Journal of Business Research 67 (2014) 2693–2700

Contents lists available at ScienceDirect

Journal of Business Research

Managing in an economic crisis: The role of market orientation in an international law firm☆

Fiona Lettice [a,*], Markus Tschida [a,1], Ingo Forstenlechner [b]

[a] Norwich Business School, University of East Anglia, Norwich, Norfolk, NR4 7TJ, UK
[b] United Arab Emirates University, College of Business and Economics, PO Box 17555, Al Ain, United Arab Emirates

ARTICLE INFO

Article history:
Received 1 August 2010
Received in revised form 1 October 2011
Accepted 1 November 2011
Available online 13 April 2013

Keywords:
Economic crisis
Market orientation
Performance
Law firms

ABSTRACT

This research paper contributes to the understanding of the relationship between market orientation and performance in the context of a law firm during a time of economic crisis. The contribution is twofold, adding to the fairly limited research on market orientation within law firms, and to the limited research on the role of market orientation in times of economic crisis. The findings, from the questionnaire survey and semi-structured interviews within practice groups of a large multinational law firm, conclude that market orientation is important during an economic crisis. Those practice groups with higher market orientation scores withstand the increased turbulence and outperform those practice groups with lower market orientation scores.

1. Introduction

A sub-prime crisis in 2007 triggered the credit crunch and caused the collapse of established companies and unprecedented fluctuations in stock, housing and currency markets. Government and central banks then called for internationally coordinated actions. A market situation, with government bailouts, the collapse of household company names, increasing repossessions, as well as unprecedented interest cuts is, without exaggeration, highly volatile and turbulent.

Grewal and Tansuhaj (2001, p.68) argued, with great foresight, that due to globalization and interconnected markets: "Sooner or later economic crises are going to have a direct or indirect effect on almost every firm." A crisis is "a low probability, high impact situation that is perceived by critical stakeholders to threaten the viability of the organization" (Pearson & Clair, 1998, p.66).

From a business research point of view, an interesting question is whether or not well-established concepts, such as market orientation's positive effect on firm performance, hold true for the 2007/2008 economic crisis and the ensuing extraordinary circumstances and severe market changes. This research considers how one law firm operated during this crisis. The focus is on how market orientation, as a strategic factor, gives the different practice groups, within a single firm, different levels of insulation from the market pressures that arise from the crisis. This study compares the different practice groups within this law firm, ascertaining whether or not maintaining a market orientation is more or less applicable during adverse economic conditions. This paper first reviews the general literature on market orientation theory and its links to firm performance, then the literature on market orientation within professional service firms and law firms and finally the literature on market orientation and economic crises. The next section gives contextual information about the case study company, an international law firm. The paper explicates the research methodology and timing of the data collection and then explains the research findings on the relationship between market orientation and performance. The following section provides a more detailed profile of two of the practice groups within the law firm giving a richer and qualitative insight into the quantitative market orientation and performance data. The final section discusses the findings, drawing out the theoretical contribution of this research, the implications for practice and areas for further research.

2. Literature review

The literature review focuses on market orientation theory, the use of market orientation in law firms, and market orientation in times of economic crisis.

2.1. Market orientation theory

"The market orientation literature is the closest the marketing discipline has to a theory of the firm that can explain why some firms outperform others" (Van Raaij & Stoelhorst, 2008, p.1265). Market

☆ The authors thank Yehuda Baruch of Rouen Business School, France and Ian Dewing of Norwich Business School, University of East Anglia, UK for their comments and support with this research and article. The authors also express their gratitude to the editors and anonymous reviewers for their insightful comments and detailed feedback on earlier versions of this paper.

* Corresponding author. Tel.: +44 1603 592312.
E-mail addresses: fiona.lettice@uea.ac.uk (F. Lettice), markus.tschida@gmail.com (M. Tschida), ingo@uaeu.ac.ae (I. Forstenlechner).
[1] Tel.: +44 7812 343492.

0148-2963/$ – see front matter
http://dx.doi.org/10.1016/j.jbusres.2013.03.018

orientation is not a synonym for marketing orientation. Marketing orientation focuses on staff and activities in the marketing function, whereas market orientation is a much wider concept that involves all employees and focuses on the market environment, including customers, competitors, and internal processes (Esteban, Millan, Molina, & Martin-Consuegra, 2002; Gounaris, 2008).

The market orientation concept traces back to the early 1990s when Kohli and Jaworski (Jaworski & Kohli, 1993; Kohli & Jaworski, 1990; Kohli, Jaworski, & Kumar, 1993) and Narver and Slater (Narver & Slater, 1990; Slater & Narver, 1994, 1995) published their market orientation frameworks, analyzing and characterizing market-driven organizations. Although their constructs differ around the precise definition and characteristics of market orientation, both approaches propose that market orientation improves performance in the market. This seminal work inspired many scholars to test and analyze market orientation in different sectors (e.g. Appiah-Adu, 1998; Grinstein, 2008; Schlosser & McNaughton, 2007; Shoham, Rose, & Kropp, 2005; Webster, 2005). In a paper reviewing and integrating the contributions to date, Van Raaij and Stoelhorst (2008) conclude that some of the most influential definitions of market orientation share the same strong client-focus. However, they also emphasize different organizational elements, such as the decision-making process (Shapiro, 1988), information processing activities (Kohli & Jaworski, 1990), the business culture as a set of behavioral components (Narver & Slater, 1990), the business culture as a set of beliefs (Deshpandé, Farley, & Webster, 1993), the organizational strategy process (Ruekert, 1992), and organizational capabilities (Day, 1994). Table 1 provides a summary of these definitions.

