Industrial Marketing Management 41 (2012) 715–724

Contents lists available at SciVerse ScienceDirect

Industrial Marketing Management

The role of a firm's strategic orientation dimensions in determining market orientation

Jean L. Johnson [a,1], Kelly D. Martin [b,2], Amit Saini [c,*]

[a] The Gardner O Hart Distinguished Professor of Marketing, Washington State University, Pullman, WA 99164-4730, United States
[b] Colorado State University, Fort Collins, Colorado 80523-1278, United States
[c] University of Nebraska-Lincoln, PO Box 88049, Lincoln, Nebraska 68588-0492, United States

ARTICLE INFO

Article history:
Received 2 December 2010
Received in revised form 30 April 2011
Accepted 12 July 2011
Available online 14 October 2011

Keywords:
Market orientation
Aggressiveness
Marketing formalization
Future orientation
Risk proclivity

ABSTRACT

Little is known about how various strategic orientation dimensions determine market orientation. The authors identify four key dimensions of a firm's strategic orientation as critical antecedents to market orientation: the firm's aggressiveness, its future orientation, the extent of marketing formalization, and risk proclivity. Moderating effects of two environmental forces, competitive intensity and technology turbulence, are also considered in light of their relationship with various dimensions of strategic orientation and market orientation. Using a survey with firms spanning multiple industries, the proposed effects are tested with latent class analysis with multiple regimes. The results, based on an optimal two-regime solution, show that that although market orientation is significantly impacted by these strategic orientation dimensions, the pattern of influence differs based on a firm's membership in one of two regimes.

1. Introduction

Market orientation has been, and will no doubt continue to be, central to a firm's ability to compete and garner superior rewards in business markets as well as consumer markets. Whether cast as a culture focused on understanding and satisfying customer needs (e.g., Slater & Narver, 1994) or as the support mechanism for collecting, disseminating, and responding to market intelligence on customer needs (e.g., Kohli & Jaworski, 1990), the study and understanding of market orientation have been substantial and far reaching. To date, market orientation has been the focus of hundreds of studies, excellent meta-analyses, and review articles (Cano, Carrillat, & Jaramillo, 2004; Kirca, Jayachandran, & Bearden, 2005; Liao, Chang, Wu, & Katrichis, 2010) that highlight findings emerging from the body of works.

The extant literature informs extensively on the outcomes of market orientation. Although some controversy exists regarding its influence in certain situations, evidence suggests that market orientation generates benefits in various direct and indirect patterns involving for example, innovativeness, customer loyalty, product quality, and ultimately firm performance (Grinstein, 2008; Jimenez-Jimenez & Ceggarra-Navarro, 2007; Kirca et al., 2005). Interestingly, literature on the antecedents of market orientation, though also informative, is substantially less expansive; for instance, little is known about key drivers of market orientation from the firm's broader strategic orientation comprised of elements such as risk proclivity, aggressiveness, future orientation, for example (e.g., Morgan & Strong, 2003; Venkatraman, 1989). While market orientation has been itself cast as a strategic orientation (e.g., Zhou, Yim, & Tse, 2005), and has been juxtaposed with other strategic orientation dimensions to understand its performance implications (e.g., Hult & Ketchen, 2001; Noble, Sinha, & Kumar, 2002), little is known about how other various strategic orientation dimensions impact or determine market orientation. Given that desirable outcomes and performance advantages most often derive from market orientation, such gaps in knowledge regarding these key determinants are troubling.

