



## Micro-foundations of market orientation: Influencing non-marketing managers' customer information processing

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### ABSTRACT

This study examines how organisational context influences search, integration, and use of customer information at the level of an individual manager. Drawing upon research on market orientation, market-information utilisation, organisational learning, and marketing organisation, a theoretical framework is set up and tested by using structural equation modelling and a dataset consisting of 228 manufacturing and R&D managers in large industrial firms. Results demonstrate that integration of customer information enhances use of information in decision making. Organisational context influences the use of customer information indirectly by affecting information search and integration. Resource inadequacy and physical distance from sales and marketing contact persons decrease information integration, whereas supervisor customer emphasis increases the search scope of information. Wide search scope of customer information increases information integration but has no direct impact on use.

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### 1. Introduction

After almost two decades of research, the positive effect of market orientation on company performance is gaining empirical grounding, albeit the relationship may be non-linear, indirect and contingent on the business environment (e.g., Baker & Sinkula, 1999; McNaughton, Osborne, Morgan, & Kutwaroo, 2001; Hult & Ketchen, 2001; Harris, 2001; Dadzie, Johnston, Yoo, & Brashear, 2002; Haugland, Myrtevit, & Nygaard, 2007; Jimenez-Jimenez & Cegarra-Navarro, 2007). Recent meta-analyses have shown that the impact of market orientation on performance is mediated by innovativeness, product and service quality, as well as by customer loyalty (Kirca, Jayachandran, & Bearden, 2005; Ellis, 2006). Furthermore, a positive connection is stronger for the manufacturing firms than for the service firms, and this connection is also dependent on the firm size and the cultural context of the business (Kirca et al., 2005; Ellis, 2006). These associations have now largely been established, and the research proceeds to examine the implementation and development of firms' market orientation (e.g., Avlonitis & Gounaris, 1999; Kennedy, Goolsby, & Arnould, 2003; Hult, Ketchen, & Slater, 2005; Matsuno, Mentzer, & Rentz, 2005; Mason & Harris, 2006).

Within market-orientation research, two definitions have dominated the field: cultural (Narver & Slater, 1990) and behavioural (Kohli & Jaworski, 1990; Jaworski & Kohli, 1993). These conceptualisations are shifting towards reconciliation, as organisational culture is increasingly viewed as an antecedent to information-related beha-

viour (e.g., Mason & Harris, 2006; Gotteland, Haon, & Gauthier, 2007; Carr & Lopez, 2007). While the cultural perspective of market orientation focuses on norms and values that encourage market-oriented behaviour in a company, the behavioural perspective concentrates on concrete organisational activities: (1) the organisation-wide acquisition of market information, (2) its interdepartmental dissemination, and (3) the organisational responsiveness to this information in order to adapt to changing market conditions.

Related to the behavioural perspective, there is still much to discover about the factors that influence the market-information responsiveness of companies (Beverland & Lindgreen, 2007). Firstly, previous research treats behavioural marketing orientation as a set of activities, but does not examine their mutual relationships (for a notable exception, see, e.g., Carr & Lopez, 2007). Secondly, although market orientation in itself is an organisational-level construct, it is implemented at the individual level. Consequently, understanding the processing of market information at the individual level is an important factor in explaining the organisation-wide responsiveness to customer information (Jaworski & Kohli, 1993). Yet to date, most of the primary market-orientation studies have been conducted at the strategic business-unit level, albeit the utilisation of market information has been a topic evident in the general marketing research agenda in recent years (e.g., Souchon & Diamantopoulos, 1999; Frishammar, 2003; Campbell, 2003; Sussman & Siegal, 2003; Toften & Olsen, 2004). As long as the analysis of market orientation remains at the organisational or functional level, it is both difficult to pinpoint exactly how managerial interventions and organisational factors affect a firm's market orientation, and to determine why some interventions are more effective than others. More research is needed

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on why some employees are better than others at gathering market knowledge and customising it to their own use (Jacobson & Prusak, 2007), and what the individual-level responses to market-orientation schemes are (Kennedy, et al., 2003; Schlosser & McNaughton, 2007).

In order to fill in these research gaps, I operationalise the three firm-level dimensions of behavioural market orientation as individual-level activities (search, integration and use of customer information<sup>1</sup>), and examine how they are influenced by the characteristics of organisation and the leadership (Gotteland et al., 2007). Moreover, I combine the insights from the general information processing, knowledge-transfer, organisational learning and marketing-organisation literature with market-orientation research.

This amalgamation is needed, because the three activities of the behavioural market orientation form the process of learning about and acting on markets (Day, 1994; Souchon, Cadogan, Procter, & Dewsnapp, 2004). To some extent, they are essential skills for any company, not only those striving to become market-oriented. Accordingly, several studies positioned outside market-orientation research have analysed information gathering (search), sharing (dissemination) and use (e.g., Beyer & Trice, 1982; Sinkula, 1994; Argyris, 1999; Zahay & Griffin, 2004; Jayachandran, Sharma, Kaufman, & Raman, 2005; Veldhuizen, Hultink, & Griffin, 2006). A solid body of research has also emerged that has focused on the organisation of marketing and sales and its relationships with other functions (see, e.g., Ruekert & Walker, 1987; Kahn & Mentzer, 1998; Maltz & Kohli, 2000; Zinkhan & Verbrugge, 2000; De Luca & Atuahene-Gima, 2007). These studies on cross-functional relationships are closely related to the implementation of market orientation.