A majority of scholars in this field either use Kohli and Jaworski's (1990) or Narver and Slater's (1990) frameworks of market orientation, or an adapted form of their constructs (Langerak, 2003; Shoham et al., 2005). Carrillat, Jaramillo, and Locander (2004), among others, categorize Narver and Slater's (1990) framework as the cultural approach to market orientation, which focuses on fundamental organizational characteristics. Narver and Slater's (1990) market orientation framework, the MKTOR scale, comprises elements of customer orientation, competitor orientation, and inter-functional co-ordination, as well as the decision criteria of long-term focus and profitability. According to Slater and Narver (1999), market-oriented firms address both expressed customer needs as well as latent customer needs. In contrast to Slater and Narver (1994, 1995), Kohli and Jaworski (1990) do not define market orientation as a cultural phenomenon, but rather as organizational behaviors comprising the generation of information, dissemination of information, and the responsiveness to information. Their approach, using the MARKOR scale, is a behavioral approach to market orientation (Carrillat et al., 2004).

Table 1
Definitions of market orientation.

Authors	Definition
Shapiro (1988, p.120)	An organization is market oriented if "information on all important buying influences permeates every corporate function… [; and] … strategic and tactical decisions are made interfunctionally and interdivisionally … [; and] … divisions and functions make well-coordinated decisions and execute them with a sense of commitment".
Kohli and Jaworski (1990, p.6)	"Market orientation is 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".
Narver and Slater (1990, p.20)	Market orientation is "the business culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for customers".
Ruekert (1992, p.228)	Market orientation is the level to which an organization "(1) obtains and uses information from customers; (2) develops a strategy which will meet customer needs; and (3) implements that strategy by being responsive to customer needs and wants".
Deshpandé et al. (1993, p.27)	Customer orientation, which is in this a synonym for market orientation, is "the set of beliefs that puts the customer's interest first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise".
Day (1994, p.37)	"Market orientation represents superior skills in understanding and satisfying customers".

Given the significance of market orientation, many scholars have refined the model (Day, 1999; Deshpandé et al., 1993; Matsuno, Mentzer, & Rentz, 2000), discussed antecedents (Carrillat et al., 2004; Kohli & Jaworski, 1990), moderators (Bhuian, Menguc, & Bell, 2003; Kirca, Jayachandran, & Bearden, 2005; Pulendran, 2000), mediating factors (Langerak, 2003), and organizational barriers to developing market orientation (Harris, 2000; Kohli et al., 1993). Different market orientation scales now exist to rigorously test the concept in different situations and under diverse circumstances. For example, scholars apply market orientation theory to organizational functions such as key account management (Workman, Homburg, & Jensen, 2003) or sales (Siguaw, Brown, & Widing, 2004). Academic research also focuses on different business sectors including retail firms (Elg, 2002, 2003; Kara, Spillan, & DeShields, 2005; Rogers, Ghauri, & George, 2005) and other organizational orientations, such as entrepreneurial orientation (Atuahene-Gima & Ko, 2001; Bhuian et al., 2003). Cross-cultural studies (Ellis, 2006; Selnes, Jaworski, & Kohli, 1996) examine market orientation in an international context. Other research (Homburg, Wieseke, & Bornemann, 2009; Matsuno & Mentzer, 2000) investigates the impact of strategy on market orientation. According to Day (1999), the positive impact of market orientation manifests in superior cost and investment efficiency, employee satisfaction, price premium, sales and revenue growth, and competitive pre-emption.

Cano, Carrillat, and Jaramillo (2004), Grinstein (2008), Kirca et al. (2005), and Shoham et al. (2005) perform detailed meta-analyses on market orientation studies and the impact of market orientation on firm performance. For example, Cano et al. (2004, p.193) provide a meta-analysis of 53 empirical studies on market orientation from 23 countries, across five continents with a combined total sample size of 12,043 respondents, and state: "market orientation is a critical component of business performance and offers evidence of the effectiveness of the implementation of the marketing concept". Table 2 summarizes the findings, in chronological order, of meta-analyses on market orientation to date.

2.2. Market orientation and law firms

Not much research focuses on the role of market orientation within the professional services sector, although Van Egeren and O'Connor (1998) do publish a study showing a positive relationship between market orientation and performance in service firms. The rise of the professional services sector is a fairly recent development (Hitt, Bierman, Uhlenbruck, & Shimizu, 2006; Muzio & Ackroyd, 2005; Reihlen & Apel, 2007), which may explain why only limited efforts are thus far targeting this specific segment of organizations.

From a systematic literature review on market orientation and law firms, Vickerstaff's (2000) contribution is the only journal paper specifically focusing on the market orientation of law firms. Using a sample of managing partners of The Legal 500 (the top 500 legal firms in England and Wales; response rate of 32%), and applying Deng and Dart's (1994) market orientation scale, Vickerstaff (2000) finds that only 17% of the law firms in her survey have a high market orientation, 63% of law firms show a medium market orientation and 20% of the firms have a low market orientation. Law firms with a high market orientation demonstrate consistently high scores across the scale, rather than achieving outstanding performance in one particular area. Law firms generally score highly on customer orientation and long-term profit emphasis, and then on employee orientation and competitor orientation. Vickerstaff (2000, p.357) does not find any significant relationship between market orientation and age of the firm or firm size and concludes: "the level of marketing