

ROLE OF MARKET ORIENTATION AS A CAPABILITY FOR IMPROVED BUSINESS PERFORMANCE

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Abstract *In this article, an attempt has been made to understand the focal marketing concept, i.e. market orientation, and how this construct can be used with other business processes to improve performance of a business organisation. Since resources and competencies possessed by enterprises define their success in the end. Our aim was to explore the links between market orientation and related constructs so that they could enhance the performance. The prime contribution of this study is to understand the role of knowledge management in the market orientation and innovation strategy link. A number of studies have provided support for direct link between market orientation and innovation. However, we argue that this link is mediated by the knowledge-management competency of an enterprise. First, a brief introduction about market orientation is given. Second, the present work on market orientation and related constructs has been reviewed. Last, suggestions for future research are highlighted.*

Keywords: *Market Orientation, Knowledge Management, Innovation, Learning Orientation, Competitive Advantage, Capability, Resource-Based View, Business Performance*

INTRODUCTION

With globalisation, the competition among the business organisations has increased and they are continuously searching for different combinations of business processes in order to achieve the desired performance. The search for these business combinations begins with marketing concept and at the core of marketing concept is market orientation. Although a number of studies have examined the impact of MO on customer related and financial performance (Kirca, Jayachandran & Bearden, 2005; Kumar *et al.* 2011; Takata, 2016), the understanding of this relationship with market orientation as a capability along with other underlying factors is still unclear. Under the MO literature, Kohli and Jaworski (1990) conclude that market orientation provides “a unifying focus for the efforts and projects of individuals thereby leading to superior performance”. The prime focus of market orientation is to sense and respond to changes precisely (Kumar *et al.* 2011); failure to respond to changes may lead to the demise of the business organisations. Business organisations that follow a market-oriented approach strive to understand expressed and latent needs of the customer and develop better solutions to those needs

(Day, 1994; Slater & Narver, 1995). Market orientation is a capability when practiced together with learning orientation improves organisational performance. Slater and Narver (1995) further are of the opinion that market orientation is significantly related to learning orientation as learning-oriented firms possess the ability to make optimum use of the knowledge, which is generated from the environment, to be effectively considered as market oriented enterprise. And, a programmatic approach of market orientation plays an important role in learning (Narver, Slater, & Tietje, 1998). MO strategies of the firm are aimed at giving the knowledge advantage to the firm (Morgan, Vorhies & Mason, 2009) to make necessary changes in the innovation strategy. The basic premise of knowledge management is knowledge orientation, which guides business philosophy and strategies of an organisation (Plessis, 2007). Business organisations should be able to create innovative business strategies, which also affect complexity in innovation due to increase in the amount of available knowledge, because the very fact that innovation is dependent on knowledge warrants that knowledge is managed properly to ensure successful innovation (Adams & Lamont, 2003). Exploitative and explorative innovation causes the firm to widen its market

reach and gain significant competitive advantage against the rival firms. Moreover, higher level of innovation is a source of sustainable competitive advantage for the business organisations (Kuncoro & Suriani, 2017). The creation of more economic value by firm in comparison to its rivals is usually considered as competitive advantage; in addition, when this advantage prevails over a time, it is considered sustainable competitive advantage (Barney, 2011). Competitive advantage in the long-run depends on the ability of the firm to deliver solutions, which are unique and superior to what the competitors are providing to customers. Resource-based view is one of popular paradigms that explains firm performance through execution of strategies and possession of resources, which are valuable, rare, and imperfectly imitable, and organisation's ability to use the resource (Barney & Hesterly, 2012).

The key objective of this paper to present a conceptual framework and understand the mechanism through which organisations generate sustainable competitive advantage and improve their performance. Existing literature on market orientation, organisational learning, and innovation has been used to develop this framework useful for both small and large business enterprises. Following the discussion of the conceptual framework, the paper offers suggestions for future research.

LITERATURE REVIEW

Among varied notional perspectives on the market orientation, the market intelligence perspective has gained significant attention. Based on this point of view, MO is defined as the organisation-wide generation, dissemination, and response to market intelligence pertaining to customer needs, competitor premeditated moves, and supplier requirements (Ngo & O'Cass, 2012). Possessing superior MO does not guarantee better firm performance. Goods and services bought by customers do not come based on superior MO; rather, customers are attracted towards organisations that are able to respond to the knowledge generated to serve them in a better way (Hult, Ketchen & Slater, 2005).

