A Critical Literature Review to Propose a New Conceptual Model of Market Orientation in a Digital World

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Abstract. Market orientation concept has attracted many marketing researchers attention since initially introduced in 1990. It has a critical consequence of firm performance, as can be reflected by financial performance and positive responses from the customers. It has been almost three decades from its first time been proposed. Currently, market orientation expanded to the new phase, that is a digital world. The aim of this conceptual paper is to propose a new conceptual model of market orientation in a digital world, through a set of rigor and critical literature review. Based on the synthesized model, there’s a new conceptual model of market orientation in a digital world, been proposed. This conceptual model has a strong theoretical building to empirically tested in further research.

Keyword: Market orientation, Digital world, Firm performance, Conceptual model, Critical literature review

Introduction

Market orientation as one of a fundamental concept in marketing strategy, emerged as an answer to the contribution of marketing, in serious effort to predict the firm performance. This concept introduced initially in 1990, it has two main approaches, namely: organizational behavior (Kohli and Jaworski) and organizational culture (Narver and Slater). In the long run, both of this them has well academic acceptance, reflected by the numbers of citation, from within and outside marketing as an academic discipline. This paper is more focusing on the market orientation that refers to the term of marketing orientation as an organizational behavior.

Kohli and Jaworski (1990) proposed the antecedents of a market orientation that in nature divided into three primary categories. It categories are: individual (related to the factor of senior management), intergroup (the dynamic environment interdepartmental of organization), and organization-wide factors (well known as organizational system). Senior management becomes one of the most important factors in developing an appropriate market orientation. The commitment from top managers has a significant role to form a market orientation. So, top managers must provide the obvious signals to the all the organization members (Guo, et al, 2017). After the emergence of strong and obvious commitment from top managers, the next phase is encompassed by an manage is the possible occurrence of interdepartmental conflict. Organization as a structured system could be a constraint or precisely facilitated the adaptation of the market orientation (Boukis, et al, 2017). It depends on the formalization and centralization of the organizational structure. So, the structural characteristics of an organization are able to affect its market orientation.

Kohli and Jaworski (1990) clearly initiate the term of market orientation concept in three important dimensions, namely: generation, dissemination, and responsiveness of marketing intelligence. Organization (firm) must be able to generate information, what are the current and future needs of their customers. It is well known as environmental (internal and external) scanning activities. Market orientation is the effort to utilize market intelligence in order to achieve competitive advantage in market position. Through the generation of market intelligence, the firm has one step ahead to capture the market, rather than the firm that not well performs in generating the intelligence of the market. That environmental scanning activities is the initial role to perform the next phase of market orientation (Boukis, et al, 2017).
Information that successfully generated then must be well disseminated through all organizational line. It should be continued by the dissemination of the intelligence within departments, through both formal and informal way. The firm should be trying to avoid the availability of inter-departmental conflict. Finally, organization-wide responsiveness to it, constructively understood as the strategic action taken to give positive feedback through market intelligence (Kohli, et al 1993). Finally, the organization should take an action as their responsiveness to respond the intelligence that has been generated and disseminated. Without fast responses, all the valuable information that has been generated and disseminated, through the organizational line will be useless. The market condition is changing in a radical way, so it needs the good responsiveness from the firm to in line with it (Brettell, et al, 2008).

Market intelligence that’s has been already generated and disseminated, should be selectively used to advance marketing strategies for target market from various groups (Brettell, et al, 2008; Lam, et al, 2010, Wang, et al, 2012). As consequence, it will empirically support that market orientation that successfully implemented, will positively affect firm performance. No doubt, the behavior-focused standpoint on the notion was fundamentally based on field and survey work with expert practitioners. Thus, the field-based exchanges or simply known in marketing term as interaction. It naturally helped both academician and practitioners, to shape the meaning of the notion, and scale measurement of a market orientation. Practically, it will be able to identify, both the antecedents and also the consequences. Brettell, et al. (2008) expanding the impact of the antecedents of marketing orientation, not just in single business and cultural context, but expanded through different business context and also cultural context.

