



Market-driving versus market-driven: Divergent roles of market orientation in business relationships

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Received 1 December 2002; accepted 1 October 2003

Abstract

This study focuses on market orientation (MO) and customer intimacy (CI) in business-to-business marketing. These are generally regarded as key success factors in marketing. The authors argue, however, that the relationship between MO and customer relationship has not been properly examined, nor has its dependence on a firm's strategic market posture been understood. A contingency framework is proposed to test the postulated relationships between the key constructs. Our results indicate a strong positive association between MO and CI. Furthermore, this linkage is clearly influenced by the market focus and business logic adopted. In managerial terms, business executives must carefully match the strategic posture of the firm, its MO, and customer relationship management (CRM). Our findings strongly support a contingency modeling approach in studying the factors underlying marketing performance in business markets.

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Keywords: Market orientation; Customer intimacy; Collaboration

1. Introduction

This article explores the relationship between market orientation (MO) and customer intimacy (CI); both are key aspects in understanding how business firms create customer value (Johnson, Pui-Wan Lee, Saini, & Grohmann, 2003; Martin & Grbac, 2003). Although MO and customer relationship management (CRM) have both received considerable research in marketing, they have remained as separate schools of thought (Helfert, Ritter, & Walter, 2002) and have been primarily applied in business-to-consumer marketing (Homburg, 1998).

On one hand, MO emphasizes a business culture that puts the customer's interest first (Deshpandé, Farley, & Webster, 1993). On the other, the organizations' ability to generate, disseminate, and use information about customers and competitors (Kohli & Jaworski, 1990) is considered in conjunction with the coordinated application of interfunc-

tional resources to create superior customer value (Narver & Slater, 1990).

CI means tailoring offerings to match the needs of customers exactly (Anderson & Narus, 1999). Companies that excel in this field integrate market and customer knowledge with their own operational flexibility in a superior way (Treacy & Wiersema, 1993). This ability to continuously generate intelligence about customers' expressed and latent needs and about how to satisfy these needs is essential for companies to continuously create superior customer value (Slater & Narver, 2000). The CI perspective is best represented in the CRM research which aims to create superior customer value by managing business relationships (Möller & Halinen, 2000; Sharma & Grewal, 2001; Sheth, Sisodia, & Sharma, 2000; Simpson, Siguaw, & Baker, 2001).

There are several limitations to the current MO and CRM approaches from the business marketing perspective. MO has predominantly looked on the inside of the firm, whereas the CRM approach concentrates on the supplier–customer relationship. Moreover, most of the MO studies have been cross-sectional, providing averaged results based primarily on combinations of fast-moving consumer goods and consumer services (Helfert et al., 2002). There exists very little research focused on business-to-business marketing. In a similar fashion, while the CRM research has studied busi-

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ness-to-consumer relationships, the linkages between MO and CI have not been empirically explored (Homburg, 1998). This study attempts to address these limitations by examining the relationship between MO and CI in a business marketing context. We expect that MO will influence the level of CI. Moreover, we expect this relationship to be influenced by a number of contextual factors, especially whether the firm follows a proactive or reactive business logic (Johnson et al., 2003).

Our paper commences with a brief review of the theoretical foundations of MO and CI and goes on to suggest a framework linking these constructs. This framework is then used to derive a set of hypotheses. Thereafter, we present the methodology of the study and the results. A discussion of the theoretical and managerial implications concludes the article.

2. Theoretical foundations of MO and CI: The model

MO is considered as a cornerstone of marketing thought. Since the early 1990s, there has been a significant amount of research on MO. Current discussion of MO emphasizes the awareness of and responsiveness to environmental influences as well as an ability to learn about customers and competitors to continuously sense and to act on events and trends in present and prospective markets (Helfert et al., 2002; Simpson et al., 2001; Slater & Narver, 1998, 2000).

2.1. MO

Jaworski and Kohli (1993, p. 53) define MO as the organization-wide generation of market intelligence, the dissemination of that intelligence across organizational units, and the organization-wide responsiveness to it. Although these scholars link organizational values and norms to their MO construct, they do not indicate that MO may be considered as an aspect of culture. On the other hand, Deshpandé et al. (1993, pp. 25–26) conceptualize MO as a characteristic of organizational culture and emphasize its role in directing the attention and behavior of management. MO as a culture is manifested in the fundamental assumptions, strategic orientations, or business logic embraced by the members of an organization (Deshpandé & Webster, 1989; Locander, Hamilton, Ladik, & Stuart, 2000). A market-oriented organizational culture, as opposed to an internally predisposed-technology-oriented culture, places high priority on firm-wide behaviors geared toward understanding customer needs, achieving sustainable strategic competitive postures, and enhancing superior customer value (Pelham, 1999).

