Review

A synthesis model of market orientation constructs toward building customer value: A theoretical perspective

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This paper aims to develop a synthesis model for integrating the main perspectives of market orientation constructs. A critical review of the related literature was done. As a result, a synthesis model was proposed. A lack of empirical research exists in developing and less-developed countries. Future research need to address this research gap by examining the proposed synthesis model of market orientation in different environments especially in Asian countries. A review of the literature is not enough to validate a model. Future quantitative and qualitative studies must be conducted in order to validate the proposed model. The integration of cultural perspective (customer and competitor orientation) and behavioral perspective (intelligence processing) of market orientation will improve the firm’s business performance through building customer value. There is a separate focus on measuring market orientation as culture and behavior. Recently, a call has emerged in the literature to integrate these perspectives. Therefore, the main contribution of this paper is the comprehensive model it proposed.

Key words: Marketing concept, market orientation, customer value, intelligence processing, interfunctional coordination.

INTRODUCTION

Marketing is the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return (Kotler et al., 2008). Despite its growing interest, there have been insufficient discussions on issues concerning the successful implementation of the marketing concept. Practitioners are simply expected to accept the concept as the core of marketing (Turner and Spencer, 1997). A new perspective for viewing the marketing concept has emerged within the marketing literature to clarify the implementation issue. The term “market orientation” was used by the literature to mean the implementation of the marketing concept (e.g. Narver and Slater, 1990; Kohli and Jaworski, 1990; Shapiro, 1998). Consequently, a market-oriented organization has to suit its actions to be consistent with the marketing concept. According to Chen and Quester (2009), the link between market orientation and customer value has emerged two arguments: customer value is a theory emphasising the implementation of customer-centric thinking in marketing, and customer value is regarded as the premise to achieve a positive business performance.

Over the last decade, market orientation has been assigned top priority status in terms of research needs by the Marketing Science Institute. Thus, the marketing literature has acknowledged the role of market orientation as a major source of achieving a sustainable competitive advantage (Castro et al., 2005). Deshpande and Webster (1989) first linked the idea of market orientation to the organizational culture literature. Therefore, market orientation was viewed as behavioural process through specific organizational activities (Kohli and Jaworski, 1990), and as organizational culture that produces the necessary behaviours to create superior value for customers (Narver and Slater, 1990). Furthermore, Hurley and Hult (1998) suggest that both—a set of behaviours or an aspect of culture—are essential components of market orientation. Others view market orientation as an innovation (Rogers, 1983; Liu, 1995; Fritz, 1996). One of the major issues that scholars agree upon is the lack of...
systematic effort to develop valid measures of market orientation (Kaynak and Kara, 2004). This paper aims to build a synthesis model for market orientation constructs. This is significant because previous scales (e.g. Kohli and Jaworski 1990; Narver and Slater 1990) have measured the market orientation construct from different perspectives. Therefore, it may be reasoned that the combination and modification of some previous relevant scales will help in achieving a better measurement and understanding of the market orientation construct (Osuagwu, 2006).

Market orientation

The marketing literature reflects a remarkable variety of definitions of market orientation (Tuominen et al., 1997). A widely reviewed by Helfert et al., (2002), result in split the literature of market orientation into three main streams:

Behavioral perspective: where market orientation is focused on organization-wide market intelligence generation, dissemination, and responsiveness to the information (Kohli and Jaworski, 1990),

Cultural perspective: where market orientation is reflected through the values and attitudes of the organization in providing superior customer value through paying attention to current and emerging customer needs. Narver and Slater (1990) stated that market orientation is a particular form of business culture.

System-based perspective: where market orientation is conceptualized in terms of different organizational activities. The management system is divided into five subsystems: organization, information, planning, controlling, and human resource (Becker and Homburg, 1999).

As a response to these different perspectives of market orientation, Jaworski et al. (2000) suggest that while there might be differences in the precise definition of a market orientation, the market orientation is a philosophy generally means learning about market developments, sharing this information with appropriate personnel, and adapting offerings to a changing market.