Measuring firm (profit organization) performance through market orientation has already attracted many scholars to study it, from different context and point of view. The progressiveness of publication that discussing market orientation as an antecedent of firm or performances, in one last decade was quite productive. There are known the various contexts of market orientation studies, based on the searching results through some reputable journal database. For instance the study from Pen’ a (2017), Mamun, et al (2017), Guo, et al (2017), Boukis, et al (2017), Ozkaya, et al (2015), Kumar, et al (2011), Murray, et al (2011), Coley, et al (2010), Ellis, (2010), Morgan, et al (2009), Merlo & Auh (2009), Zhou, et al (2009), Megicks and Warnaby (2008), and Rapp, et al (2008). Those study, discuss market orientation in classic view, not specifically emphasizing in a digital era. So, it will be important to create a conceptual paper that can be used as an early proposition for empirical research in the future. The advanced of information technology nowadays also has an important role in shifting the classic view of market orientation, so there’s a gap that this study tries to fill it.

This article has four important section, arranged systematically in order to conduct critical review from the various literature of market orientation. First, the introduction section. In this section, it explained the beginning of market orientation term, it’s definition, it’s antecedents and the consequences, and also the gap that successfully been identified. Second, the firm performance as one of the most important consequences of market orientation, it has carefully been discussed systematically undertaking based on the previous studies. Third, a new conceptual model of market orientation in a digital world is proposed. Last, the comprehensive conclusion of this article.

Market Orientation and Firm Performance

Although market orientation concept was understood as a customer-centric notion, some marketing scholars that focused studying market orientation have a different perspective of it. Even so, there’s a similar focus on market orientation from the various researcher, which is the firm performance as one of the most important consequences. Market orientation research in one last decade, in general, focuses on the antecedents of market orientation, and its linkages on firm performance measurement. This statement was still surrounded
by the terminology of the market orientation, which is focusing on organizational behavior (Kohli and Jaworski, 1990) and organizational culture (Narver and Slater, 1990).

Table 1 provide the research publication of market orientation from various perspective, both context and its content.