Despite the growing awareness of the need to be a market-oriented organization, a significant void exists in the current models of MO (Matsuno & Mentzer, 2000; Noble, Sinha, & Kumar, 2002). None of the existing frame-

works incorporate simultaneously the key constructs of MO and CI (Helfert et al., 2002; Homburg, 1998). As Jaworski, Kohli, and Sahay (2000) recently argued, current MO literature has an unbalanced focus on keeping the status quo as compared to proactively shaping customers and the market. They argue that there are two types of MO: ‘market-driven’ and ‘market-driving’. The former refers to reactive business logic or logic indicating the acceptance of the market as given, while the latter emphasizes proactive business logic involving changing the composition of market players (Jaworski et al., 2000). Baker and Sinkula (2002) postulated that a proactive attempt to alter the business environment involves discarding the present way of doing business and substituting the embedded theory-in-use with something fundamentally and radically new through generative learning. A market-driven reactive business logic favors incremental adjustments to changes in the business environment and works through adaptive organizational learning (Jaworski et al., 2000).

The notion of two primary types of MO is highly relevant for business marketers. First, management should be aware of the business logic they are applying, whether it is proactive or reactive. Second, there should be a match between the type of business logic adopted and the type of MO emphasized. That is, the implementation of the specific strategic logic presumes matching marketing capabilities and learning capability. Intel provides a good example of a strong incremental innovator, which has been able to keep its leadership position for two decades with a consistent match between the strategic logic, culture, and capabilities.

2.2. Customer relationships: Transactional and collaborative perspectives

CI refers to what Sheth et al. (2000) call customer-centric marketing, that is, where the marketing function seeks to fulfill the needs and wants of each individual customer. In more academic terms, CI implies the design and management of interfirm relationships (Hoekstra, Leeflang, & Wittink, 1999). These relationships are traditionally classified either into transactional or collaborative relationships (Heide, 1994; Parvatiyar & Sheth, 1997). Pure forms are, however, rare in business marketing where supplier–customer relationships usually exhibit a mixture of transaction-based and collaborative-based elements emphasizing value-adding exchange, where the focus of the selling firm shifts from getting customers to keeping customers (Andersen, 2002). In this sense, the management of supplier–customer relationships can be seen as a continuum between market-based transactions and close collaborative relationships that are embedded in a network of business relationships (Day, 2000; Möller & Halinen, 2000).

From the relationship marketing perspective, firms establish relationships with selected customers with whom superior customer value is designed, offered, redefined, and

realized in close cooperation with other partners (Hoekstra et al., 1999). Hence, the ability of a firm to create and maintain close relationships with their customers is a durable basis for a competitive advantage (Day, 2000). Relationships become closer, more selective, and may become so familiar that the term intimacy is used (Treacy & Wiersema, 1993). Business marketing research has shown that when there are fewer customers, there are often closer partnerships and joint product development (product customization) with customers (Heide & John, 1992). Furthermore, among the dyadic norms identified by Heide and John (1992), flexibility, information exchange, customer-specific investments, and employee involvement are considered to be elements of CI in buyer–seller relationships. Homburg (1998) has summarized these points as follows: (1) offer high quality products; (2) demonstrate a high level of flexibility towards the customer when needed; and (3) be prepared to exchange information with customers throughout the entire organization. Indeed, commitment and trust form the key mediating factors in the management of close interfirm relationships (Morgan & Hunt, 1994).

In line with the relationship marketing approach (Morgan & Hunt, 1994) and the network approach (Håkansson & Snehota, 1995; Möller & Wilson, 1995), we employ a classification of (1) governance of interfirm bonds and (2) business processes alignment in describing the key characteristics of CI. The former emphasizes common bonds and formal design, and the latter covers the process aspects of partnering. In this respect, we contend that a firm has to master three elements to achieve CI: (1) a relationship orientation must pervade the values and norms of the organization; (2) the firm must keep deepening its knowledge of the customers and putting it to work through the organization; and (3) the key business processes must be internally integrated and externally aligned with the corresponding processes of the firm's customers (Day, 2000; Day & Van den Bulte, 2002). Thus, we hypothesize that

Hypothesis 1: The type and level of MO differ between firms characterized by low and high levels of CI.

Several external and internal contingencies will influence how transactional and collaborative exchange regimes mix,

and, consequently, what form of customer relationship matches the business logic of the firm.

