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Implementing market orientation in industrial firms: A multiple case study

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Abstract

The literature on market orientation is silent on the process of change involved in moving firms to a market orientation. Understanding this process is important for commodity sellers or industrial organizations with a traditional sales focus. We examine the change programs of two New Zealand-based agricultural organizations. Drawing upon Lewin's three-stage change process model (unfreezing–movement–refreezing) we identify that the creation of a market orientation involves uncovering long-held assumptions about the nature of commodity products, the nature of production and marketplace power, and the 'commodity cycle'. Moving the firm towards a new set of values involves changes in the role of leadership, the use of market intelligence, and organizational learning styles. To refreeze these values, supportive policies are needed that form closer relationships between the organization and the marketplace. The degree of refreezing affects the quality of market orientated outcomes, with less effective refreezing leading to sub-optimal market-oriented behaviors.

Keywords: Market orientation; Organizational change; Case studies

1. Introduction

The development of a market orientation will lead to a number of positive performance outcomes (Baker & Sinkula, 1999; Harris, 2000; Kennedy, Goolsby, & Arnould, 2003; McNaughton, Osborne, Morgan, & Kutwaroo, 2001; Weerawardena & O'Cass, 2004). Although research has shown that business-to-business firms are less likely to adopt a market orientation than business-to-consumer firms (Avlontis & Gounaris, 1997; Gounaris & Avlontis, 2001; Weerawardena & O'Cass, 2004), this same research also identifies that the relationship between market orientation and performance is stronger for industrial companies than for business-to-consumer firms. To date no studies have examined the implementation of a market orientation in business-to-business firms. As many business-to-business firms have been shown to adopt a sales orientation (Avlontis & Gounaris, 1997; Gounaris & Avlontis, 2001) the implementation of a market orientation is likely to be difficult, and require top–down revolutionary change to long-held practices and beliefs (Narver, Slater, & Tietje, 1998).

Despite the identified importance of a market orientation to firm performance, the implementation of a market orientation is an issue that has remained largely unexplored in the literature (Day, 1994; Harris, 2000; Jaworski & Kohli, 1996; Kennedy et al., 2003; Narver et al., 1998). Harris (2000, p. 619) stated, "the topic of 'market orientation' will remain perplexing to theorists and continue to be illusive for practitioners" unless studies start to examine the processes and dynamics of developing a market orientation. Narver et al. (1998) identified two paths for organizations to move towards a market orientation, although no empirical research has examined the process of change associated with adopting a market orientation. To date, only one study has examined the implementation of a market orientation (see Kennedy et al., 2003). Kennedy et al. (2003) identified three strategies — leaders' support for change, interfunctional coordination, and the use of market intelligence, as assisting with the implementation of a market orientation. However, they did not focus on the actual *process of change* involved in adopting a market orientation. Such a focus would advance our

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knowledge substantially as it would identify practical implications for marketing managers and the importance of different support strategies at different stages in the change process (Narver et al., 1998). Although the change management literature is replete with advice on the process of change per se, none addresses the specific processes involved in moving towards a market oriented culture; a focus which involves specific subtleties for marketing researchers (cf: Kennedy et al., 2003).

This article addresses the process of change involved in moving towards a market orientation in two New Zealand-based agricultural cooperatives. This responds to calls for in-depth studies of firms that, with or without success, have been involved in market orientation implementation efforts (Day, 1994; Jaworski & Kohli, 1993; Slater & Narver, 1995), and extends current research by examining the implementation of a market orientation in new contexts (Kennedy et al., 2003). We address two research questions: (1) How do firms deliberately change to a market orientation? (2) What strategies are most effective during different stages of the change process in relation to affecting a market oriented culture? The article has the following structure. First, we review aspects of market orientation including issues of implementation. Second, we review various change theories, placing emphasis on Lewin's (1951) three-stage model of planned change. Third, we provide details on the two cases developed for this study. Fourth, we present the findings. Finally, we identify theoretical and managerial contributions.

2. Literature review: implementing a market orientation

Market orientation must be understood as a culture, rather than a set of behaviors and espoused values (Homburg & Pflesser, 2000; Narver et al., 1998) because culture mediates between strategy and implementation (Bisp, 1999; Deshpandé & Webster, 1989). Bisp (1999) stated that the form and intensity of market orientation were manifestations of cultural commitment and strategic clarity. Market orientation is defined as "a culture in which all employees are committed to the continuous creation of superior value for customers" (Narver et al., 1998, p. 242). A culture is "the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them norms for behavior in the organization." (Deshpandé & Webster, 1989, p. 4). Little research also exists on the development of a market orientation per se, whether cultural or behavioral.

Traditionally many New Zealand agribusinesses saw their responsibility for the product end when their produce leaves the farm/orchard gate (Crocombe, Enright, & Porter, 1991). Marketing for agricultural products was controlled by 'single desk' sellers that engaged in generic country-of-origin marketing programs on behalf of the industry as a whole and resulted in the inability of many agribusinesses to develop diverse and innovative marketing strategies (Crocombe et al., 1991). Agricultural producers have been under increasing pressure to develop new forms of competitive differentiation as a means of breaking out of commodity price cycles (Beverland, 2005). The culture of commodity production represents the opposite of a market orientation (Narver et al., 1998). Moving from commodity production to a market orientation therefore involves significant change in culture, strategic outlook, and marketing practices (Beverland, 2005; Narver et al., 1998). Therefore, programs seeking to reposition commodities to create greater, and sustainable market value represent a rich context for studying the planned implementation of market orientation, a topic addressed next.

2.1. Implementing a market oriented culture

To our knowledge, no research has focused on implementing a market-oriented *culture*, although Homburg and Pflesser's (2000) work examining the cultural characteristics of market orientation suggests firms must adopt new (or make changes to existing) artifacts, values and deeply held cultural assumptions. To date, Kennedy et al. (2003) has conducted the only empirical examination of implementing a market orientation. Narver et al. (1998) also proposed two paths towards developing a market-orientation. The findings/propositions from both studies, and the implications for our research are identified in Table 1 and explored further below.

A number of authors propose that senior management is critical to the successful implementation of a market-oriented culture (Kennedy et al., 2003; Narver et al., 1998). However, questions remain. Firstly, are certain behaviors more effective at different stages of the change process than others? If it is important early on to challenge long-held cultural assumptions about products to drive an understanding "that there is no such thing as a commodity" (Narver et al., 1998, p. 243), for market oriented change to occur, then what role do leaders play in this process? Also, what strategies do they use? Do they develop mission and value statements first, and use these to drive change, or do values and missions emerge throughout the process? Triggering change may involve outside help, top management directives and formal education programs (Narver et al., 1998). While necessary to trigger market-oriented change in commodity firms, the development of a shared vision is also vital to effecting market-orientation implementation (Kennedy et al., 2003) so that employees, through market-back learning, come to adopt new assumptions as part of their day-to-day work behaviors, eventually operating on these assumptions subconsciously (Schein, 1992). This suggests the behaviors of senior management, and their influence on the effectiveness of market-orientation programs changes during the duration of the change process.

Also, when is cascading leadership necessary? It is likely that cascading needs to occur because bottom-up buy-in will be necessary for market-back learning (Narver et al., 1998), and the development of widespread cultural acceptance of change (Schein, 1992). Likewise, is emotional commitment more critical during early stages of change, given the likelihood of barriers to change and resistance to new approaches (Harris, 2000)? Also, when is driving commitment to change more relevant in effecting market-oriented change? In regards to interfunctional coordination, to effect market-oriented change