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The effects of national culture on market orientation: Conceptual framework and research propositions

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ABSTRACT

Significant research has focused on the market orientation concept and its antecedents in recent years. Nevertheless, the market orientation research provides little information concerning the effects of national cultural values on the market orientation of companies. The conceptual framework presented in this manuscript contributes to the extant literature in international business by investigating the role of national cultural values as factors that shape and modify an organization's market orientation through its organizational culture. Specifically, using Schwartz's cultural value dimensions, the authors present a set of propositions regarding the effects of national culture on the internalization of market-oriented values and norms, which in turn positively affect the implementation of market-oriented behaviors. Based on these propositions, implications for practice and future research are discussed.

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1. Introduction

The concept of market orientation has its philosophical foundations in the marketing concept, which refers to the corporate state of mind or a philosophy of business management that is based on the integration and coordination of marketing activities to satisfy customer needs (Felton, 1958). Consistent with Felton's (1958) early definition, Kohli and Jaworski (1990) introduced market orientation as a term to refer to the organization-wide implementation of market-oriented behaviors (i.e., generation and dissemination of, and responsiveness to market intelligence). Alternatively, Narver and Slater (1990) focus on the cultural aspects of market orientation with an emphasis on values and norms that facilitate the creation of superior value for customers. Since then, market orientation has attracted considerable research attention. In particular, researchers have proposed and tested models that (1) conceptualize and measure firm's market orientation (e.g., Kohli & Jaworski, 1990; Narver & Slater, 1990), (2) identify its antecedents and consequences (e.g., Gebhardt, Carpenter, & Sherry, 2006; Hult, Ketchen, & Slater, 2005), and (3) investigate the mediators and/or moderators of the market orientation–performance relationship (e.g., Slater & Narver, 1994). Importantly, it has been shown that a firm's market orientation is an organizational capability that has positive impacts on organizational performance (Hult & Ketchen, 2001; Kirca, Jayachandran, & Bearden, 2005).

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Despite the progress, an important gap in knowledge exists, offering venues for future research. Specifically, despite the growing interest in the factors that affect a firm's market orientation in recent years (e.g., Gebhardt et al., 2006; Kennedy, Goolsby, & Arnould, 2003), little research exists on how the external environment of firms, in particular national cultural values, affects the firms' market orientation (e.g., Nakata & Sivakumar, 2001; Selnes, Jaworski, & Kohli, 1996). Instead, the extant market orientation research focuses primarily on the effects of internal organizational factors, such as senior management actions (e.g., leadership), structural factors (e.g., centralization), and organizational systems (e.g., reward systems) (Kohli & Jaworski, 1990) based on the assumption that "the degree of market orientation is inextricably linked to organizational structures, systems and processes" (Ruekert, 1992, p. 230). Notably, researchers have examined the extent to which the market orientation–performance relationship is moderated by market, environmental, and technological turbulence, as well as competitive intensity. Nevertheless, these findings have often been mixed (Kirca et al., 2005).

In this paper, we address an important gap in the extant market orientation literature concerning the widely recognized but rather neglected role of the external environment on the extent of firms' market orientation in a cross-cultural context. Moreover, as further detailed later, we provide a novel conceptualization of the market orientation construct with two dimensions in the present paper; the behavioral component that involves the implementation of market-oriented behaviors (i.e., generation, dissemination, and utilization of market intelligence) and cultural component that represents the internalization of market-oriented values and norms in organizations (i.e., success, innovativeness, flexibility, openness of internal communication, speed, quality emphasis, competence emphasis, inter-functional cooperation, and responsibility) (Homburg & Pflesser, 2000). As such, we investigate the theoretical links involving national cultural values and the internalization of market-oriented values and norms, as well as the implementation of market-oriented behaviors. Since "the success of international marketing strategy is largely dependent on its conformity with the values and beliefs of employees in various host countries" (Deshpande & Webster, 1989, p. 9), our aim is to further explore the compatibility of national cultural factors with an important strategic marketing practice (i.e., market orientation) (cf. Nakata & Sivakumar, 2001; Selnes et al., 1996). Moreover, we posit that the internalization of market-oriented values and norms mediates the relationship between national cultural values and the implementation of market-oriented behaviors. As such, our contribution to the extant international business literature rests on our explicit focus on the intersection of national culture and organizational cultures. In this way, we also contribute to the growing body of the literature in marketing that examines how to enhance a firm's market orientation in a global context (cf. Nakata & Sivakumar, 2001; Gebhardt et al., 2006).

The paper is organized as follows. In the next section, we provide a brief summary of the extant literature with emphasis on the concept of market orientation and its development in organizations. Then, the conceptual framework and a series of research propositions are offered. The paper concludes with a discussion of implications for practice and future research.

2. Theoretical framework

Conceptually, research on market orientation can be broadly categorized into two broad perspectives, a behavioral and a cultural perspective. Whereas the behavioral perspective describes market orientation in terms of specific behaviors related to generation and dissemination of and responsiveness to market intelligence, the cultural perspective is related to more fundamental cultural characteristics of the organization, such as market-oriented norms and values (Day, 1994; Homburg & Pflesser, 2000). Examining the nature, antecedents and consequences of information processes at the organizational level, the behavioral perspective emphasizes the market information-processing capabilities of the firm (Kohli & Jaworski, 1990; Sinkula, 1994). Drawing upon the organizational learning literature (Huber, 1991; Senge, 1990), this view suggests that market orientation is strongly related to a learning orientation, which enables the firm to make sense of its environment and to focus on its markets (i.e., all stakeholders and constituencies including customers and competitors) and provides it with a sustainable competitive advantage (Baker & Sinkula, 1999; Jaworski & Kohli, 1996).

Alternatively, the cultural perspective describes market orientation as a deeply rooted and pervasive organizational culture that creates or enhances the necessary values, norms and behaviors for the creation of superior value for customers (Narver & Slater, 1990). From this perspective, market orientation is a distinct organizational culture with a fundamental, shared set of beliefs, norms and values that put the customer at the center of the firm's strategies and operations (Deshpande, Farley, & Webster, 1993). According to Homburg and Pflesser (2000), market-oriented organizational cultures share the following basic values that support a market orientation: success, innovativeness, flexibility, openness of internal communication, speed, quality emphasis, competence emphasis, inter-functional cooperation, and responsibility.

Consistent with the extant market orientation literature, we conceptualize the implementation of market-oriented behaviors as the enactment of tangible actions and behaviors that involve the generation and dissemination of, and responsiveness to market intelligence in an organization (Kohli & Jaworski, 1990). As such, market orientation implementation primarily concerns organizational behaviors that enhance the market information-processing capabilities of a firm (Baker & Sinkula, 1999; Sinkula, 1994). The internalization of market-oriented values and norms captures the cultural aspects of market orientation (e.g., Narver & Slater, 1990). Market orientation internalization ensures a common understanding of and adherence to market-oriented values and norms, which emphasize an organization-wide commitment to the creation of superior value for customers. As such, the internalization of market orientation involves a cultural indoctrination that leads to an organizational mindset in which employees view market orientation as part of their organizational identification (Gebhardt et al., 2006).

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