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A conceptual and empirical comparison of three market orientation scales

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Abstract

Although the topic of a market orientation has attracted considerable research attention, there still is no clear consensus on its definition and on how to measure it. The authors attempt to improve market orientation conceptualization and measurement by conceptually and empirically comparing three different scales of market orientation, the scales of Kohli and Jaworski, Narver and Slater and a newly developed extended market orientation (EMO) scale. Implications of the results and a future research agenda are also offered.

Keywords: Market orientation; Scale comparison; Extended market orientation

1. Introduction

Although market orientation has attracted considerable research interest (e.g., Jaworski and Kohli, 1993; Kohli et al., 1993; Narver and Slater, 1990; Slater and Narver, 1994), confusion still exists as to its definition, how to measure it (the construct of market orientation) and how it is developed (i.e., the antecedents to a market orientation). In this paper, our particular interest lies in the conceptual and measurement domains of market orientation. Although several different market orientation scales exist (e.g., Cadogan and Diamantopoulos, 1995; Kohli and Jaworski, 1990; Lichtenthal and Wilson, 1992; Narver and Slater, 1990; Ruekert, 1992), there is no consensus on which is the better measure. As market orientation is considered a core concept of marketing (Narver and Slater, 1990), further conceptual and empirical investigation of existing scales is warranted.

Therefore, the purpose of this paper is to conceptually and empirically (on psychometric grounds) compare an extended market orientation (EMO for notational purposes) scale with two existing market orientation constructs and scales. This is in the spirit of the comparative approach to theory testing (Sternthal et al., 1987) that argues a rigorous theory testing can be achieved by comparing the rival theoretical propositions. Because this approach demands a comparison be made on the grounds of a fit between the theoretical proposition and the empirical data, we first present how different market orientation scales are theoretically conceived and operationalized relative to other related constructs. We provide a conceptual review of market orientation, focusing on recent debate on construct definition and operationalization of market orientation scales. We then offer a model that organizes and reconciles two distinct market orientation conceptualizations, one behavioral and the other cultural. We introduce an EMO scale, which is built upon Kohli and Jaworski's (1990) conceptualization by specifically incorporating additional market factors into their scale. We compare the three measurement theories theoretically and empirically.

2. Two conceptualizations of market orientation

One conceptualization and operationalization of a market orientation was provided by Kohli and Jaworski (hereafter referred to as KJ). Following King's (1965) and others' approaches, KJ conceptualize an organization's market orientation as *implementation of the marketing concept* (Kohli and Jaworski, 1990). The operationalization is consistent with the use of the market information research (Deshpandé and Zaltman, 1982; Jaworski and Kohli, 1996; Maltz and Kohli, 1996; Menon and Varadarajan, 1992; Moorman, 1995; Sinkula, 1994) that places a particular emphasis on a

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firm's *activities* dealing with information pertaining to customer needs and the market environment that affects organizations. Specifically, a market orientation was conceived as an organizational process of (1) market intelligence generation, (2) dissemination and (3) responsiveness to such intelligence across departments. KJ provided a useful distinction and interpretation of the marketing concept and a market orientation from a behavioral process (implementation) perspective.

A different conceptualization was offered by Narver and Slater (hereafter referred to as NS) who defined market orientation as organizational culture. NS's market orientation construct is seen as a composite of a firm's orientation toward competitors, the firm and customers. NS see organizational culture as a driver of behaviors, and market-oriented behaviors do not manifest themselves in the organization if the culture lacks commitment to superior value for customers.

2.1. Reconciling the two conceptualizations of market orientation

NS were very clear about the definition of the market orientation phenomenon as organizational culture: "Market orientation is the organizational culture that most effectively and efficiently *creates* the necessary behaviors for the creation of superior value for buyers and thus continuous superior performance for the business" (Narver and Slater, 1990, p. 21, emphasis added). Therefore, they conceived such culture as *a causal antecedent to market-oriented behavior.*

Indeed, whether or not the construct of a market orientation is equivalent to culture (as defined by NS) or a set of behaviors (as defined by KJ) is a subject of heated debate (Deshpandé and Farley, 1998a,b; Narver and Slater, 1998; Narver et al., 1998). Deshpandé and Farley (1998a) investigated the correlation between the two different market orientation scales (NS and KJ) and the Deshpandé et al. (1993) customer orientation scale. A factor analysis of the 44 individual items from the three scales suggested that 10 items with high loadings form a synthesized scale, named "MORTN" (Deshpandé and Farley, 1998a). Their inductive analysis led them to conclude that "market orientation is not a "culture" (as Deshpandé and Webster, 1989 originally suggested) but rather a set of "activities" (i.e., a set of behaviors and processes related to continuous assessment of serving customer needs)" (Deshpandé and Farley, 1998a, p. 226). Narver and Slater (1998) strongly opposed the position of Deshpandé and Farley (1998a, p. 233): "we hold that both logic and scholarly research strongly support the idea that a market orientation is nothing less than an organization's culture." NS's central rationale is that customer-related activities are the manifestation of organizational belief and culture and it is the underlying culture that should be defined and measured as market orientation.

The debate between Deshpandé and Farley and NS directs us not only to the construct definition and reconciliation issue but also to the operationalization of the construct (or measurement scale). In fact, NS operationalize "the culture" in terms of behavior to a great extent (Deshpandé and Farley, 1998a,b; Jaworski and Kohli, 1996; Narver and Slater, 1998; Narver et al., 1998). Although organizational culture is a sociopsychological construct that is difficult to operationalize and measure, the persisting challenge for business is that, even if a promoting environment exists, corresponding behavior does not necessarily take place (Kopelman et al., 1990; Scott, 1992). This is exactly the same issue of the marketing concept for the last several decades—difficulty in implementing a philosophy that many believe inherently "correct."

Furthermore, it can be argued that defining the antecedent (culture) in terms of a particular consequence is circular logic and poses great difficulty in empirical investigation, especially with regard to validity. In fact, NS's definition of market orientation is predicated by "creation of superior value," a performance consequence. Thus, although *culture* seems to be promising as an internal environment antecedent to market-oriented *behaviors*, the chance of conceptual and empirical confounding from treating the two as one is not negligible with NS's scale. In fact, Deshpandé and Farley (1998a,b) report that there are only two items that specifically tap into cultural values and argue that the two items do not belong to the synthesized scale of MORTN but to "something else." We consider this as compelling evidence that NS's operationalization is confounded.

On the other hand, KJ's construct (a set of intelligence-related behaviors) results from internal and external environmental antecedents. The internal task environment includes such factors as organizational structure and design (e.g., complexity, formalization, centralization and specialization/differentiation), performance measures and reward systems, top management's attitude toward risk and organizational culture (Deshpandé and Webster, 1989; Jaworski and Kohli, 1993; Narver and Slater, 1990; Ruekert et al., 1985; Webster, 1988; Zaltman et al., 1973). The external environment refers to the elements outside the organizational boundaries, such as market competitive structures (e.g., entry barriers, seller concentration and buyer power), industry/market characteristics (e.g., growth rate, cost and investment structure, technological dynamism and market turbulence) and regulatory factors (Day and Nedungadi, 1994; Narver and Slater, 1990; Porter, 1980). The result of the conduct (or response to the environments) is posited as firm performance, both financial and organizational (Jaworski and Kohli, 1993).

3. The development of an EMO model

First, we conceive a generic conceptual causal model relative to a firm's environments, conduct and consequences (Fig. 1) building on the classic "structure-conduct-performance" paradigm (Thorelli, 1977). Business performance