With the coming of knowledge economy, knowledge management puts an emphasis on how the knowledge is managed by employees in the organisation and the focus is on learning from the customers (Liyun *et al.*, 2008). In this regard, Ozkaya *et al.* (2015) found that knowledge mediates the relationship between market orientation and innovation, which further leads to positive relationship with business performance. It is argued upon that when organisations innovate, the scope is not limited only to outside in, but also from the inside out, in order to redefine the problems and seek solutions, and in this process, reinvent their

environment. Bhatti, Zaheer and Rehman (2011) emphasises that knowledge management is integration of IT capability to process data and information and the ability of innovation. This gives an opportunity to generate value from intellectual assets or other knowledge-based resources and bring certain bring innovation in different forms. Previous studies have reported a positive association between both product and process innovation and productivity (Hall, Lotti & Mairesse, 2009), while others find a positive association between innovation and growth (Oke, Burke & Myers, 2007). For success in the long-run, knowing about how much to invest in innovative activities is a vital concern for a firm. Building theoretical premises on the work of Sanal *et al.* (2013), two types of innovation strategies, i.e. exploitative and explorative innovation, have been considered. Exploitation refers to the use, refinement, and extension of a firm's current knowledge, resources, and capabilities; whereas, exploration refers to the firm's search for, discovery of, and experimentation with new alternatives (Aspara *et al.* 2011). As advocated by March (1991), these concepts have been widely used in the management research areas; particularly, in strategic management (Lavie & Rosenkopf, 2006) and organisation research (Sidhu, Commandeur & Volberda, 2007). Both these concepts are competing in nature; thus, for sustained performance, firms must create a balance between these two innovation strategies (Kyriakopoulos & Moorman, 2004). Innovative strategy is followed by organisations to create customer value for competitive advantage in the form of customer loyalty, new product success, and market share (Slater & Narver, 1994).

Firms employ both these strategies in a search for higher financial returns, because they exert synergetic positive effects. Compared to organisations who exercise only one form of innovation strategy, enterprises that focus on applying a balance of exploitative and explorative innovation strategy can gain more financial returns, because the unfavorable effect of one may be cured by another. For instance, exploitation brings in short-term and less risky returns, which are helpful for countering high experimentation costs and delayed returns of exploration. Similarly, exploration prevents the imitation by competitors, thereby decreasing price captivity.

Investments in improving customer satisfaction affect firm performance through improved customer satisfaction and profitability, which is usually observed in the long-run compared to the short-run (Kumar *et al.* 2011); thus, helping to build sustained competitive advantage over time and resulting in a direct impact on overall performance of an organisation (Murray, Gao & Kotabe, 2011). With this background, we present the following conceptual framework.

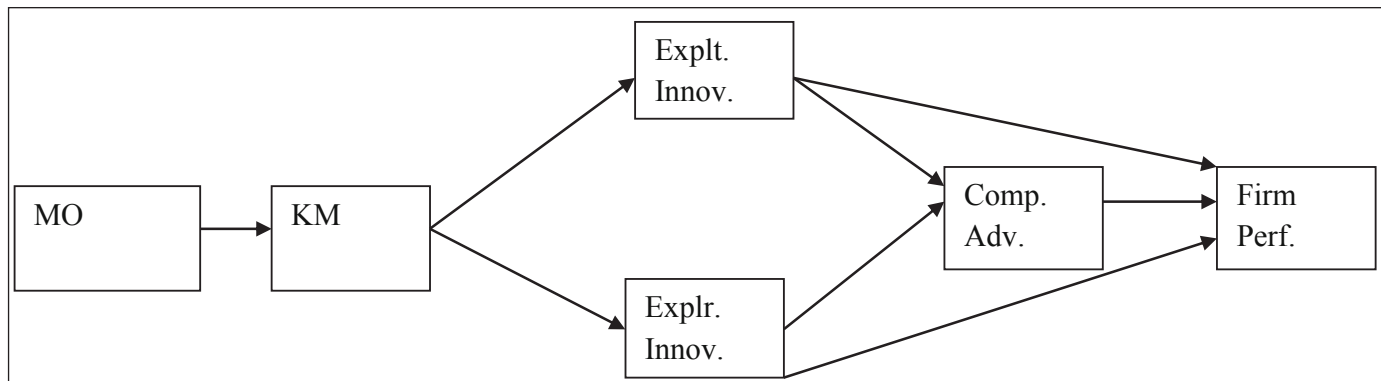


Fig. 1: Conceptual Framework

MO- Market Orientation, KM-Knowledge Management, Explt. Innov.- Exploitative Innovation, Explr. Innov.- Explorative Innovation, Comp. Adv.- Competitive Advantage, Firm Perf. –Firm Performance

CONCLUSION AND FUTURE RESEARCH DIRECTIONS

In this paper, the current findings on market orientation and performance link have been explored to develop a conceptual framework. The existing literature supports links among different components ultimately leading to superior business performance. It is suggested that knowledge is a key through which innovation can be pursued; thus, business organisations should try to build knowledge competencies, which could provide sustainable competitive advantage. Based on literature review and arguments presented previously, future research work can be carried on the following lines. First, our proposed model can be tested empirically to confirm the relationships with different samples from a variety of industries and different cultures. Second, technology turbulence and competitive intensity can be used as moderating variables in the proposed framework to clearly understand the strength of relationship in market orientation performance relationship, because these factors affect this relationship. Third, attempts should be made to conduct longitudinal studies to understand the true impact of moderating variables, as work is scanty related to longitudinal studies. Finally, this model could also explore the moderating role of cultural barrier in market orientation and knowledge management link.

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