**Table 1. Market Orientation research in one last decade (2008 – 2017)**

<table>
<thead>
<tr>
<th>No</th>
<th>Author(s), Year of publication</th>
<th>Results</th>
<th>Brief critical review</th>
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<tbody>
<tr>
<td>1</td>
<td>Peña (2017)</td>
<td>Provides inventive insights, identifying the intention of the perceived value that significantly related to loyalty. That achievement revealed to rely on the successfulness of the implementation of market orientation. Its adoption has moderating effect that strengthening the relationship.</td>
<td>This study didn’t clearly explain how's the adoption of market orientation successfully moderates the relationship of perceived value and loyalty. The authors mentioned that is necessary to involve innovation in the linkages, nevertheless, they did not explain how the innovation then been involved. Especially, innovation that strongly related to the advanced of ICTs. Furthermore, the customer loyalty will be formed in more effective and efficient way, through the adoption of market orientation based on ICTs</td>
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<td>2</td>
<td>Mamun, et al (2017)</td>
<td>The study revealed that entrepreneurial spirit that belongs to the SMEs, has a positive contribution that cannot be ignored. Related to market orientation, both of these two factors significantly influence the consumer engagement. This existing positive linkages, significantly affect the firm performance.</td>
<td>There's a lack of further opine that been proposed by the authors. In order to optimize the organizational capabilities through market orientation, it's necessary to create joint-sphere with the consumer. It requires a set of skills of SMEs to create co-creation of value, successfully through consumer engagement and entrepreneurial leadership. That condition will optimally happen, if and only if the SMEs has a capability utilize the advancement of ICTs in this digital era.</td>
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<td>3</td>
<td>Guo, et al (2017)</td>
<td>The outcome demonstrated that in volatile market condition, its needed to cultivate a strategic concept of market orientation. This will leads the firm to get optimum customer satisfaction at the highest level. The consequence will lead to creating optimum loyalty of customers.</td>
<td>The authors gathered information just from a single source in a cross-sectional design. So, the study reveals some methodological bias, one of them is the low score of average variances extracted on competitive intensity. In order to enhance the role of environmental factor, the involvement of ICTs is required. Furthermore, it is so important to cultivate the implementation of market orientation, by utilizing the ICTs.</td>
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<td>4</td>
<td>Boukis, et al (2017)</td>
<td>The implementation of internal market orientation are able to improve front-line employee brand enactment. This will induce the firm performance for getting better than previously. The market orientation concept should be well implement in an organization. Without support from the firm's human</td>
<td>The authors using a self-reported measure on their dependent variable. It’s opened wide questions about the measurement validity issue. Beyond that issue, the authors tend to ignore the important role of job satisfaction. Related to market orientation in a digital era, job satisfaction can be one of important dimension to successfully create market intelligence. On that way, the utilization of ICT will be significantly involved.</td>
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<td></td>
<td>Resource, market orientation will fail to be implemented.</td>
<td>The authors conduct a country comparison that has similar industrial characteristics. The confidentiality becomes the main issue that makes this study limited to be generalized. Besides that limitation, this study less explanation in relating the knowledge competencies, market orientation, and market-based innovation. The knowledge competencies will become relevant in order to optimize the role of market orientation based innovation. The utilization of ICTs in the enhancement of the market intelligence will be appropriately supported through knowledge competencies. That’s become a fundamental requirement in order to implement market orientation in a digital world.</td>
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<td>Ozkaya, et al (2015). The knowledge competencies are significantly mediating the positive and significant relationships between market orientations and market-based innovation. Knowledge competencies have an important role for the firm to create innovation. It will then become an advantages in order to optimize the firm performance.</td>
<td>The firms who start earlier in developing a market orientation has a better financial performance rather than the late one. Firms that implemented a market orientation possibly will also comprehend supplementary advantage in the form of a rise in sales and profit.</td>
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<td>6</td>
<td>Kumar, et al (2011). The firms who start earlier in developing a market orientation has a better financial performance rather than the late one. Firms that implemented a market orientation possibly will also comprehend supplementary advantage in the form of a rise in sales and profit.</td>
<td>There’s a lack that needs to be refined in further studies. This study not yet empirically test the effectiveness of interaction orientation, in order to make improvement of the firm performance. It’s because of the cost limitation and the confidentiality firm information, that a manager could inform through a survey. The advantages from the firm that already implementing market orientation, was evaluated through subjective approach. This potentially to be refined if the researchers utilizing ICTs. Nevertheless, it only can be happened if the firm is characterized as a public company. So, the objective measurement will be able to do appropriately. To measure firm performance from the financial perspective, it can be measured through brand equity.</td>
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<td>7</td>
<td>Murray, et al (2011) Marketing capabilities have an important role moderating the linkages between market orientation and firm performance. Besides that, it has been revealed that market orientation has a significant effect on firm performance. Not stopping at that point, there’s also a significant role in the marketing capabilities to strengthen its relationship.</td>
<td>The authors nicely examined the linkage between market orientation and marketing capabilities. Nevertheless, the critical role from market orientation not yet clearly incorporated the effect of financial resources. Indeed, it is needed in order to deeper understanding the systematic process of firm capabilities development, especially in this digital era. Export ventures strongly have dependencies in the utilization of ICT. So, it is important to re-measure the implementation of market orientation to increase firm performance, through the advancement of ICTs.</td>
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<td>8</td>
<td>Coley, et al (2010). Overall, there are four important dimensions of market orientation, that empirically been tested. The dimensions are customer orientation, competitor orientation, and inter-functional coordination. The result of the study is the customer orientation emerged as the most important</td>