2.3. Relationships between MO and CI

Three key points emerge from the preceding discussion, indicating that there is a need for a redescription of MO in a business-to-business context. First, MO must be understood as a cultural manifestation of the firm and as a reflection of its capabilities to carry out marketing information processing and responding activities as proposed by Kohli and Jaworski (1990). Second, MO and CI, although related, should be considered as two separate constructs. We suggest that MO, representing a higher level strategic orientation of the firm, influences the structural solutions, learning processes, and behavior underlying the management of close customer relationships. Finally, MO and CI should be positioned and examined in the context of a firm's strategic posture—manifested here as a proactive or reactive business logic. Our extended MO–CI framework, presented in Fig. 1, reflects the stated principles. We suggest that a complex set of exogenous and endogenous contingency factors will affect a firm's MO and customer relationship solutions.

Out of many contingencies influencing a firm's MO, we have chosen the firm's market focus and business logic adopted as contextual factors for this study. Strategic market focus and business logic are cultural manifestations and strategic postures, and are fundamental for understanding the marketing aspects of a firm (Hurley & Hult, 1998). We have simplified the analysis by deploying business logic as a dichotomy; a firm is assumed to be either proactive or reactive in its competitive behavior. This is a simplification of the strategy archetypes endorsed by Miles and Snow (1978): defenders, analyzers, prospectors, and reactors. Several scholars have studied these strategy types, and evidence has been found both for and against this typology (Jaworski et al., 2000). However, we argue that the fundamental issue is about whether companies are trying to adapt to environmental changes.

Our other contingency factor, market focus, relates to the company's broad versus narrow focus on target markets: respectively of domestic, regional, and then global (Schlie

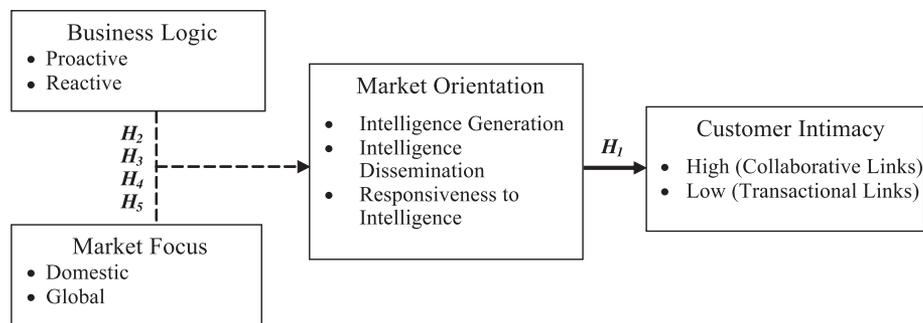


Fig. 1. MO–CI framework.

& Yip, 2000). We expect that companies operating only in the domestic market do not need to have as high a level of MO as companies with a global focus. This is consistent with the notion that foreign market experience is expected to enhance a company's market adaptation and MO (Gray, Greenley, Matear, & Matheson, 1999). It is therefore hypothesized that

Hypothesis 2: Reactive business logic and domestic market focus emphasize market intelligence generation.

Hypothesis 3: Proactive business logic and domestic market focus emphasize market intelligence dissemination and organizational responsiveness to that intelligence.

Hypothesis 4: Reactive business logic and global market focus emphasize market intelligence dissemination and organizational responsiveness to that intelligence.

Hypothesis 5: Proactive business logic and global market focus emphasize market intelligence generation.

We consider the domestic–global contingency factor as a continuum. A company's position along this continuum depends upon how much of its business revenue comes from international markets. Thus, market focus is also encompassing the cross-cultural aspect of MO because acting in a global market calls for different types of managerial capabilities. Essential in developing these capabilities is to establish a balance between 'thinking global but acting local'. The global perspective relates to a company's ability to develop globally standardized product or service features, which then can be easily adapted to the selected local markets (Levitt, 1960).

3. Methodology

Our purpose is to develop and refine scales for assessing MO and CI. These were developed following the paradigm endorsed by Churchill (1979) in conjunction with a more or less standard set of calculations used to test the scale reliability and internal validity.