To augment understanding and to address compelling questions regarding the role of elements in a firm's strategic orientation in driving market orientation, we look to the extant literature (e.g., Morgan & Strong, 2003; Venkatraman, 1989) and identify several dimensions of the strategic culture as particularly key. Specifically, we argue that 1) the firm's *aggressiveness*, its strategic intent with regard to dominance and winning competitively (e.g., Hamel & Prahalad, 1989; Johnson & Sohi, 2001); 2) *future orientation*, the firm's orientation with regard to an emphasis on long-term strategic considerations rather than immediate short-term immediate concerns,3) the extent of *formalization* with which the firm approaches marketing (c.f., Kirca et al., 2005; Slater, Olson, & Hult, 2006; Slotegraaf & Dickson, 2004); and 4) a firm's *risk proclivity*, its tendency to avoid risk taking or engage in greater risk taking (e.g., March & Shapira, 1987; Morgan & Strong, 2003) will

* Corresponding author. Tel.: +1 402 472 2344; fax: +1 402 472 9777.
E-mail addresses: johnsonjl@wsu.edu (J.L. Johnson), kelly.martin@business.colostate.edu (K.D. Martin), asaini2@unl.edu (A. Saini).
[1] Tel.: +1 509 335 1877; fax: +1 509 335 3685.
[2] Tel.: +1 970 491 7269; fax: +1 970 491 5956.

0019-8501/$ – see front matter
doi:10.1016/j.indmarman.2011.09.011

influence market orientation. Additionally, because the literature indicates the importance of a firm's context in understanding market orientation (e.g. Kirca et al., 2005), we examine the moderating effects of competitive intensity and technology turbulence (e.g., Zhou et al., 2005) on other strategic orientation dimensions' relationship with market orientation.

We organize the remainder of the paper as follows. We continue with theoretical background that provides foundation to conceptualize the four strategic orientation dimensions. We then develop relationships regarding the dimensions' influence on market orientation, and also consider the moderating role of technology turbulence and competitive intensity. Following hypotheses development, we present our research methodology where we describe a multi-industry study of 186 firms and the data analytic approach. The literature generally suggests that unobserved heterogeneity across firms is problematic in uncovering effects of key strategic variables (e.g., Jacobson, 1990). Essentially, heterogeneity means that firms are unique in all aspects for example, resource endowments, culture, and decision-making processes (e.g., Wernerfelt, 1984), suggesting that researchers should account for heterogeneity to understand the effects of strategic orientation dimensions. Accordingly, we use latent class regression analysis to account for unobserved heterogeneity and to accommodate the existence of multiple latent regimes in the relationships specified (e.g., Hutchinson, Kamakura, & Lynch, 2000; Lee & Johnson, 2010; Wedel & Kamakura, 2000). We discuss findings based on the optimal two-latent regime solution. We conclude with a discussion of implications for theory and practice.

2. Market orientation as determined by other strategic orientations

Conceptualized as implementing the marketing concept (Kohli & Jaworski, 1990), market orientation involves knowing and understanding customers and competitors (e.g., Deshpandé, Farley, & Webster, 1993; Narver & Slater, 1990). It fosters behaviors that result in superior value for customers; thus, market orientation essentially provides the underpinnings for planning and executing strategies that aim to deliver customer satisfaction, and accomplish and sustain competitive advantage (e.g., Day, 1999; Martin & Grbac, 2003; Zhao & Cavusgil, 2006). Given its criticality, understanding genesis of market orientation is key (e.g., Gebhardt, Carpenter, & Sherry, 2006). Interestingly, researchers have spent relatively less effort on understanding its determinants. For example, it is not likely a coincidence that a recent meta-analysis focused exclusively on the performance outcomes of market orientation (Cano et al., 2004). In terms of the number of overall effects, another meta-analysis found only 63 for the antecedents while 355 were reported for the consequences of market orientation (Kirca et al., 2005). Further, a preponderance of the literature on market orientation antecedents focuses on organizational structure, design, or process issues (e.g., Kirca et al., 2005), leaving substantial gaps in our understanding of other important factors that give rise, or even suppress market orientation in the firm.

One potentially powerful influence on market orientation involves other elements of a firm's strategic orientation. Although the topic of a fairly extensive literature, some vagaries surround the concept of strategic orientation (e.g., Noble et al., 2002). It has been cast in terms of strategic thrust, choice, or predisposition, for example (e.g., Morgan & Strong, 1998). Regardless, generally strategic orientations involve the broad outlines for strategic action (Slater et al., 2006) or strategic directions taken by a firm (Gatingon & Xuereb, 1997). Strategic orientation involves the philosophy or postures that guide a firm's business conduct. It is a deeply rooted set of values and beliefs that underpins activities and efforts to garner competitive advantage (Gatingon & Xuereb, 1997; Zhou et al., 2005).