Measurement of market orientation

Kohli and Jaworski’s (1990) definition of market orientation suggests that the measurement of its need only assess the degree to which a company is market oriented, that is, generates intelligence, disseminates it, and takes actions based on it. Other researchers have also suggested the behavioural conceptualization view of the firm (Day, 1994; Deshpande and Farley, 1998). On the other hand, Narver and Slater (1990) offer a slightly different perspective by including competitor information and interfunctional coordination in the domain of their operationalization of market orientation. Their definition suggests that a market oriented firm will exhibit three behavioural components: a customer orientation, a competitor orientation, and interfunctional coordination along with two decision criteria a long-term focus and profitability. In the following sections we are presenting the main measurement scales of market orientation.

MARKOR Scale

Kohli and Jaworski (1990) have created a view of market orientation, where an organization includes:

i) One or more departments engaging in activities geared toward developing an understanding of customers’ current and future needs and the factors affecting them.
ii) Sharing of this understanding across departments.
iii) The various departments engaging in activities designed to meet select customer needs.

Few years later, Kohli et al. (1993) developed a 20-item scale. The conceptual model of factors affecting market orientation had previously established by Kohli and Jaworski (1990). They argued that the unit of analysis appears to be the strategic business unit (SBU), rather than the whole corporation, since different strategic business units are likely to represent different degrees of market orientation. The scale was constructed using non-linear factor analysis of matched samples of senior marketing and non-marketing executives from 222 SBUs. MARKOR scale assesses the degree to which a SBU: Engages in multi-department market intelligence generation activities, Disseminates this intelligence vertically and horizontally through both formal and informal channels, Develops and implements marketing programs on the basis of the intelligence generated.

Intelligence generation

The marketer’s key strategic weapon is knowledge of customers and their dynamic definition of value (Webster, 1994). Intelligence generation goes beyond the verbalization of customer needs and includes analysis of exogenous factors influencing needs and preferences such as competitive actions, government regulations and technological change (Diamantopoulos and Hart, 1993).

The starting point of a market orientation is market intelligence. Market intelligence generation refers to the collection and assessment of both customer needs/preferences and other environmental forces (Kohli et al., 1993). According to Webster (1994), the central question that should guide all information gathering is, How does the customer define value and how well are we providing it? Whereas, Kohli and Jaworski (1990) defined it as a broader concept than customers’ verbalize needs and preferences in that it includes an analysis of exogenous factors that influence those needs and preferences.
Government regulations, technology, competition, and other environmental forces could be monitoring factors that influence the needs and preferences of the customers.

Intelligence dissemination

Competitive advantage increasingly lies in firm’s ability to use market intelligence not in its access to market intelligence because competing organizations have access to the same market intelligence (Maltz and Kohli, 1996). Intelligence dissemination refers to the process and extent of market information exchange within a given organization (Kohli et al., 1993). Effective dissemination of market intelligence is important because it provides a shared basis for concerted actions by different departments (Kohli and Jaworski, 1990). Horizontal communications can play an important role in the dissemination process within and between departments.

A flexible structure in an organization could increase the flow of the information and push the decision making to place where changes are made. Research has shown the positive effects of the decentralization on information sharing (Nakata and Sivakumar, 2001). Furthermore, Nakata and Sivakumar (2001) point out that sharing information may require a lower level of individualism. For effective information distribution, an organization must recognize that information can come from multiple sources. They concluded that the lower the degree of individualism, the greater is the market intelligence dissemination.

Responsiveness to intelligence

Responsiveness is the action taken in response to intelligence that generated and disseminated. This can takes the form of selecting target markets, designing and offering products/services that cater to their current and anticipated needs, and producing, distributing, and promoting the products in the way that elicits favourable end customer response (Kohli and Jaworski, 1990). The source of market intelligence and the very nature of intelligence may effect its dissemination and utilization. Individuals in an organization are likely to be more responsive to intelligence generated by individuals who are regarded as having high expertise and trustworthy-ness (Kohli and Jaworski, 1990).

