.

INTRODUCTION

The last decade has seen research into the market orientation concept growing in maturity. The conceptual underpinnings of market orientation are now well established, with most researchers agreeing that fundamental to a market orientation is the co-ordinated generation, dissemination and responsiveness to market information (e.g., Kohli and Jaworski 1990; Narver and Slater 1990). Furthermore, with a clearer understanding of what it means to be market-oriented, several scholars have created measuring instruments in order to capture the manifestations of market orientation within organisations (e.g., Cadogan, Diamantopoulos and de Mortanges 1999; Deng and Dart 1994; Gray et al. 1998; Jaworski and Kohli 1993; Narver and Slater 1990; Ruekert 1992). This has enabled researchers to examine empirically the linkage between market orientation and business performance. By far the majority of studies have demonstrated that market orientation has a positive relationship with various indicators of business success (e.g., Jaworski and Kohli 1993; Narver and Slater 1990; Pelham and Wilson 1996; Ruekert 1992; Slater and Narver 1994), leading some to claim that a high level of market orientation is something that all businesses should strive for (e.g., Slater and Narver 1994).

However, at least two issues still remain unresolved. First, most market orientation studies have had a domestic market focus; that is, the performance impact of a firm's market orientation in its international operations has received scant attention. Yet the positive link between a firm's market orientation in its international markets and its international business success is by no means guaranteed. For example, looking at the case of exporting firms, it has been argued that the costs associated with various aspects of being "market-oriented" in a firm's export markets are much higher than those incurred in a firm's domestic operations (e.g., Belich and Dubinsky 1995; Diamantopoulos and Cadogan 1996). For many exporting firms, reliable export market information is harder to obtain than information about the domestic market, the co-ordination of the firm's domestic and export activities is often problematic, high levels of responsiveness to export customers' needs and wants and competitors' activities also brings with it higher levels of risk and, consequently, the returns for being market-oriented are not as predictable. Therefore, there is a need for research into the performance-related consequences for internationally active firms of being market-oriented in their foreign market operations.

The second issue concerns the fact that although several researchers have suggested that a high degree of market orientation is beneficial for all firms in the long-term, a number of empirical studies have produced findings which raise questions about the validity of such a claim. That is, evidence has been forthcoming which suggests that the link between market orientation and business performance is not always positive, but may be non-existent or become negative for firms operating under certain environmental conditions (e.g., Appiah-Adu 1997, 1998; Atuahene-Gima 1995; Diamantopoulos and Hart 1993; Gray et al. 1999; Greenley 1995). Thus, while a market orientation may be optimal for some businesses, it may be that for other business concerns, the performance benefits accrued from developing high levels of market orientation are outweighed by the associated costs. Clearly, the latter conclusion has radical implications, and additional research into this issue is merited.

The purpose of the present study, then, is to extend the market orientation research stream by examining the relationship between industry environment, market orientation, and business performance, in order that the two issues noted above can be explored in more depth. As a result, using a sample of Finnish exporters, we examine the impact of firms' levels of market orientation in their export market operations (ie., their export market orientation - Cadogan, Diamantopoulos and de Mortanges 1999) on their export success. We take two approaches to address the research issues identified. The first approach follows a fairly traditional line of enquiry, and examines four environmental characteristics (customer environment, competitor environment, technological environment and regulatory environment) for independent moderator effects on the export market orientation - export performance linkage (cf., Jaworski and Kohli 1993; Slater and Narver 1994; Greenley 1995; Gray et al. 1999). The second approach adopts a more unique line of enquiry, since the four environmental characteristics are combined to create seven "environmental cluster"; the export market orientation performance relationship is then examined within and across the clusters.

As a result, the current study contributes both to marketing theory and to practice. Concerning the former,