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Does having a market orientation lead to higher levels of relationship commitment and business performance? Evidence from the Korean robotics industry

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ABSTRACT

본 연구는 산업용로봇시장에서 활동하고 있는 영업담당 엔지니어들의 시장지향성이 관계결속과 사업성과에 미치는 영향을 분석하였다. 본 연구는 위에서 언급한 세가지 변수간의 정(+)의 관계로 구성된 연구모형을 제안하였다. 이러한 연구모형을 검증하기 위하여 본 연구는 한국의 산업용로봇시장에서 활동하는 영업담당 엔지니어들을 대상으로 자료가 수집되었다. 실증적 분석결과에 의하면 시장지향성이 높은 영업담당 엔지니어가 보다 높은 수준의 관계결속을 나타냈으며, 또한 이러한 엔지니어들의 사업성과가 높은 것을 발견하였다. 이러한 분석결과는 본 연구에서 제안된 연구모형과 일치한다. 실증적 연구결과를 바탕으로 결론 및 시사점이 제시되었다.

This study examines the impact of sales engineers having a market orientation on level of relationship commitment and, in turn, business performance. A model is proposed that suggests a positive relationship among these constructs. To test the model, a survey of sales engineers in the industrial robotics industry in Korea was conducted. Consistent with our predictions, our findings support the idea that having sales staff who have a market orientation leads to higher commitment to relationships and drives improved business performance. Implications are discussed.

1. Introduction

The concept of market orientation grew out of longstanding recognition of the importance of the marketing concept in the marketing field. It was hypothesized that in order to maximize the effectiveness of marketing, the firm's emphasis on marketing and market related information gathering needed to extend beyond the marketing department itself. In other words, the idea was that to maximize performance, the firm as a whole would need to have a market orientation. Dating back to two seminal articles written in 1990 (Narver & Slater, 1990; Kohli & Jaworsk, 1990), market orientation has been found to have a positive impact on business performance in a broad range of industries (e.g., Day, 1994; Hunt & Morgan, 1995; Abdul-Muhmin, 2002; Javalgi et al., 2005).

In recent years, a considerable volume of research has focused on whether the presence of a market orientation within a firm improves the effectiveness of various employees in completing their tasks. For

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example, market orientation has been shown to help stimulate innovations in a new product context (Slater & Narver, 1998; Gatignon & Xuereb, 1997; Verhees et al., 2004); help close service gaps (Guo, 2002); and improve the implementation of strategy (Dobni & Luffman 2003). In general, it has been observed that more attention needs to be paid to the mechanisms by which market orientation contributes to improved firm performance (Guo, 2002; Singh & Ranchod, 2004).

Support for examining market orientation at the employee level is provided by a study conducted by Celuch, Kasouf and Strieter (2000). They note that greater understanding of the psychological processes that affect broader use of market information in the decision making process is needed, and recommended additional examination of market orientation at the employee level. In their study, Celuch et al. (2000) found that the degree of market orientation influenced employee perceptions of the benefits of using consumer information, as well as the employee's perception of their own ability to collect and use such information.

In this study, we will examine the impact of market orientation on relationship commitment and business performance. Prior literature suggests that building a high level of relationship commitment is important for success in the sale of industrial products, such as robotics. Thus, increased levels of relationship commitment should typically lead to improved performance. With this in mind, we address the following research questions in this study:

1) Do sales engineers who have high levels of market orientation including intelligence gathering and cross-functional orientation, customer orientation and competitor orientation, achieve high levels of relationship commitment?
2) Do higher levels of relationship commitment lead to higher levels of performance?

The study is conducted in the context of the Korean robotic industry, which provides a good venue to examine these questions for multiple reasons. First, robots are a classic example of an industrial product and the industry is characterized by the need for high levels of personal selling. Consistent with other high cost industrial products, it is also an industry for which personal selling and relationship marketing clearly play a key role in corporate success (Teresko, 2005; Weimer, 2005). Second, the robotics industry that is growing and increasingly global in nature. The global robotics market had sales of over $8 billion in 2003 and is estimated to reach US$ 16 billion in sales by 2007 (The Industrial Robot, 2003, 2006; Quality, 2003; Young et al., 2005). Finally, in spite of the growth of the robotics industry, very little academic research has been done in this context. In this study, we examine the degree to which salespeople in the industrial robotics industry have a market orientation affects relationship commitment, and, in turn business performance.