Several factors could affect the degree of responsiveness to market intelligence. In their study, Nakata and Sivakumar (2001) concluded that the lower the degree of individualism, the greater is the market intelligence utilization. They further argued that higher uncertainty avoidance inhibits the use of information. Managers have more confidence in using information that is consistence over time because it has no surprises (Hu, 1986). The resistance to the information may result if this information are critical to managers, not agree with their expectations values, experience, and actively threatens their world-views. Therefore, the lower the level of uncertainty avoidance, the greater is market intelligence utilization (Nakata and Sivakumar, 2001).

MKTOR Scale

Narver and Slater (1990) proposed three components of market orientation customer orientation, competitor orientation and interfunctional coordination. These components interact to foster an organization-wide understanding of customer needs and competitive offerings so that there is an organizational focus on providing superior value to customers. Hunt and Morgan (1995) claim that having a market orientation requires firms to consider both customers and competitors since both appear in the marketplace.

Narver and Slater (1990) developed a 15-item scale (MKTOR). The scale was tested on split samples from 371 self-administrated questionnaires from top managers of 140 SBUs of a single corporation. This scale was widely used and examined by other studies. Few years later, the same authors surveyed a total of 87 of strategic business units (SBUs) in manufacturing corporations concluded that there is clear evidence that those businesses that are market oriented (customer oriented, competitor oriented, interfunctional coordinated) achieve higher relative profitability, sales growth, and new product success (Slater and Narver, 1994a). However, they found no evidence that the competitive and market environment had any effect on either the strength or nature of this relationship.

Customer orientation

Customer-oriented selling evolved from the marketing concept. Saxe and Weitz (1982) propose that customer-oriented selling is a behavioural concept that refers to the degree to which salespeople practice the marketing concept by trying to help their customers make purchase decisions that will satisfy customer needs. Narver and Slater (1990) define customer orientation as the sufficient understanding of one’s target buyers to be able to create superior value for them continuously. It requires that a seller understand a buyer’s entire value chain (Day and Wensley, 1988). This dimension has received a good deal of attention in the literature (Deng and Dart, 1994). Kohli and Jaworski (1990) found in their interviews with managers that a customer focus is a critical element in determining market orientation.

Competitor orientation

To be market oriented, organization must consider not only how well its products suit customer needs but how well it performs relative to its competitors (Hsieh et al., 2008). Companies must gather intelligence on the short
and long-term strengths, weaknesses, capabilities and strategies of both the key current and the key potential competitors (Hsieh et al., 2008; Narver and Slater, 1990). The analysis of competitors’ long-term capabilities, strengths and weaknesses is a key factor in determining market orientation and culture (Harrison and Shaw, 2004). Employees from every department in a market-driven organization share information about competitors because this information can be used to build a competitive advantage.

Interfunctional coordination

It is the coordinated utilization of company resources in creating superior value for target customers. Organizational resources often have conflicting perspectives, priorities, and strategies (Nakata and Sivakumar, 2001). Academics and practitioners have long argued that synergy among organizational members is needed so value for customers is continuously created (Day, 1994; Jaworski and Kohli, 1993). A culture of integrating all functions toward creating customer value should lead to a market orientation within the organization and successful implementation of the marketing concept (Harrison and Shaw, 2004).

Multi-factor scale

Through a critical review of the marketing literature and an empirical analysis of data collected from 248 Canadian firms, Deng and Dart (1994) established a four component measure of market orientation (Customer, competitor, profit orientation and interfunctional coordination). They developed a pool of 44 items, drawn from the literature and previously published articles. This was later reduced to 33 items based on pre-test interviews. Even so the scale was criticized on the inclusion of the profit orientation dimension. Deng and Dart (1994) distinguish between profits as an end point, accounting construct and profit orientation, which the later an inherent practice in the day to day operation of most successful business operations. They gave an example of market segmentation, which it is a strong indicator of a profit orientation in that it necessarily involves the identification of specific market targets and competitive offerings.