Various dimensions of strategic orientation have been treated in the literature, sometimes in conjunction with market orientation to understand performance outcomes. For instance, researchers have coupled market orientation with entrepreneurial orientation, technology orientation, and innovativeness (e.g., Atuahene-Gima & Ko, 2001; Augusto & Coelho, 2009; Hult & Ketchen, 2001; Zhou et al., 2005). Likewise, it has been linked to production orientation and selling orientation (e.g., Noble et al., 2002). In several of these treatments, it could be argued that the strategic orientation dimensions are domain specific or focused on broad organizational functions such as selling, production, innovation, customers, and competitors. While clearly critical, these strategic orientations have a limited strategic bandwidth.

Other treatments cast strategic orientation in terms of what could be described as higher order dimensions where the orientation pervades and guides all aspects of the firm's activities and is not domain specific and limited to selling or production, for example. In a broad-based systematic treatment, Venkatraman (1989) and Morgan and Strong (2003) specify six dimensions of strategic orientation, aggressiveness, analysis, defensiveness, future orientation, proactiveness, and riskiness. These dimensions pervade the firm in all aspects and transcend a focus on any specific domains or functional elements such as those in a firm's output sector (e.g., selling, production, innovation). Thus, like capabilities, strategic dimensions can involve sets of higher order organizing principles (e.g., Kogut & Zander, 1992; Venkatraman, 1989; Winter, 2003). As with capabilities, these higher order dimensions influence other more focused dimensions such as the market orientation.

With Venkatraman's (1989) conceptualization and its subsequent treatments (e.g., Morgan & Strong, 2003) as our guiding theoretical frameworks we investigate the strategic orientation dimensions of aggressiveness, future orientation, marketing formalization, and risk proclivity. We focus on these four as determinants of market orientation because consistent with the seminal conceptualization, recent research suggests that they influence a firm's strategic action and frameworks (e.g., Johnson & Sohi, 2001; Miller & Chen, 2004; Slotegraaf & Dickson, 2004; Tellis, Prabhu, & Chandy, 2009). This research builds on preliminary extant evidence suggesting that market orientation and other strategic orientation dimensions are related (Morgan & Strong, 1998) by explicitly casting and investigating the strategic orientation dimensions as determinants of market orientation. Importantly, we advance the literature by considering how the influence of strategic orientation dimensions on market orientation varies in industry environments that are turbulent and competitively intense.

2.1. Aggressiveness

Consistent with the extant literature (e.g., Johnson & Sohi, 2001; Morgan & Strong, 2003), we conceptualize aggressiveness in terms of the firm's strategic intent, that is the extent to which the firm is focused on achieving competitive dominance (e.g.., Hamel & Prahalad, 1989; Johnson & Sohi, 2001). An aggressive firm is incessant in its efforts to stay ahead and win competitively with heavy emphasis on seeking market share (Morgan & Strong, 2003; Venkatraman, 1989), and a willingness to forcefully challenge competitors for performance gains (Ferrier, 2001). Aggressiveness means that the firm is ambitious with regard to growth and supremacy in its markets, devoting all possible resources and working in all possible ways in pursuit of these objectives (Hamel & Prahalad, 1989). Further, wherever possible, the strategically aggressive firm garners and builds resources and assets that can be leveraged toward competitive advantage (Johnson & Sohi, 2001).

The more aggressive the firm, the more avenues it will find and use to gain competitive advantage. One of the most promising avenues to competitive advantage involves customers and the strategically aggressive firm will readily recognize this. A strong, well served customer base and strong customer franchise are powerful strategic assets in the press for competitive advantage (e.g., Day, 1994). In addition, a deep understanding and knowledge of customers and competitors underpins the ability to relate effectively at the market interface and thus is critical towards