3.1. Research context and data collection

We carried out a postal survey among the member companies of the Federation of the Finnish Metal, Engineering, and Electrotechnical Industries (FIMET). This industrial sector has two special characteristics that made it attractive for our research: the notion of MO is originated from within manufacturing firms (Jaworski & Kohli, 1993) reflecting a market-based business logic which differs across industries and between different fields of one industry (Narver & Slater, 1990). Several interviews with managers and industry experts confirmed that the firms had experienced high levels of technology and market changes during the last decade. Operating from a small and open

economy ensured that there was enough variation between the domestic versus global orientation among the firms. Similarly, the number of subindustries suggested that there would be considerable variation in the business logic embraced by the firms and in the intensity of their customer relationships. This view was supported by our discussions with industry experts who also confirmed that the key phenomena under study—business logic, MO, and close customer relationships—had a high relevance for the managers. Besides Finland, further studies are underway in other countries (e.g., United Kingdom, Australia, New Zealand, Ireland, Austria, Greece, Hungary, Poland, and Slovenia), and at various stages of completion to allow the international robustness of the scales and results to be gauged.

The data was collected during the years 1996 and 1997. A sample of 340 single firms or strategic business units (SBUs) with more than 60 employees was drawn from the sampling frame supplied by FIMET. Informants (managing directors) were mailed a copy of the questionnaire together with a personalized instruction letter and a return envelope. A total of 142 firms/SBUs responded, which yielded a usable response of 140 fully completed questionnaires and a very satisfactory response rate of 41%. No significant differences in means were found between early and late respondents on the scales studied, indicating that nonresponse bias is unlikely to be a problem (Armstrong & Overton, 1977). All our key constructs were measured through multi-item measures. When possible, we utilized existing scales derived from prior research. All measures deployed a five-point Likert-type scale ranging from 1 = *low (strongly disagree)* to 5 = *high (strongly agree)*.

3.2. Scale construction and validation

Initial purification of the MO items was undertaken employing an exploratory factor analysis (EFA) and adopting the parsimonious set of 20 key indicators of the construct developed by Jaworski and Kohli (1993). However, we suppressed nine items due to low factor loadings (below .40) and communalities (Hair, Anderson, Tatham, & Black, 1995). The EFA (see Appendix A), using the Kaiser Criterion for factor extraction and the Varimax rotation for factor interpretation, resulted in three diverse factors accounting for 53% of the variance in the original 11 items. The factors were readily interpretable in line with the theory (Kohli, Jaworski, & Kumar, 1993): market intelligence generation (MARKOR 1), market intelligence dissemination (MARKOR 2), and responsiveness to the market intelligence (MARKOR 3). Chronbach alphas were computed for these scales—0.60, 0.63, and 0.62, respectively—indicating a satisfactory and acceptable level of reliability and internal validity for an exploratory study (Nunnally, 1967). Finally, we computed the mean summated scores for each of these three scales to derive the scale indexes.

The measurement of CI was more problematic as there are no structured and validated scales for this construct (Homburg, 1998). By drawing on ad hoc notions in the literature (Homburg, 1998; Parvatiyar & Sheth, 1997; Sheth & Parvatiyar, 1995; Treacy & Wiersema, 1993), we measured CI unidimensionally by a six-item scale. The CI items tapped the extent to which a business (1) was involved in the customer's planning process; (2) involved customers in their planning process; (3) partnered and jointly planned with customers; (4) aligned each other's operating processes; (5) designed operational interfaces; and (6) formalized the system of joint decision making. The Chronbach alpha for the scale was relatively high (0.77), providing support for the internal validity and robustness of the scale (Nunnally, 1967). Subsequently, a mean summated score was computed to derive the composite scale index labeled CUSIN.

Business logic and market focus, two closely intertwined strategic posture factors reflecting also the company culture (Homburg, Krohmer, & Workman, 1999; Hurley & Hult, 1998), were operationalized as dichotomous variables influencing the interplay between MO and CI. The types of business logic were derived by employing EFA on a set of six variables describing the types of the business logic adopted (Miles & Snow, 1978). This produced a factor solution reflecting proactive versus reactive emphasis (LOGIC). Based on this, the firms were then categorized into proactive versus reactive groups through a disjointed cluster analysis. Market focus, the other contingency factor, was operationalized by dichotomizing the sample firms into two groups emphasizing global versus domestic market focus (MARKET) (Schlie & Yip, 2000). This was based on the rate of internationalization (proportion of export in sales). Firms with a rate of equal or more than 60% were categorized as having a global market focus, and the rest were regarded as oriented towards the domestic market (Homburg et al., 1999).

4. Analysis and results

In view of our hypotheses testing, it is required to investigate the main effects of the three factors of MO on CI and the contingency effects from firm market focus and business logic adopted. We employed multiple discriminant analysis in conjunction with multivariate analysis of variance (MANOVA)/univariate analysis of variance (ANOVA) as appropriate statistical techniques to test the potential associations between the measures involved.