MORTN Scale

Deshpande and Farley (1998) developed and assessed the content validity and reliability of the MORTN market orientation scale as a managerially oriented alternative to previously developed measures of market orientation. Two dimensions (customer-focus and needs-assessment) were identified and verified. They developed a synthesis based on a factor analysis of the 44 individual items from the three original scales (15 items from Narver and Slater, 1990); 20 items from Kohli and Jaworski, (1990); and 9 items from Deshpande et al., (1993). Deshpande and Farley (1998) asked 82 marketing executives from 27 companies to complete a questionnaire containing the three measures mentioned before. The three scales were found to be interchangeable. At the end, 10 items were developed and shown to have intuitive integrity in that they all deal with customer focus. Finally, their analysis led them to conclude that market orientation is not a culture (as Deshpande and Webster, 1989 originally suggested) but rather a set of activities that are a set of behaviours and processes related to continuous assessment of serving customer needs.

MOCCM Scale

Carr and Lopez (2007) proposed a market orientation as culture and conduct model (MOCCM) in which the three components of Narver and Slater (1990) - customer orientation, competitor orientation, and interfunctional coordination established a market oriented culture that provides the foundation for market-oriented behaviours of Kohli and Jaworski (1990) which are the intelligence generation, dissemination, and responsiveness. They demonstrated that the link between firm market-oriented culture-conduct-behaviour is appropriate and is consistent with prior research.

The only relationship that was not supported in their study is between the customer culture and intelligence dissemination behaviours. They gave an explanation of this negative result, is that intelligence dissemination an internal process related to transmitting Information. This in their opinion is separate and distinct activity from the firm’s customer orientation.

Finally, they suggest that the firm should focus on developing a culture that embraces awareness and learning about customers and competitors and also embrace the importance of cross-functional efforts and communication.

Combination between MARKOR and MKTOR Scales

Like Kohli’s et al. (1993) MARKOR scale, Narver and Slater (1990) operationalization of market orientation has gained widespread acceptance as a valid and useful measures of market orientation. There are obvious similarities between these two measures. First, both focus on the central role of the customer in the manifestation of market orientation. Second, both entail an external orientation. Third, both recognize the importance of being responsive to customers at an organization level. Finally, there is recognition that interests of other stakeholders and/or other forces shape the needs and expectations of customers (Mavondo and Farrell, 2000).

In addition to, the generation of intelligence, its dissemination, and the design of the response are activities shared by the different departments and functions of the
organization; such that interfunctional coordination encompasses all three. Cadogan and Diamantopoulos (1995) proposed an integrating model which proposed that Narver and Slater (1990) and Kohli and Jaworski's (1990) conceptualization of market orientation share a similar nomological network. A study by Gounaris and Avlonitis (2001) examined the measures developed by Narver and Slater (1990) and Kohli and Jaworski (1990); they concluded that: The measures are behavioural in nature, both measures focus on a broad description of company practices.

By doing so, both measures can be employed to measure the extent to which a company has developed market orientation as a behavioural notion (and both have been validated for face, discriminate and concurrent validity). Nonetheless, neither can be utilized in order to assess the alternative orientations (e.g. production or sales orientation).

The key differences between these two seminal operationalizations of market orientation relate to the type of information the organization collects about the market and whether or not interfunctional coordination is included in the definition (Darroch et al., 2004). Kohli and Jaworski's (1990) view interfunctional coordination as an antecedent to an effective implementation of market orientation.

The synthesis model

Different researchers have developed different market orientation scales. Some scales are based on a set of cultural components (Deng and Dart, 1994; Narver and Slater, 1990), behavioural activities (Kohli and Jaworski, 1990), and organizational strategy (Ruekert, 1992). The research instruments by Narver and Slater (1990) – cultural perspective- and Kohli and Jaworski (1990) behavioural perspective- have been considered to be the most used research instruments for determining a company’s market orientation practices. Nevertheless, Bigne et al. (2003) concluded that while extant literature submits, there does not seem to be one generally acceptable research instrument for measuring market orientation tendencies of companies. Moreover, different measures and components of the market orientation construct depending on the sector and country in focus.

