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Pitfalls in Evaluating Market Orientation: An Exploration of Executives' Interpretations

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Despite the credibility of the market orientation concept, it is still not being fully realised by practitioners. Many perceive their companies to be orientated to the consumer, but the evidence is contrary and the development of a genuine market orientation remains elusive. This paper identifies eight common reasons why managers misinterpret their companies' market orientation levels and identifies what could be done to rectify the situation. These observations lead to a number of conclusions and implications for both theory and practice.

Introduction

Market-orientated companies perform better than those with low levels of market focus.[1] Indeed, a plethora of studies find evidence linking the extent of market orientation with increased sales, profitability and return on investment. Executives are therefore bombarded with exhortations to improve the level of market orientation in their companies. However, contemporary research finds that many companies face problems due, in part, to their limited degree of market focus. Thus, theorists continue to raise concerns that the extensive benefits of developing market orientation are not being fully realised by practitioners. While the value of developing market orientation is almost universally accepted by theorists and practitioners alike, the evidence indicates that for some reason, many companies fail to develop or sustain a high level of market orientation. This may be explained by indications that many practitioners inaccurately perceive their companies to be market-orientated despite objective evidence to the contrary.[2] However no study has yet directly addressed how executives form such misleading views of the level of market orientation in their companies.

Building on the work of Day, the aim of this paper is to generate insights into how strategy and decision makers evaluate the extent of market orientation of their company.[3] In this regard, the purpose of this study is to explore if, how and why executives develop skewed, inaccurate or

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incomplete assessments of market orientation. The value of this is heightened by recognition that executives are not only reliant on the interpretation of their company's market orientation in their strategy making, but also on their ability to gauge the market orientation of competitors. Thus, how decision makers gauge levels of market orientation is of primary concern as problems with interpretation have a direct effect on a company's ability to develop market orientation successfully.

This paper begins by identifying three issues in the literature that indicate both theorists and practitioners may be misinterpreting the extent, degree and depth of market orientation. A brief methodology is then presented and subsequently, the findings from 101 exploratory interviews with executives and managers are discussed. The analysis reveals eight common misinterpretations of market orientation. These results lead to a number of conclusions and implications, centred on suggestions to advance research in this field. The intended audience of this paper includes not only market orientation researchers and theorists interested in how managers develop skewed interpretations, but also executives striving to gauge and enhance organisational strategic direction and orientation.

Market orientation

Building on the work of authors from previous studies, market orientation is defined as a multi-dimensional construct that draws on both cultural and behavioural aspects of an organisation and can be represented diagrammatically (see Figure 1). This approach is consistent with the tradition of synthesising market orientation perspectives and presents market orientation as the organisation-wide strategic orientation manifested in the development of co-ordinated customer and competitor-orientated activities.[4]

However, a critical review of the studies of market orientation indicates that executives often develop skewed, inaccurate or incomplete assessments of the market orientation of their company. In particular, the literature suggests that three issues appear to contribute to such problems. These are:

(1) confusion regarding the definition and components of market orientation;
(2) that market orientation is often poorly measured; and
(3) that flawed cultural assumptions may generate a misleading view of market orientation. These issues require further review.

Confusion regarding the definition and components of market orientation

The concept of market orientation has evolved from the theory of marketing as a business philosophy first espoused in the 1950s. In 1990, two papers were published presenting empirical

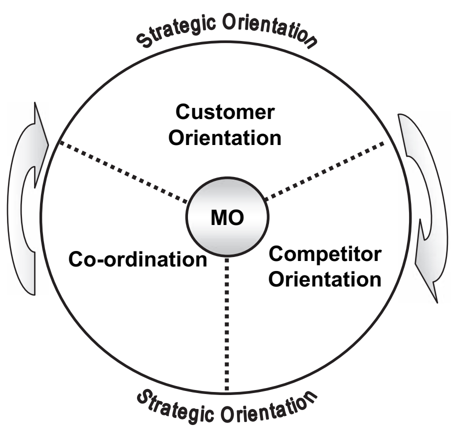

Figure 1. The Dimensions of Market Orientation