

## The Interplay of Cultural and Behavioral Capabilities in a Market-Oriented Organization

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Keywords: market orientation, marketing capabilities, innovation, organizational performance

The most essential function of business is to create a customer (Drucker, 1954). According to Drucker, the firm must excel at both *marketing* and *innovation*. Marketing is a firm's fundamental understanding of what customers seek, value and need while innovation is the provision of different economic satisfaction by providing better and more economic goods (i.e. value creation) leading to a new potential of satisfaction. Understanding what the customer wants and successively providing value through innovation has become difficult due to the ever-increasing complexity of the marketing environment (Day, 2011).

The traditional views of market orientation (MO) consider it as an organizational capability that enables it to sense and respond to customer needs effectively in order to continuously deliver superior value to customers; however, the nature of MO has long been a source of debate in the marketing literature. MO as culture (Narver & Slater, 1990) and MO as behavior (Kohli & Jaworski, 1990) are well established but have been largely treated as mutually exclusive. Narver and Slater (1990) view market orientation as "cultural," where a firm's commitment to the customer is embedded in the shared values and norms of the organizational infrastructure. In contrast, Kohli and Jaworski (1990) look to a firm's "behavior" as evidence of the level of MO, focusing on the market information processes that gather and disseminate information throughout the organization on customers and competitors.

There is a growing gap between the rapidly changing environment and the marketing capabilities required to generate deep market insights (Day, 2011). To generate insight into this gap, Kirca, et al. (2011) recently developed a conceptual framework that treats these two dominant perspectives (MO as culture and MO as behavior) as complementary influences on organizational performance. The assertion of this theory is that higher levels of MO behavior and MO culture create competitive advantage derived from the organization's ability to sense the market and/or connect with customers. Strong customer linkage capabilities (culture) help the organization relate to customers and, when combined effectively with market information processing capabilities (behavior), improve the ability to generate deep market insights (Kirca, et al. 2011). Kirca et al (2011) also proposed that the implementation and internalization of MO can be arrayed on a continuum from low to high to form a 2x2 matrix. The researchers named these four different forms of MO: Comprehensive MO, Emergent MO, Ceremonial MO, and Inactive MO.

Alternatively, the identity-based approach of organizations examined by Fiol (1991; 2001) suggests an interaction between behaviors (tangible conduct) and beliefs (values) within organizational culture. Fiol (1991, 2001) offers this "identity-based view" framework linking

behaviors and beliefs and provides insights into how culture can be nurtured and managed to yield competitive advantage. The researcher notes that while an organization's culture can bind the diverse components of the firm together, it is difficult to imbue these values into behavior at the individual level. The key is to develop an identity of individuals in the organization around values and beliefs (Fiol, 1991, 2001).

The present study has two objectives: to provide an empirical test of the Kirca et al. theory (2011) and to extend the theory by applying the identity-based view (Fiol, 1991; 2001). Specifically, the researchers examined differences in the level of innovation among MO types and explored the possibility that MO behavior and MO culture may be mutually reinforcing indicating an interaction or amplifying effect.

The variables used in this study came from existing scales for market orientation and firm innovativeness. The market orientation measures were developed by Deshpandé and Farley (1998). The dependent variables were also derived from previously existing scales (Paladino, 2007; Gatignon & Xureb, 1997). Canadian small and medium-sized enterprises (SMEs) engaged in manufacturing and professional/technical services were utilized as the sample (n=553). Data collection was a self-reported on-line survey of senior managers of SMEs. Participants were asked to provide his/her opinion on a number of generic statements related to market, innovation and firm performance. Questions were randomized using a 7-point Likert scale from "disagree completely" to "agree completely."

Principle component analyses, ANOVA, and MANOVA were conducted on the data to test the hypotheses. The Comprehensive MO group mean was significantly higher than the other three groups. The Inactive MO group mean was well below the other three groups. The Ceremonial MO group showed surprisingly poor performance. Results of the study provide strong empirical support for the Kirca et al. (2011) theory and its identity-based extension (Fiol, 1991; 2001). This study enhances the understanding of two primary levers managers have to build MO organizations. MO Implementation and MO Internalization are not mutually exclusive but complement each other. MO internalization shows itself to be especially vital, but by itself, MO Implementation appears impotent. This raises further questions related to the relationship between internalization and implementation especially at the higher levels of each. Identity theory suggests an interaction between MO Implementation and MO Internalization so further investigation is needed.

This study is exploratory in nature; thus care must be taken not to over-generalize the results. However, this study enhances the understanding of two primary levers managers have to build market-oriented organizations. These two levers are not mutually exclusive but complementary. Combined with MO Implementation, MO Internalization may be an important capability to close the marketing capability gap. MO Internalization is the lens through which SMEs are able to generate deep market insights. Further study is needed to more fully understand the nature of the relationship between implementation and internalization especially at high levels (Comprehensive group). Building off identity theory (Fiol, 2001), researchers could investigate an amplifying effect of MO Internalization on the MO Implementation – Performance relationship. Further research is necessary for a more full understanding of the interaction.

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