2. Background and theoretical framework

2.1. Theoretical foundations for the study

Our research questions examine the impact of market orientation of salespeople on relationship commitment and company's business performance. Market orientation has become an important concept both to marketing and management scholars as well as practitioners. Dating back to the marketing concept, the idea that actively serving consumer wants and needs can lead to a sustainable competitive advantage and play a central role in a firm's success is well established (Narver & Slater, 1990; Lafferty, Tomas and Hult, 2001). By the 1990s, this general idea evolved into the more clearly articulated construct of market orientation. The large volume of literature on this topic has provided convincing evidence that there is a positive relationship between market orientation and firm performance (e.g., Slater & Narver, 1998; Guo, 2002).

In general, market orientation is viewed as a behavioral construct or cultural construct within an organization that dictates how employees think and act (Dobni & Luffman, 2003). While there is widespread agreement on the importance of the market orientation construct as well as its general nature, there has not always been agreement on its specific definition (Hult et al., 2005). However, two perspectives are particularly important (Slater & Narver, 1998). First is the idea that market orientation represents a cultural construct that is focused on meeting consumer wants and needs and actively attempting to outmaneuver competitors (Narver & Slater, 1990). Second is Kohli and Jaworsk's (1990) behavioral perspective, which focuses on the priority placed on gathering, disseminating, and using information related to consumer wants and needs (Hult et al., 2005). Collectively, these two perspectives on market orientation suggest that firms that infuse the need to focus on customer wants and needs into the corporate culture and actively focus on information gathering and dissemination related to consumer needs will achieve higher performance levels.

In employing a definition of market orientation in this study, we draw on both Narver and Slater's and Kohli and Jaworski's definitions. Narver and Slater (1990) defined market orientation as consisting of "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." In operationalizing the construct, Narver and Slater point to three behavioral components of market orientation. The first is customer orientation, which entails having an understanding of the target market to the point that the firm can deliver superior value. The second is competitor orientation, which refers to the firm understanding the strengths, capabilities, and strategies of current and potential competitors. The final behavioral component is interfunctional coordination, which refers to an effort to coordinate the use of company resources for the purpose of creating customer value. Kohli and Jaworsk's (1990) defined market orientation as, "the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it." This conceptualization of market orientation focuses more directly on information acquisition, dissemination and usage and its relationship to more effectively identifying and serving consumer wants and needs.

Recent studies of market orientation have stressed the need to take both of the above perspectives into account. Verhees and Meulenberg (2004) suggested that classic conceptualizations of market orientation that refer to an object and/or process to take into consideration in measuring market orientation. The two objects they refer to are the customer and competitors, which suggests a need to have a customer orientation and a competitor orientation. Verhees and Meulenberg (2004) list three processes important to market orientation, including those that increase market knowledge in the company, those that improve coordination efforts, and those that have an impact on the market based on the use of information that had been gathered. For this study, we adopt perspective of Verhees and Meulenberg (2004) and define market orientation as consisting of: 1) Customer orientation; 2) Competitor orientation; and 3) Intelligence gathering and cross-functional orientation to incorporate Kohli and Jaworsk's (1990) view (along with the functional coordination aspect of Narver and Slater (1990)).

A fundamental advantage of the Verhees and Meulenberg (2004) conceptualization is incorporates both behavioral and cultural perspectives. Moreover, the constructs it incorporates are relevant to the context of market orientation at the individual level and from the perspective of marketing and/or sales staff. If should be noted that this conceptualization does not encompass all constructs that have been used in previous research. For example, prior studies have incorporated variables such as top management factors, interdepartmental connectedness and conflict, as broad aspects of organizational structure such as centralization and formalization (Kirca, Jayachandran & Bearden, 2005). While such constructs make sense in the construct of market orientation of the overall firm and have the