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Market-driving versus market-driven: Divergent roles of market orientation in business relationships

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Abstract

This study focuses on market orientation (MO) and customer intimacy (CI) in business-to-business marketing. These are generally regarded as key success factors in marketing. The authors argue, however, that the relationship between MO and customer relationship has not been properly examined, nor has its dependence on a firm's strategic market posture been understood. A contingency framework is proposed to test the postulated relationships between the key constructs. Our results indicate a strong positive association between MO and CI. Furthermore, this linkage is clearly influenced by the market focus and business logic adopted. In managerial terms, business executives must carefully match the strategic posture of the firm, its MO, and customer relationship management (CRM). Our findings strongly support a contingency modeling approach in studying the factors underlying marketing performance in business markets.

Keywords: Market orientation; Customer intimacy; Collaboration

1. Introduction

This article explores the relationship between market orientation (MO) and customer intimacy (CI); both are key aspects in understanding how business firms create customer value (Johnson, Pui-Wan Lee, Saini, & Grohmann, 2003; Martin & Grbac, 2003). Although MO and customer relationship management (CRM) have both received considerable research in marketing, they have remained as separate schools of thought (Helfert, Ritter, & Walter, 2002) and have been primarily applied in business-to-consumer marketing (Homburg, 1998).

On one hand, MO emphasizes a business culture that puts the customer's interest first (Deshpandé, Farley, & Webster, 1993). On the other, the organizations' ability to generate, disseminate, and use information about customers and competitors (Kohli & Jaworski, 1990) is considered in conjunction with the coordinated application of interfunctional resources to create superior customer value (Narver & Slater, 1990).

CI means tailoring offerings to match the needs of customers exactly (Anderson & Narus, 1999). Companies that excel in this field integrate market and customer knowledge with their own operational flexibility in a superior way (Treacy & Wiersema, 1993). This ability to continuously generate intelligence about customers' expressed and latent needs and about how to satisfy these needs is essential for companies to continuously create superior customer value (Slater & Narver, 2000). The CI perspective is best represented in the CRM research which aims to create superior customer value by managing business relationships (Möller & Halinen, 2000; Sharma & Grewal, 2001; Sheth, Sisodia, & Sharma, 2000; Simpson, Siguaw, & Baker, 2001).

There are several limitations to the current MO and CRM approaches from the business marketing perspective. MO has predominantly looked on the inside of the firm, whereas the CRM approach concentrates on the supplier–customer relationship. Moreover, most of the MO studies have been cross-sectional, providing averaged results based primarily on combinations of fast-moving consumer goods and consumer services (Helfert et al., 2002). There exists very little research focused on business-to-business marketing. In a similar fashion, while the CRM research has studied busi-

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ness-to-consumer relationships, the linkages between MO and CI have not been empirically explored (Homburg, 1998). This study attempts to address these limitations by examining the relationship between MO and CI in a business marketing context. We expect that MO will influence the level of CI. Moreover, we expect this relationship to be influenced by a number of contextual factors, especially whether the firm follows a proactive or reactive business logic (Johnson et al., 2003).

Our paper commences with a brief review of the theoretical foundations of MO and CI and goes on to suggest a framework linking these constructs. This framework is then used to derive a set of hypotheses. Thereafter, we present the methodology of the study and the results. A discussion of the theoretical and managerial implications concludes the article.

2. Theoretical foundations of MO and CI: The model

MO is considered as a cornerstone of marketing thought. Since the early 1990s, there has been a significant amount of research on MO. Current discussion of MO emphasizes the awareness of and responsiveness to environmental influences as well as an ability to learn about customers and competitors to continuously sense and to act on events and trends in present and prospective markets (Helfert et al., 2002; Simpson et al., 2001; Slater & Narver, 1998, 2000).

2.1. MO

Jaworski and Kohli (1993, p. 53) define MO as the organization-wide generation of market intelligence, the dissemination of that intelligence across organizational units, and the organization-wide responsiveness to it. Although these scholars link organizational values and norms to their MO construct, they do not indicate that MO may be considered as an aspect of culture. On the other hand, Deshpandé et al. (1993, pp. 25–26) conceptualize MO as a characteristic of organizational culture and emphasize its role in directing the attention and behavior of management. MO as a culture is manifested in the fundamental assumptions, strategic orientations, or business logic embraced by the members of an organization (Deshpandé & Webster, 1989; Locander, Hamilton, Ladik, & Stuart, 2000). A market-oriented organizational culture, as opposed to an internally predisposed-technology-oriented culture, places high priority on firm-wide behaviors geared toward understanding customer needs, achieving sustainable strategic competitive postures, and enhancing superior customer value (Pelham, 1999).

Despite the growing awareness of the need to be a market-oriented organization, a significant void exists in the current models of MO (Matsuno & Mentzer, 2000; Noble, Sinha, & Kumar, 2002). None of the existing frameworks incorporate simultaneously the key constructs of MO and CI (Helfert et al., 2002; Homburg, 1998). As Jaworski, Kohli, and Sahay (2000) recently argued, current MO literature has an unbalanced focus on keeping the status quo as compared to proactively shaping customers and the market. They argue that there are two types of MO: 'market-driven' and 'market-driving'. The former refers to reactive business logic or logic indicating the acceptance of the market as given, while the latter emphasizes proactive business logic involving changing the composition of market players (Jaworski et al., 2000). Baker and Sinkula (2002) postulated that a proactive attempt to alter the business environment involves discarding the present way of doing business and substituting the embedded theory-in-use with something fundamentally and radically new through generative learning. A market-driven reactive business logic favors incremental adjustments to changes in the business environment and works through adaptive organizational learning (Jaworski et al., 2000).

The notion of two primary types of MO is highly relevant for business marketers. First, management should be aware of the business logic they are applying, whether it is proactive or reactive. Second, there should be a match between the type of business logic adopted and the type of MO emphasized. That is, the implementation of the specific strategic logic presumes matching marketing capabilities and learning capability. Intel provides a good example of a strong incremental innovator, which has been able to keep its leadership position for two decades with a consistent match between the strategic logic, culture, and capabilities.

2.2. Customer relationships: Transactional and collaborative perspectives

CI refers to what Sheth et al. (2000) call customer-centric marketing, that is, where the marketing function seeks to fulfill the needs and wants of each individual customer. In more academic terms, CI implies the design and management of interfirm relationships (Hoekstra, Leeflang, & Wittink, 1999). These relationships are traditionally classified either into transactional or collaborative relationships (Heide, 1994; Parvatiyar & Sheth, 1997). Pure forms are, however, rare in business marketing where supplier–customer relationships usually exhibit a mixture of transaction-based and collaborative-based elements emphasizing value-adding exchange, where the focus of the selling firm shifts from getting customers to keeping customers (Andersen, 2002). In this sense, the management of supplier–customer relationships can be seen as a continuum between market-based transactions and close collaborative relationships that are embedded in a network of business relationships (Day, 2000; Möller & Halinen, 2000).

From the relationship marketing perspective, firms establish relationships with selected customers with whom superior customer value is designed, offered, redefined, and