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Effects of market orientation on the behaviors of salespersons and purchasers, channel relationships, and performance of manufacturers

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Abstract

This study uses data from matched sets of suppliers, manufacturers and customers to examine the influence of the manufacturer's market orientation on the behaviors of salespersons and purchasers, the impact of these behaviors on relationships with customers and suppliers, and the effect of these relationships on the manufacturer's financial performance. The results show that market orientation positively influences customer-oriented behaviors of salespersons and supplier-oriented behaviors of purchasers. The behaviors of salespersons also have a positive effect on the customer's trust in, cooperative norms in, and satisfaction with the relationship with the manufacturer. The behaviors of purchasers positively affect the supplier's trust and cooperative norms in the relationship. The customer's perception of trust, cooperative norms, and satisfaction positively influences the manufacturer's financial performance. The supplier's trust and cooperative norms in the relationship also positively affect the manufacturer's financial performance. An important managerial implication is that the manufacturer is partly dependent upon the behaviors of purchasers and salespersons for using market orientation to build and maintain channel relationships. This implication provides ample opportunities for further research on market orientation. © 2001 Elsevier Science B.V. All rights reserved.

Keywords: Market orientation; Relationships; Industrial channels

1. Introduction

To date, research has demonstrated that market orientation has, depending upon environmental conditions and organizational factors, positive effects on financial performance (Narver and Slater, 1990; Ruekert, 1992), organizational innovativeness (Han et al., 1998), organizational learning (Baker and Sinkula, 1999), employee attitudes (Jaworski and Kohli, 1993), customer-oriented behavior of salespersons (Mengüç, 1996), and relationships with resellers in distribution channels (Siguaw et al., 1998). This extant body of research has ignored, however, the potential effect of the manufacturer's market orientation on relationships with partners in industrial channels. This is regrettable, given the potentially sweeping effects of the manufacturer's market-oriented behaviors, and the importance of productive partnerships with suppliers and customers (Heide and Stump, 1995).

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The purpose of this research is to contribute to our knowledge about market orientation in industrial channels by providing new insights into the effect of the market orientation on the behaviors of salespersons and purchasers, the impact of these behaviors on relationships with customers and suppliers, and the pay-off of these relationships for the manufacturer. This is accomplished by making four contributions over two studies that investigate the effect of market orientation on relationships in distribution channels (Baker et al., 1999; Siguaw et al., 1998). First, we simultaneously focus on supplier–manufacturer and manufacturer–customer dyads in industrial channels instead of supplier–reseller dyads in distribution channels. Second, we suggest that the manufacturer's market orientation has an indirect effect on channel relationships through the behavior of salespersons and purchasers, rather than a direct effect on channel relationships. Third, we use reports from three, instead of two, channel partners to examine the effect of the manufacturer's market orientation on channel relationships. Fourth, we posit that the manufacturer's market orientation may also have upstream besides downstream effects.

In the sections to follow (Sections 2–6), we discuss the background of the study and present the hypothesized relationships. In Section 7, we explain the research design and review the findings from a sample of 72 matched sets of suppliers, manufacturers and customers in industrial channels in the Netherlands. In the final sections (Sections 8–10), the results and implications will be discussed, and suggestions for further research will be presented.

2. Market orientation

Market orientation is a business culture that commits the organization to the continuous creation of superior value for customers (Slater and Narver, 1994). The literature reveals three dominant conceptualizations for creating and delivering superior value for customers. First, Kohli and Jaworski (1990) outline a conceptualization of market orientation that refers to the organizationwide generation of market intelligence pertaining to current and future customer needs, dissemination of this intelligence across departments, and organizationwide responsiveness to it. Key features in this view are a focus on markets, an emphasis on a specific form of interfunctional coordination, and a focus on activities related to information processing. Second, Narver and Slater (1990) complement Kohli and Jaworski's (1990) view by suggesting that market orientation consists of three behavioral components (customer orientation, competitor orientation and interfunctional coordination) that constitute "the activities of market information acquisition and dissemination and the coordinated creation of customer value" (p. 21). Third, Deshpandé et al. (1993) define market orientation as "the set of beliefs that puts the customers' interest first, while not excluding that of all other stakeholders, in order to develop a profit" (p. 27). More recently, Deshpandé and Farley (1998) synthesized these three conceptualizations by defining market orientation as the set of cross-functional processes and activities directed at creating superior value for customers through continuous needs-assessment. In summary, scholars designate a market-oriented culture as an important factor that creates a setting conducive for the behaviors directed at the continuous creation of superior value for customers.

3. A stakeholder approach to market orientation

Stakeholder theory suggests that a manufacturer's ability to create superior value for customers is contingent upon the manufacturer's relationships with many constituent groups (i.e., stakeholders) (Jones and Wicks, 1999). The three conceptualizations of market orientation discussed above assume the predominance of customers in relation to competitors (Greenley and Foxall, 1998). As such, they fail to capture the variety of external stakeholders that affect the manufacturer's ability to create superior products that respond to customer needs. For manufacturers in industrial channels these stakeholders include: (1) upstream suppliers of product inputs, including intellectual capital and innovation; (2) upstream competitors with which the manufacturer competes in resource markets; (3) downstream customers; and (4) downstream competitors with which the manufacturer competes in customer markets (Vos and Vos, 2000). To capture the manufacturer's relationships with these stakeholders, in terms of both

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