4.1. MO–CI linkages

MANOVA was used to investigate the links between the three factors of MO and the level of CI. To this end, firms were classified into two groups characterized by high and low levels of CI. On a five-point scale, respondents with a

CUSIN measure equal or less than the six-item score 2.17 ($n=36$) were treated as firms with a low level of CI, while those with a measure equal or greater than the score 3.50 ($n=46$) were considered as firms with a high level of CI. We deleted the midrange ($n=58$) of respondent firms from the analysis to enhance the distinctiveness between the two groups involved.

MANOVA was employed to examine the presence of an overall association between the dimensions of MO (MARKOR) and the groups of high and low level of CI (CUSIN). As shown in Table 1, the results do not indicate significant differences in the means of MARKOR between the low and high CI groups (Wilk's lambda=0.9719; exact $F=1.141$, $P=.325$). Thereafter, one-way ANOVA was utilized to analyze these relationships in a more detailed manner. All three dimensions of MO were significantly different between the low versus high CI groups. To summarize, MARKOR 1 is a stronger discriminator than MARKOR 3, while MARKOR 3 in turn is a stronger discriminator than MARKOR 2.

This analysis was supplemented by examining the dimensional impact of MO on group differences in CI through a two-group discriminant analysis. The discriminant loadings depicted in Table 1 and the group centroids of low and high CI displayed in Table 2 provide a summary of the results clearly supporting our Hypothesis 1—that MO had a significant positive association with CI.

The discriminant model satisfied the independence assumption as the MARKOR scales were constructed by EFA with orthogonal rotation, and there was no multicollinearity between the scales. Moreover, the model met the assumption of equality of covariance matrices between the two groups (Box's $M=10.059$; F with (6,39567) $df=1.6068$; $P<.141$), indicating that the discriminant function was robust (Hair et al., 1995).

Table 1
Results of MANOVA, ANOVA, and multiple discriminant analysis

MO scales	CUSIN means		F ratio	P value	Discriminant ^a loadings
	Low	High			
MARKOR 1 (market intelligence generation)	3.18	3.74	20.02	0.000	0.88
MARKOR 2 (market intelligence dissemination)	3.39	3.88	9.46	0.003	0.54 ^b
MARKOR 3 (responsiveness to market intelligence)	3.33	3.71	14.29	0.000	0.74

Multivariate summary: Wilk's lambda=0.9719; exact F ratio=1.141; multivariate significance level $P=.325$.

^a Pooled within-groups correlations between discriminating variables and standardized discriminant functions.

^b This variable is not included in the discriminant function.

Table 2
Statistics of the MARKOR–CUSIN discriminant function

Scale	Group centroids		Eigenvalue	Canonical correlation	Wilk's * lambda
	Low	High			
CUSIN (CI)	–0.63	0.50	0.32	0.49	0.76

* Significant at (<.001).

Consistent with the findings of the one-way ANOVA, the results of the two-group discriminant analysis confirm that two out of the three factors of MO; that is, MARKOR 1 and MARKOR 3 distinguish between the low versus high CI (CUSIN) groups. Furthermore, the excluded factor, MARKOR 2, is very close to the level of significant collective differentiation across the two firm groups. This conservative interpretation is based on using $\pm .30$ as an acceptable threshold for the discriminant loadings (Armstrong & Overton, 1977). Finally, the directions of the discriminant loadings are all positive, and the group centroid is negative for firms with a low level of CI. This is consistent with the main effects stated by Hypothesis 1.

4.2. Strategic posture influence on MO–CI

The influence of business logic (LOGIC) and market focus (MARKET) was examined by employing a two-group

discriminant analysis simultaneously in two contextual split-groups: business logic (proactive vs. reactive) and market focus (domestic vs. global). This means that in practice, we analyze how the profiles of the three MARKOR dimensions differentiate between firms having different strategic postures (LOGIC and MARKET).

Because the developed MARKOR scales are based on the results of EFA with orthogonal rotation, there is no multicollinearity between them, which satisfies the independence assumption of the discriminant analysis. Furthermore, each model exceeds the threshold regarding the assumption of equality of covariance matrices (Box's $M=7.099$; F with (6,795) $df=0.8417$; $P<.538$) between the two CUSIN groups. Thus, the derived four split-group discriminant functions were robust (Table 3).