Specifically, the aim of the present study is to build on and to extend the research on market-information use at the individual level that was conducted by Fisher, Maltz, and Jaworski (1997) and Maltz, Souder, and Kumar (2001) as well as on the synthesis study of market orientation by Carr and Lopez (2007). Fisher et al. (1997) examine the connections between interfunctional relationships (information-sharing norms and integrated goals), communication behaviours and the market-information use of engineering personnel. Maltz et al. (2001) investigate a number of integrating mechanisms that influence interfunctional rivalry and its direct and mediated effects on market-information use by R&D managers. These studies combine the individual-level information use with the cross-functional integration literatures. Yet they do not explicitly address the other two components of market-oriented information processing at the individual level: information generation and dissemination. The contribution by Carr and Lopez (2007), in turn, aims at specifying a model that treats the market-oriented culture as an antecedent to the market-oriented conduct, examines the causalities between the generation and dissemination of and responsiveness to market intelligence, and connects them to employee response. However, Carr and Lopez (2007) measure market-oriented behaviour at the level of a strategic business unit and not at the individual level.

The present study has two main contributions. Firstly, it brings in the concepts of *information integration* (Jayachandran et al., 2005; De Luca & Atuahene-Gima, 2007; Chou, Chang, Cheng & Tsai, 2007) and *information search scope*. The focus here is to examine how integration and search scope mediate the relationship between organisational factors and the use of the customer information that R&D and manufacturing managers receive from the sales and marketing. This study therefore enhances our understanding of how organisational-level interventions influence responsiveness to market intelligence at the level of an individual employee.

Secondly, as to the antecedents of market orientation, this study produces new knowledge concerning the impact of interfunctional

distance and resource inadequacy on the processing of customer information. The effect of co-location on communication and cross-functional relationships has produced mixed results (e.g., Maltz & Kohli, 1996; Maltz et al., 2001; Ganesan, Malter, & Rindfleisch, 2005), and the role of resource allocation in customer information processing has been neglected in the previous research.

Understanding these issues is all the more important, as many industrial, manufacturing companies adapt to the competitive pressures by cutting costs, by centralising for economies of scale, and by producing more sophisticated, high-quality products with higher delivery speed. In many industries, the traditional manufacturing companies turn from bulk suppliers to customer-focused solution providers (Vargo & Lusch, 2004). This means that most of the transactions in the value chain include an element of customer service, and employees in all the functions are responsible for generating value for the customers (Vargo & Lusch, 2004). In the current business environment, the informational requirements of R&D and the manufacturing managers are thus increasing, and fluent communication between different functions is important. Customer information becomes truly valuable only when integrated into the organisation's manufacturing systems and product development. Securing the non-marketing managers' responsiveness to customer information is crucial for those industrial companies that strive to retain their position as leaders in production and innovation activities.

## 2. Conceptual model and hypotheses

### 2.1. Customer information use, search and integration

Kohli and Jaworski (1990) define responsiveness to market intelligence as the action taken in response to that intelligence. At the level of an individual employee, this means taking customer information into account when making decisions, that is, using it (Beyer & Trice, 1982; Moorman, Zaltman, & Deshpande, 1992; Diamantopoulos & Souchon, 1999; Yeoh, 2005).

Customer information refers to data and information about customer orders, customer needs and expectations, customer satisfaction, the customers' general buying habits and behaviours, and the customers' market segment characteristics and business development. In this study, the interest is in the instrumental and conceptual use of information. *Instrumental (direct) use* refers to the direct application of information to decision making (Diamantopoulos & Souchon, 1999): a decision maker receives a piece of information and uses it directly to solve a particular problem. Practices and procedures change in an organisation as a result of information use (Todd, 1999). An example of this could be a designer who revises her drawings immediately after receiving new information about customer requirements in a project meeting. *Conceptual (indirect) use* refers to the indirect use of information in the form of concepts, assumptions, models, theories, and heuristics (rules of thumbs) that can be used for practical problem solving (Low & Mohr, 2001). The information enters the decision-making process through problem formulation, the development of criteria of choices, and the formulation of a range of possible solutions to the problem (Weiss, 1977).

Previous empirical studies have demonstrated these two concepts to be very closely related: they form a one-dimensional construct of information use (Fisher et al., 1997; Diamantopoulos & Souchon, 1999; Williams, 2003), which is applied also in this study. Furthermore, these two dimensions reflect what Jaworski and Kohli (1993) define as response design (using market intelligence to develop plans) and response implementation (executing such plans).

The other two market-oriented activities described by Kohli and Jaworski (1990) are market intelligence generation and dissemination. They emphasise that information should not only be collected by the marketing department but also throughout the organisation. As a consequence, this paper examines the non-marketing managers'

<sup>1</sup> Reflecting on the findings by Ward et al. (2006), I acknowledge that customer orientation and competitor orientation are distinct strategic directions, and examine one subcomponent of market orientation, namely customer orientation.

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