Cadogan and Diamantopoulos (1995) developed a three-by-three matrix to assess the conceptual and empirical overlap between Kohli’s et al. (1993) dimensions (MARKOR scale) and Narver and Slater’s (1990) dimensions (MKTOR scale). Customer orientation overlaps conceptually with intelligence generation and intelligence dissemination, and operationally with intelligence generation and responsiveness. Competitor orientation overlaps conceptually with intelligence generation and intelligence dissemination and operationally with their intelligence dissemination and responsiveness. Finally, interfunctional coordination overlaps both conceptually and operationally with intelligence generation, intelligence dissemination, and responsiveness. In a similar manner, a meta-analysis study of three market orientation scales conducted by Deshpande and Farley (1999) determined that MARKOR and MKTOR scales are largely interchangeable.

Nowadays, a call for the integration of the Narver and Slater’s (1990) and Kohli and Jaworski’s (1990) conceptualizations has appeared because of their nomological similarity (Bigne et al., 2003; Cadogan and Diamantopoulos, 1995). Gonzalez-Benito and Gonzalez-Benito (2005) concluded that:

Recently, Gotteland et al. (2007) propose integrating existing approaches to market orientation. Similarly, Carr and Lopez (2007) discussed that several studies have debated integrating the two conceptualizations of market orientation – cultural and behavioural, consequently with their scales. They recommended that additional research is needed to test the integrative framework of the two scales that are foremost to the study of marketing. Accordingly, this study uses the concepts of market orientation jointly: behavioural activities used by Kohli and Jaworski (1990) and Kohli et al. (1993), cultural perspective proposed by Narver and Slater (1990), and profit orientation dimension used by Deng and Dart (1994).

According to Gonzalez-Benito and Gonzalez-Benito (2005), market-oriented culture does not automatically result in market-oriented behaviors. Therefore, this paper suggests that interfunctional coordination may be a mediator variable between the two perspectives. In another words, interfunctional coordination could be a prerequisite variable for successful market-oriented behaviours.

In our synthesis model, additional dimension was added to the cultural perspective of market orientation, which is the profit orientation. Webster (1988) particularly emphasized the relationship between customer orientation and profit orientation of the marketing concept. Kohli and Jaworski (1990) maintain that profit should be viewed more as a consequence of market orientation. However, Deng and Dart (1994) distinguish between profits as an end point, accounting construct, and profit orientation, which the later an inherent practice in the day to day operation of most successful business operations. Existing scales were used to build the synthesis model (Figure 1) so as to allow for cumulative knowledge development.

Conclusion

Many researchers have dealt with the measurement of market orientation. However, according to Deng and Dart (1994), no previously published research has presented a comprehensive set of measures that span the literature. Similarly, Bigne et al. (2003) point out the argument that there does not seem to be a single generally accepted scale for measuring market orientation; nor is it even clear which variables might affect it (Bigne and Blesa, 2003). Because it depends on the sector being measured, the dimensions of market orientation and its attributes might yield
specific features (Bigne et al., 2003). Moreover, as Meziou (1991) and others have pointed out, the measures used in previous research have frequently been insufficient to capture the comprehensive nature of a truly market-oriented operating philosophy.

The problem of the choice of scale is especially important in view of the alternative measures of the market orientation (e.g. MARKOR, MKTOR, Multi-Factor). Vazquez et al. (2002) argued that although the market orientation scales of Kohli and Jaworski (1990) and Narver and Slater (1990) have witnessed the widest diffusion and usage, the two scales cannot be considered to be absolutely definitive with respect to research efforts on market orientation because the relevant literature is still generating new market orientation scales (Osuagwu, 2006).

**Further studies**

Market orientation models have only been developed and tested for developed countries (Zebal, 2003). Therefore, a lack of empirical research exists in developing and less-developed countries. Future research need to address this research gap by examining the synthesis model of market orientation in different environment especially in Asian countries because some marketing scholars believe that Western samples typically cannot be generalized to Asian nations because of the differences in culture and economic structure (Sittimalakorn and Hart, 2004). Furthermore, further studies are needed to confirm the relationship between the various dimensions of the synthesis market orientation construct.

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