

Organizational learning and market orientation: interface and effects on performance

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Abstract

This paper discusses the relationship between market orientation and organizational learning and, in particular, the former's contribution to the generation of double-loop learning. Although prior contributions on this topic have been controversial, the authors, departing from the principles of RBV, consider market orientation a resource capable of generating higher order organizational learning and, in this way, capable of additionally reinforcing firms' sustainable competitive advantage. The empirical study provides evidence on the existing relationship between a firm's learning and market orientation degree and the organization's economic and non-economic results. Findings indicate that learning orientation stimulates the market-oriented behavior and that it also positively affects the establishment of long-term relationships with strategic clients. Contrary to prior research a significant and positive effect on business performance is only contrasted in the case of market orientation.

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1. Introduction

Marketing research has recently incorporated the study of the principles of the resource based view of the firm (RBV) theory in order to identify the potential sources of sustainable competitive advantage (SCA) pertaining to the discipline domain. This research trend dives in the explanations of marketing effects on performance and their contribution to SCA (Day, 1994b). Among marketing resources, the role of market orientation has been specially

acknowledged due to the accumulated evidence regarding its positive effects on business performance (Avlonitis & Gounaris, 1999; Jaworski & Kohli, 1993; Narver & Slater, 1990; Pelham & Wilson, 1996). In addition, the interface existing between some traditionally recognized organizational resources, such as organizational learning and market orientation—as one distinctive resource within the marketing discipline—, has also arisen interest among academics (Baker & Sinkula, 1999; Day, 1994a; Dickson, 1996; Hunt & Morgan, 1995, 1996; Sinkula, Baker, & Noordewier, 1997; Slater & Narver, 1995).

Thus, two deeply interrelated questions have risen in this field of research. One addresses whether market orientation is the foundation for organizational learning or vice versa. In this question another discussion is implicit and refers to whether market orientation alone has the ability to produce generative organizational learning—the true source of sustainable competitive advantage. This debate contributes to analyze the power of market orientation as a root for

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SCA. The other refers to the resultant existing relationship between market orientation and learning orientation—an indirect measure of the firms' learning capability through the values routinely associated to it—, as well as to the effects of both variables on organizational performance (Bell, Whitwell, & Lukas, 2002). Both aspects are discussed in the literature although there is no consensus on the topic.

With reference to the first aspect, Baker and Sinkula (1999) consider that market orientation is a necessary, but not sufficient condition to achieve higher order organizational learning, unless it is accompanied by a strong learning orientation. Given that these authors analyze the market orientation concept from its behavioral perspective their argument may be summarized by saying that market-oriented behavior must be accompanied by the values represented by the learning orientation to achieve double-loop learning. Slater and Narver (1995), however, consider market orientation as a key element of organizational culture that stimulates organizational learning, becoming an antecedent of the latter, but that must also be accompanied by another key element of the firms' culture (entrepreneurship) to guarantee higher order learning to occur. It seems then that market orientation is not enough for organizations to truly learn. Since the ability of an organization to learn faster than competitors may be the only source of SCA (DeGeus, 1988) this position diminishes the potential market orientation contribution to efficiently compete. Finally, Day (1994a) considers that organizational learning acts as an antecedent of market-oriented behavior stimulating it.

The establishment of the appropriate measures of organizational learning is one of the major challenges in this research field. As Slater and Narver observe (1995, p. 72) "how does a person assess whether an organization has actually learned?". An indirect way to approach firms' learning is to measure their degree of learning orientation, that is, the presence of the values inherent in learning capability. Then it can be posed how both constructs—learning and market orientation—interrelate, and even more, how they affect business performance. In this sense, Baker and Sinkula (1999) consider that market orientation and learning orientation are basically two distinct organizational characteristics that affect MIP "market information processing" activity, but whereas market orientation affects the scope of this activity, learning orientation affects the way the information is analyzed (e.g. challenging the organizational norms and promoting paradigm shifts). These authors do not establish any causal relationship between market and learning orientation but they test their direct and synergistic effect on business performance reinforcing the SCA attainment. Farrell (2000), however, following Slater and Narver's (1995) conceptual model, found that a higher degree of market orientation culture is positively related to the firms' level of learning orientation and that both variables

individually lead to superior business performance. However, if a learning organization, given its ability to learn about its markets, can effectively behave as market oriented (Day, 1994a), a firm's learning orientation—as an indirect manifestation of the learning capability—may also positively affect market-oriented behavior. This reasoning represents a new shift in the analysis of learning and market orientation interface which ultimately suggests a high degree of mutually dependence between both concepts.

The purpose of this paper is to contribute to the debate raised in the literature, questioning some of the arguments put forward in prior research in relation to the organizational learning and market orientation interface. More specifically, the paper aims to (a) theoretically justify how market orientation can be considered a resource capable of generating higher order organizational learning, which reinforces the understanding of how market orientation contributes to firms' effectiveness, (b) obtain empirical evidence on firms' learning orientation effect on market-oriented behavior, (c) analyze these concepts' effect on firms' performance and (d) examine the effects of learning orientation on other valuable marketing capabilities, such as the establishment of long-term collaborative relationships. This is intended to obtain further understanding of the effects of a learning orientation on the marketing domain. In this sense, the stimulus of learning orientation on key variables of relationship marketing such as trust and commitment is analyzed introducing the effects of learning orientation on the so called non-economic results.

The article is organized as follows. First, the debate regarding the market orientation ability to generate higher order organizational learning is addressed. Second, the conceptual model regarding the market and learning orientation's mutual interaction and their interplay with organizational outcomes is presented. Third, the method used to test the hypotheses is discussed. Finally, the results derived from 272 Spanish medium and large manufacturing firms are presented. The paper concludes by discussing implications for practice, identifying limitations of the study and providing directions for future research.

2. Relationship between market orientation and learning

2.1. What kind of learning can market orientation generate?

The description of organizational learning presents similarities with the concept of market orientation. As Bell et al. (2002, p. 79) observe:

... both help to explain the critical organizational capability of market sensing ... they are concerned with understanding organization-wide phenomena such as organizational cul-

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