Individual (dimensional) MARKOR–CUSIN relationships were assessed by employing a one-way ANOVA procedure. The univariate F ratios indicate several significant differences between the CUSIN groups across the MARKOR dimensions within each strategic posture groups (MARKET and LOGIC). In the case of the domestic market focus, MARKOR 1 differentiated significantly between the high and low CUSIN groups if firms were deploying a reactive business logic, while MARKOR 3 distinguished between the two groups if firms were emphasizing a proactive business logic. In the case of global market focus, MARKOR 1 was the key discrimi-

Table 3
Results of ANOVA and split-group effects MARKOR–CUSIN discriminant analyses

	Split-group factors: Market/logic							
	Domestic/reactive		Domestic/proactive		Global/reactive		Global/proactive	
<i>Discriminant loadings^a</i>								
MARKOR 1 (intelligence generation)	1.00		0.29 ^b		1.00		1.00	
MARKOR 2 (intelligence dissemination)	0.37 ^b		0.49 ^b		0.30 ^b		0.47 ^b	
MARKOR 3 (responsiveness to intelligence)	0.34 ^b		1.00		0.26 ^b		0.21 ^b	
<i>Statistics of the discriminant functions</i>								
	Low	High	Low	High	Low	High	Low	High
Group centroids (low vs. high CUSIN)	–.88	0.66	–.69	0.53	–.44	0.96	–.59	0.28
Eigenvalue	0.68		0.40		0.48		0.18	
Canonical correlation	0.64		0.53		0.57		0.39	
Wilk's lambda	0.60		0.72		0.68		0.85	
n (low vs. high CUSIN)	6	8	10	13	11	5	9	19
<i>ANOVA summary</i>								
	F ratio	P value	F ratio	P value	F ratio	P value	F ratio	P value
MARKOR 1	8.14	0.015	0.51	0.482	6.68	0.022	4.66	0.040
MARKOR 2	1.37	0.265	0.04	0.847	4.59	0.050	0.54	0.471
MARKOR 3	0.57	0.466	8.30	0.009	2.91	0.110	1.05	0.315

^a Pooled within-groups correlations between discriminating variables and standardized discriminant functions.

^b This variable is not included in the discriminant function and/or is not significantly differentiating across the groups.

nator between the two firm groups characterized by low and high CI regardless of the type of business logic adopted. In this respect, we must remember that the small sample size is far more likely to reduce the likelihood of finding any significant relationships than to increase it. Hence, small sample size emphasizes the statistical significance of the findings.

The results confirm our claim that the type of business logic and market focus adopted influences the type and level of MO and, further, the interplay between MO and close customer relationship. This suggests that companies must carefully plan their MO profile according to the requirements of their strategic posture so that it supports their CRM. Formally, these results provide strong empirical evidence for Hypotheses 2, 3, and 5, while Hypothesis 4 is rejected.

To see beyond the summary statistics, we examined the original six CI measures across the domestic–global and reactive–proactive groups of firms. This analysis suggested that within each strategic posture group, there were two groups of firms that differed between the approaches they used to manage their customer relationships. In the case of global proactive firms, 40–50% of them had very close relationships with their customers emphasizing partnering and joint learning processes (65% of firms). This is typical in high-tech businesses where firms are increasingly involved in collaborative development processes with their customers and suppliers. About one third of global proactive firms had almost arm’s-length customer relationships. They probably operated in more mature fields within large customer markets and were self-contained in their R and D activities. Reactive global firms had a different customer relationship profile; over half of them had strong operational interfaces with their main customers, suggesting a buyer-dominated supplier role.

Similarly, but not so pronounced, groupings were identified among the firms operating in the domestic market. About 35% of the proactive firms were pursuing collaborative, learning-oriented relationships with their customers, and about the same number did not have close relationships. Among the reactive domestic firms, about 40% had close operational customer relationships, suggesting typical lean production supplier roles, whereas the other 40% did not have intensive customer relationships, suggesting more transactional customer markets.

4.3. How efficiently MO predicts CI

In our final analysis, we used the established discriminant functions to examine how well the three factors of MO can predict the low versus high CI group membership among firms under study. When the discriminant function is used for classifying the observations, its external validity needs to be examined. Due to the limited number of cases in this study, we could not follow the conventional split-sample approach (classification vs. estimation

Table 4

Classification results

CUSIN (whole sample)		Predicted group ^a		Actual total ^b
		Low	High	
Original group	Low	23 (63.9%)	13 (36.1%)	36
	High	10 (21.7%)	36 (78.3%)	46
Cross-validated ^c	Low	22 (61.1%)	14 (38.9%)	36
	High	12 (26.1%)	34 (73.9%)	46

^a 72.0% of originally grouped cases correctly classified; 68.3% of cross-validated grouped cases correctly classified.

