PERGAMON

European Journal of Purchasing & Supply Management 8 (2002) 209–219

EUROPEAN JOURNAL OF PURCHASING & SUPPLY MANAGEMENT

www.elsevier.com/locate/ejpursupmgt

# Market orientation and uncertain supply in upstream markets: an exploratory study

Geir Grundvåg Ottesen[a,*], Kjell Grønhaug[b]

[a] Norwegian Institute of Fisheries and Aquaculture Research, AS, 9291 Tromsø, Norway
[b] Norwegian School of Economics and Business Administration, 5045 Bergen, Norway

Received 3 May 2000; received in revised form 23 January 2002; accepted 7 May 2002

**Abstract**

A key task of the purchasing function is to secure adequate and timely supplies of necessary input factors. In some industries, however, this task is challenging, as it may be difficult to obtain timely and reliable input, e.g. in industries based on natural resources. This may have serious implications for firms' ability to compete effectively in their output markets. Few empirical studies of purchasing behaviour have focused on how actors cope with uncertain supply. Also, the fast-growing market orientation literature generally seems to have neglected the importance of supply. This paper aims to provide insight into the poorly understood question of how upstream actors cope with uncertain input supply to handle customers' needs and wants. To investigate our research problem an exploratory study was conducted among 20 upstream actors in the seafood industry. A quasi-experimental approach was applied by selecting firms from two industry branches so that one group was exposed to the "treatment" (i.e. uncertain supply) while the other group was not. Our findings show that when supply is uncertain it is of utmost concern and considered a key determinant in satisfying the firms' target markets. 

*Keywords:* Market orientation; Supply uncertainty; Coping strategies

## 1. Introduction

This paper focuses on how firms confronted with uncertain supply think and act to satisfy their customers. This is a relevant concern for several reasons. In competitive markets firms need to be market oriented, i.e. understand and satisfy their customers, in order to survive and prosper (Day, 1994; Kohli and Jaworski, 1990). In some industries, the supply of raw material can be particularly volatile and difficult to predict and control. This may affect firms' ability to satisfy customers and thus to compete effectively in their output markets. A relevant example is the whitefish industry, which is based on wild-caught fish. Here, factors such as fish stock variations, changes in fishing effort, and government regulation contribute to uncertain supply of raw material both in terms of raw material quality and availability (see, e.g. Goulding, 1985; Prochaska, 1984; Young, 1987; Dreyer and Grønhaug, 2002). In particular, actors close to harvest are more directly exposed to uncertain supply than actors further downstream in the supply chain, e.g. because supply uncertainty will, to some extent, have been absorbed by upstream actors.

Little empirical research has investigated how upstream actors close to harvest cope with uncertain supply to compete effectively in their output markets. The literature on purchasing and logistics has only to a very modest degree looked at the special case of supply uncertainty as described above. It should also be noted that the crucial role of input supply seems to have been almost completely neglected in the fast-growing literature on market orientation. There may be several reasons for this lack of attention in the market orientation literature. For example, past research has primarily been conducted in industries and organisations where adequate and timely supply is "unproblematic". For example, in large engineering-based manufacturing firms, purchasing departments may secure adequate supplies by means of reliable delivery contracts and storage of necessary input factors. Managers and researchers may thus tend to perceive

*Corresponding author. Tel.: +47-77-62-90-91; fax: +47-77-62-91-00.

*E-mail address:* geir.ottesen@fiskforsk.norut.no (G.G. Ottesen).

0969-7012/02/$ - see front matter 
PII: S0969-7012(02)00009-6

supply as less problematic, so that it does not attract their attention.

The main research question underlying this research is: "How do upstream actors (managers) exposed to uncertain supply understand and adjust to their target customers?" This is a highly relevant question, because if the firm is unable to attract and satisfy a sufficient number of customers, it will be driven out of business. The concern for the firm's target markets is particularly emphasised in the extensive and fast-growing literature on market orientation.

The remainder of this paper is organised as follows: In the next section, we first address the concept of market orientation and how it was developed. This section also includes a discussion of how the research context in which the construct of market orientation was originally developed may have influenced its present focus. In the third section, we draw on the marketing and purchasing literature to address the link between market orientation and supply. In the fourth section, we proceed to address the issue of how concepts are understood and used, including how concepts become elements of managers' thinking, influencing their attention, worldview and behaviour. We then present the methodology of an exploratory study aimed at capturing how market orientation is understood and practised by top managers and their firms in two branches of the seafood industry. By comparing a group of top managers in firms exposed to uncertain supply (the whitefish branch) with a group of top managers in firms facing a relatively stable supply situation (the salmon-farming branch), we are able to assess whether and how uncertain supply influences market-oriented thinking and behaviour. Then we report our findings, draw conclusions, and highlight their implications.

## 2. Market orientation

The market orientation construct is frequently attributed to the influential contributions by Kohli and Jaworski (1990) and Narver and Slater (1990). A key premise underlying the market orientation construct is that, in order to perform well, organisations need relevant and timely information about the market, i.e. their customers and competitors. Because opportunities and threats continuously change, e.g. due to moves made by competitors, the emergence of new technology, or shifts in customers' preferences and behaviours, the market must continuously be surveyed. The continuous stream of market data must be collected, interpreted, distributed among organisation members, and be adequately utilised and exploited to stay competitive.

Both Kohli and Jaworski (1990) and Narver and Slater (1990) set out to delineate the domain of the market orientation construct. In this process, they drew heavily on previous marketing literature. It should be noted that this literature is to a large extent based on research conducted in the US, and can be regarded as a reflection of the empirical realities facing American manufacturing firms in the second half of the last century. Webster (1988), in his review of the development of the marketing concept, concluded that:

> As the American economy matured into a consumer society in the 1950s, and as post-war conditions of scarcity were replaced by an abundance of manufacturers and brands scrambling for the patronage of an increasingly affluent consumer, the marketing concept evolved. Volume, price, and promotional orientations were seen to be less profitable than an orientation that focused on the needs of particular sets of customers. (p. 31)

In other words, the marketing concept is rooted in an era of "big business, mass consumer sovereignty, excess supply over demand and ever-increasing 'consumption'" (Brownlie and Saren, 1992, p. 38).

In their research, Kohli and Jaworski (1990) adopted a discovery-oriented approach in order to facilitate "elicitation of constructs and propositions" (p. 2). In doing so, they conducted in-depth interviews with 62 managers in 47 organisations[1] in four US cities. Kohli and Jaworski (1990) provide no further information on the managers and their firms or on the environmental conditions faced by these firms (e.g. competitive intensity, buyer power or supply uncertainty). Furthermore, two managers and 10 business academicians at two large US universities were interviewed. From this mass of observations, Kohli and Jaworski created the abstract construct of "market orientation". In a subsequent study, they provide an operational definition of market orientation through further development and testing using a sample drawn from the Dun and Bradstreet list of the top 1000 US firms (Kohli et al., 1993).

Narver and Slater (1990), in their effort to specify the domain of the market orientation construct, also drew exclusively on the marketing literature. Their conceptual definition of market orientation was operationalised and its reliability and validity tested on a sample of 371 top management team members in 113 strategic business units of one major western corporation.

The attempts to delineate the domain of market orientation as described above can be conceived as a move from the world of "objects" (e.g. activities and practices) and language (terms) to the world of thought (concepts) (for an excellent discussion, see Zaltman et al.,

[1] These organisations included 18 firms marketing consumer products, 26 firms marketing industrial products, and 18 that marketed services. 33 of the informants held marketing positions, 15 held non-marketing positions, and 14 held senior management positions.