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Market orientation and retail operatives' expectations

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Abstract

Market orientation, and particularly the link with business performance, has been widely studied using the new measurement systems emerging in the 1990s. However, few successful efforts have been made to evaluate the impact of market orientation on operational employee characteristics or behavior. An exploratory study of market orientation in UK retail companies, grounded in case study research, adopts a novel survey design that compares managerial perceptions of market orientation with operational employee beliefs and attitudes. The study highlights an important issue neglected in the existing literature — the impact of enhanced employee expectations about management behavior in market-oriented companies and the influence on employee behavior of the confirmation or disconfirmation of those expectations by management. We suggest that it is the neglect of this intervening variable that has partly confounded attempts to demonstrate a clear positive relationship between market orientation and operational employee characteristics, such as morale, job satisfaction, and retention. The findings show that employees in market-oriented companies are aware of service and quality imperatives, but report little of the changes in their job attitudes in terms of motivation, team spirit, or autonomy in the workplace, that are predicated by the literature. These findings offer several new insights and identify important directions for executives and marketing scholars in addressing the market orientation issue.

Keywords: Market orientation; Retailing; Service; Quality; Job satisfaction; Employee expectations

1. Introduction

There has been substantial academic and practitioner debate concerning market orientation since the 1950s (see Kohli and Jaworski, 1990). The late 1980s saw significant advances in the development of a market orientation construct for empirical evaluation. Since that development, much analytical effort has been devoted to defining, conceptualizing, and operationalizing constructs of market orientation (see for example, Cadogan and Diamantopoulos, 1995; Deng and Dart, 1994; Kohli and Jaworski, 1990; Narver and Slater, 1990; Ruekert, 1992; Wrenn, 1997). Two conceptualizations of market orientation have gained wide support: the information-based view of market orientation developed by Kohli and Jaworski (1990) and the culture-based interpretation of market orientation tested by Narver and Slater (1990).

These advances triggered considerable debate on the association between market orientation and organizational performance (see for example, Jaworski and Kohli, 1993; Diamantopoulos and Hart, 1993; Slater and Narver, 1994). However, few studies have examined the effects of market orientation on operational-level employees, in terms of their perceptions of work-related issues or their behavior and job attitudes (Jaworski and Kohli, 1993). Those studies that have commented on the effects of market orientation on operational employees, have concentrated on (and typically collected data from) executive or top management informants. The goal of this paper is to complement existing research findings through evaluating the effects of market orientation on operational-level employees in retail organizations, i.e., those personnel employed at the customer interface in the retail outlet. Our argument mirrors that of the internal marketing theorists who argue that one important issue is winning the 'hearts and minds' of operational employees if market orientation is to succeed (e.g., Piercy, 1997).

The market orientation literature has moved increasingly from the issues of definition and measurement to those of implementation, i.e., how can firms become more market

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oriented, if that is part of their strategy (Narver et al., 1998)? Given that employee attitudes and employee behavior are central to the two most widely recognized conceptualizations of market orientation (Narver and Slater, 1990; Kohli and Jaworski, 1990), it is surprising that empirical work in this area is, as yet, relatively rare. Our study is grounded in detailed qualitative case study research, leading to subsequent survey research. For these reasons, we believe that our research contributes several new insights into how the beliefs and attitudes of operational employees, and particularly their expectations about management behavior, mediate the effects of management actions to enhance market-oriented behavior by employees. These insights have important implications for managers and researchers in this field in better understanding the issues to be addressed in more effectively implementing market orientation strategies.

We first consider the literature concerning the effects of market orientation, both in terms of organizational performance and in terms of the effects upon organizational members. The research design and methodology adopted is discussed, together with the summary findings of three case studies leading to the development of a propositional inventory. A mailed questionnaire survey of operational-level retail employees is used to present a preliminary evaluation of these propositions. A discussion of a series of implications for both marketing scholars and practitioners underlines the potential importance of this line of investigation.

2. The effects of market orientation

2.1. Market orientation and organizational performance

Conventionally, the literature concerning the marketing concept has assumed that the implementation of the marketing philosophy would lead to superior organizational performance (for instance, Felton, 1959; Houston, 1986). A number of commentaries have questioned the validity of this link (Bennet and Cooper, 1981; Tauber, 1974; Dickinson et al., 1986). However, until the 1990s there had been little systematic examination of the market orientation–performance link (probably reflecting the lack of robust operationalized constructs of market orientation).

More recently, several studies have examined the association between market orientation and performance. Kohli and Jaworski (1990) proposed that the greater the market orientation of an organization, the greater would be the overall performance [increased return on investment (ROI), profits, sales, market share], and that this relationship would be moderated by several external forces: the weaker the economy and the greater market turbulence, technological turbulence and competition, the stronger the orientation–performance link expected. Subsequently, Jaworski and Kohli (1993) revised their earlier model of the consequences of market orientation and suggested that there was a significant association between business performance and market orientation when performance is gauged by judgmental measures. However, using the more objective measure of market share, market orientation was not found to be significantly related to organizational performance. This confounding finding was to some extent explained through the assertion of Jaworski and Kohli (1993, p. 64) that smaller organizations often out-perform larger companies and that "there is a possible lag in the effect of market orientation on market share." However, Jaworski and Kohli (1993, p. 64) concluded that:

> The linkage between a market orientation and performance appears to be robust across contexts characterized by varying levels of market turbulence, competitive intensity, and technological turbulence.

Parallel studies by Narver and Slater (1990) produced an alternative conceptualization of market orientation, leading also to an analysis of the orientation–performance link. In contrast to Kohli and Jaworski (1990), Narver and Slater (1990) conducted an empirical study of three different types of organization (commodity, distribution, and specialty). Overall, Narver and Slater (1990, p. 27) hypothesized that "the greater a business's market orientation, the greater the business's profitability will be, other things being equal." Narver and Slater (1990) assessed performance through the measurement of return-on-assets in relation to that of competitors in principal markets. They found that the orientation–performance relationship differed between commodity and non-commodity businesses, with non-commodity businesses appearing to have a monotonic relationship whilst commodity businesses exhibited a positive relationship only among those businesses that were above the median level of market orientation. This led Narver and Slater (1990, p. 33) to conclude that:

> The appropriate question is not market orientation per se but rather what a business perceives to be its optimal degree of market orientation within its current and expected market environment.

Slater and Narver (1994) conducted a further study into the orientation–performance linkage to assess the suggested moderating effects of the competitive environment. They concluded that there was a consistent positive relationship between an organization's market orientation and its return-on-assets.

The studies of Jaworski and Kohli (1993) and Slater and Narver (1994) have been replicated in a number of research efforts examining market orientation constructs in diverse national and sectoral contexts. Diamantopoulos and Hart (1993) adopt the Kohli and Jaworski (1990) view of market orientation, finding that the link between market orientation and performance was moderated by environmental factors. This finding is mirrored in a later study by Greenley (1995a) who, in contrast, utilizes the Narver and Slater (1990)