^b Proportional change criterion $(36/82)^2 + (46/82)^2 = 50.7%$; maximum change criterion $(46/82) = 56.1%$.

^c In cross-validation, each case is classified by the function derived from all cases other than that case.

subsamples). Instead, the *U* method proposed by Lachenbruch (1975) was employed as a technique to validate externally the results of our small sample discriminant analysis.

The classification results show that the proportion of responding firms correctly classified by the main effects model was 72.0%, and in the case as an estimator (cross-validated), 68.3% (Table 4). This further supports our claim that the MO profile (capabilities) of a firm strongly influences how it can develop efficient ways of customer management.

When considering the split-group discriminant models, the classification results of the original cases vary between 71.4% and 78.6%, and, in the case as an estimator, it classifies new observations correctly in the range of 67.9–78.6% (the split-group classification results are not reported here in detail). As far as the proportional change and maximum change criteria are concerned, the discriminant models exceed the thresholds computed for this study. Indeed, it can be argued that the main and the split-group discriminant functions are valid instruments in the sense of the accuracy with which they can be used to classify firms with a low and high level of CI in terms of the differences in their type and level of MO.

5. Discussion

This work is aimed at assessing differences in MO profiles between firm groups characterized by high and low CI. We briefly summarize theoretical and managerial contributions of the study in terms of some advice for future research and praxis.

5.1. Theoretical contributions

This research makes several contributions to our understanding of the relationships between MO and CI in business-to-business markets. The proposed strategic posture–MO–CI framework provides a more comprehensive, contingency theory-based view of the relationships between

these constructs than is available from the extant theory. The framework suggests that it is not enough to only consider the level of MO or CI, it is also important to identify what kind of MO profile best matches the strategic posture of the firm.

Research up to this point has not paid much attention to the essential link between MO and closeness to the customers (Homburg, 1998; Matsuno & Mentzer, 2000). As far as these two constructs are concerned, our major findings verify formerly made conceptual statements of the positive role of MO in creating CI (Jaworski et al., 2000; Slater & Narver, 2000; Treacy & Wiersema, 1993) and replicate prior research results (Grewal & Tansuhaj, 2001; Lichtenhal & Wilson, 1992). Besides consistency with the former work in the field of MO, our findings reinforce the notions of those scholars who have postulated that MO, in terms of market information processing, is a source of a competitive advantage, expressed in our study through the ability to create CI (Baker & Sinkula, 2002; Day, 1994, 2000). More generally, this study has contributed to bridging the gap between the research traditions of MO and customer relationship marketing.

Our empirical results show clearly that both the profile of MO and the type and level of CI depend on the strategic posture of the firm, represented in our study by business logic and market focus. This result extends previous knowledge on the contingency-type relationship between strategic postures (that can also be regarded as manifestations of organizational culture), MO and customer relationships. That is, it is not enough to only think in terms like “the more MO or CI, the better,” but to take into account the strategic posture of the firm as well.

Drawing on the associations between different MO dimensions and CI (responsiveness to market intelligence in the context of domestic proactive companies, market intelligence generation in the context of global proactive, and reactive companies and domestic reactive companies) and the examination of the original CI variables under each strategic posture type, we suggest that MO does exist in primarily two forms: market-driven and market-driving, as postulated by Jaworski et al. (2000). Market-driven orientation matches a reactive business logic and involves customer relationships reflecting adaptive learning capabilities in terms of market intelligence generation. These kinds of companies are often in supportive, dependent supplier roles and have strong operational ties with their major customers. Conversely, the market-driving orientation matches the proactive business logic emphasizing a firm’s capability to develop such radically innovative business concepts and products that influence and even create markets. This requires generative learning capabilities involving collaborative learning and partnerships with lead customers. These suggestions remain quite speculative and require more empirical evidence (Fig. 2). In sum, our findings are consistent with the emerging organizational learning and capabilities based ‘cultural

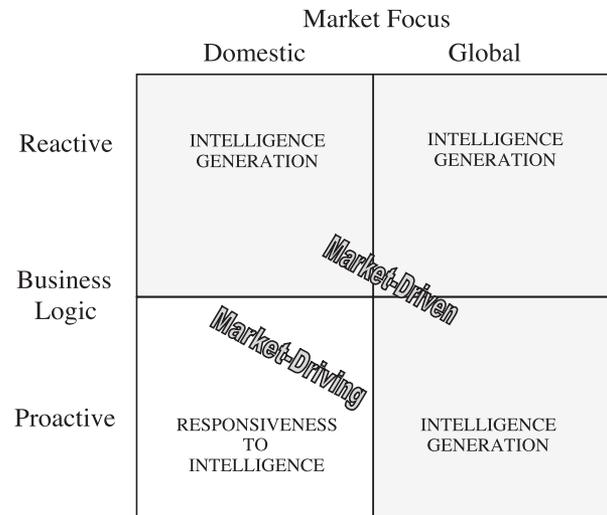


Fig. 2. Effective means of MO in close customer relationships.

view’ of MO (Baker & Sinkula, 2002; Jaworski et al., 2000).

5.2. Managerial implications

The majority of our findings also have managerial relevance. Our strategic posture–MO–CI framework demonstrates that management must develop a careful match between the business logic, company culture, MO profile and marketing capabilities, and the types of customer relationships. Any gaps or inconsistencies between these key elements weaken the potential competitive advantage of a company.

The management of firms pursuing proactive business strategies would benefit from collaborative learning arrangements with their lead customers. However, they should simultaneously possess a “responsiveness capability” to turn the knowledge into new business concepts and innovative products. In other words, a generative learning capability must be accompanied with leveraging competence if a firm wants to succeed in a market-driven strategy. This kind of dualistic capability profile is very demanding in terms of both the cultural and organizational solutions of the firm. Companies with a reactive business logic should also have high-quality market intelligence generation; a key condition to success is, however, their capability to offer efficient supplier services to dominant customers. From the point of CRM, this requires an ability to integrate one’s information systems and business processes with major customers.

5.3. Limitations and future research

Our conclusions and propositions must be considered within the limitations of the study. Several of the identified limitations point out opportunities for future research. First, we must remember that the findings of our exploratory

analyses are necessarily limited in their generalizability. Our results are based on a sample of firms/SBUs drawn from one industrial sector, located in a small, open economy, and, thus, additional cross-sectional and multicountry research is needed to ensure the generalizability of our results. Similarly, although our sample extends prior results in this field of research (obtained primarily from medium- and large-size companies), our findings may not apply to smaller firms. Second, the cross-sectional nature of the data utilized in our analyses does not allow, on one hand, the determination of causality and, on the other, the assessments of lagged effects of causes on consequences. Causal ordering of relationships cannot be confirmed through a cross-sectional study design relying on measures of association. Therefore, longitudinal research designs in conjunction with structural equation models (SEM) are needed to confirm the postulated causes and effects linkages. Third, the data utilized in this work may be biased in terms of managerial attitudes measured by Likert-type scales, reflecting a single informant's perceptions or stated beliefs rather than actual organizational behavior, which can reduce the reliability

and validity of the data. Fourth, we did not deploy an SEM approach in the present study due to limited a priori knowledge about the relationship between the two key constructs involved.

Finally, many findings indicate that one should, in addition to the MO construct, assess more deeply firms' marketing capabilities, including their competence to create and manage customer relationships. This would allow a stronger analysis of our contention that the matches between the strategic posture–MO–CRM condition the potential performance of the firm. One way to pursue this would be to complement the traditional MO measures with Day's (1994, 2000) propositions concerning the dimensions of marketing and CRM capability. In this respect, a more comprehensive set of measures for CRM and business performance (financial and nonfinancial) is required.

Appendix A. Exploratory factor analysis (EFA)— Market orientation

Market orientation items	Rotated factor loadings		
	Factor 1: Responsiveness to intelligence (MARKOR 3)	Factor 2: Intelligence dissemination (MARKOR 2)	Factor 3: Intelligence generation (MARKOR 1)
When we find that customers would like to modify a product or service, the department involved makes concerted efforts to do so.	0.71		
Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion. (R)	0.70		
Customer complaints fall on deaf ears in this business unit. (R)	0.65		
For one reason or another, we tend to ignore changes in our customer's product or service needs. (R)	0.55		
Marketing personnel in our business unit spend time discussing customers' future needs with other functional departments.		0.74	
Individuals from our manufacturing department interact directly with customers to learn how to serve them better.		0.70	
We have interdepartmental meetings at least once a quarter to discuss market trends and developments.		0.55	
Data on customer satisfaction are disseminated at all levels in this business unit.		0.44	
We periodically review the likely effect of changes in our business environment on customers.			0.81
We are slow to detect fundamental shifts in our industry. (R)			0.66
In our business unit, intelligence on our competitors is generated independently by several departments.			0.58
Construct reliability (Chronbach alpha)	0.62	0.63	0.60
Percent of variance extracted	19	18	16
VAF for the three factor solutions=53%			

(R) denotes reverse coded item.

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