<td>This study did not examine the impact of consumer orientation on other market orientation scales, for instance, the inter-functional managers. There’s also important to clearly define the distinctions between customer and consumer in other types of a market. For instance, in the services market. Those who consume the product, not directly named as a customer. But, those who belong to the consumer who does repeat purchase continuously, they are the customer. So, the consumer orientation dimension, potentially to refine with customer orientation.</td>
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<td>9</td>
<td>Ellis, (2010)</td>
<td>Customer networks are the strongest foundation of market intelligence. Nevertheless, managers possibly will furthermore be trained from competitors, the network of suppliers, and other channel members.</td>
<td>The author did not properly explain the reason, why just there's a small effect on firm performance. Is it derived from controllable factors or even though from uncontrollable factors? It also revealed an ambiguous meaning for those who trying to explore this study. What is the underlying measurement of firm size and customer networks, not yet fully explained? So, there's an opportunity to further exploring the measurement of customer networks. The advancement of ICT will be interesting to be related to this customer networks issue.</td>
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<td>10</td>
<td>Morgan, et al (2009)</td>
<td>Both market orientation and also marketing capabilities, they simultaneously role as an interconnected asset so as to significantly forming the firm performance. The study also revealed that market orientation as a main driver of the corporation has a direct effect on firms' financial performance, reflected by the return on assets.</td>
<td>The authors did not completely explain about one of their fundamental research contributions. For instance, when examining the linkages between market orientation and marketing capabilities, the important role of stakeholder value, not yet empirically tested. Business configuration cannot be separated from this factor, as the main part of marketing capability. Return on assets that successfully achieved, will reflect a positive signal, both for stakeholder and shareholder. ICTs will enhance the signals, and create a distinct capability to win the business competition.</td>
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<td>11</td>
<td>Merlo &amp; Auh (2009)</td>
<td>Individually, a market orientation and entrepreneurial orientation are significantly beneficial to firm performance. So, if the firm able to enhance their entrepreneurial orientation, it will support the optimization of firm performance. Interestingly, when management has entrepreneurial orientation, it will be followed by the increase of market orientation.</td>
<td>The authors concluded that there's proper evidence about the effects of market orientation in firm performance. Unfortunately, the authors not completely capturing the main essence of market orientation. Formerly, there's clear different performance outcomes that can be examined. For instance, the business challenge that rapidly grows should be responded progressively. A firm leader that has entrepreneurial leadership orientation, will have the ability to increase firm agility and resilience. So, there's a possibility for ICTs, can play an important role to facilitate it optimally. The advancement of ICT will push the top management motivation, the act responsively about the market intelligence. Furthermore, the linkages need to empirically tested.</td>
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<td>12</td>
<td>Rapp, et al (2008)</td>
<td>Top management has an important role to create business innovation. Market orientation and top management significantly affect the innovation and customer relationship performance. The consequences are firm performance.</td>
<td>The authors did not explain in detail about the exact nature of the direct effects of market orientation on business performance. Measure the role of the top management from the subjective approach is also able to be argued. Naturally, if someone asked to evaluate his/her self, so that person will tend to give a higher score above the average. It's normal because the self-defense nature that belongs to our self. So, this study will be more powerful, if the role of the top manager measured in objective approaches. The business innovation that already implemented through market orientation, need to enhance by using digital equipment. So, this will be the main reason that underlying the importance of adopting market orientation in a digital world, top managers need to make the decision fastly.</td>
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Based on Table 1, it will be easier to synthesize all the previous studies that already mentioned, illustrated in a conceptual model figure. So, the research gap will be clearer to observe and become the fundamental reason in order to conduct further study, based on the critical literature study. In general, it’s concluded that these various research (one last decade of market orientation research), was still focusing on a non-digital era. In line with the progressive advancement of ICTs, like or dislike, the utilization of internet technology will strongly support the implementation of market orientation. There’s similar phenomenon from previous studies in one last decade, that is not yet paid attention to the advancement of ICTs. On the other hand, if the size of the business profit is resulting from the success of satisfying our present consumers, it can be hard to take a look at how it can be employed as a measure of market orientation.

To clearly understand the progressiveness of research in market orientation topics in one last decade, then it is needed a clear conceptual model to illustrate it. Figure 1 provides a conceptual map as a result of synthesizing the research studies in one last decade, related to market orientation, its antecedents, and consequences.

Figure 1. Synthesizing a conceptual model based on market orientation research in one last decade

Based on the synthesize results of a conceptual model based on market orientation research in one last decade, I proposed a novelty in order to create a new conceptual model of market orientation in a digital world. Mariani, et al (2016) highlights the enhancement of information and communication technologies (well-known term as ICT), that dramatically shifting and changing most of the human behavior in various activities. The consumer behavior dynamically changed, either the business environment, both from internal and external factors. So, it needs to be properly adopted by the corporation for the business strategy in the dynamic market position. They mentioned that in a digital era, various of business type should well adapt to the advancement of ICTs.

As provide before in Table 1, the market orientation significantly affect both innovation and firm performance. But, none of the earlier studies as already explained, linking the relationship between innovation and firm performance. In a digital world, the innovation is raising so rapidly. So, it can be expected that innovation in a digital world will positively affect the firm performance. The emerge of mediating role from firm innovation, will strengthen the relationship of market orientation on firm performance. Before linking the innovation with firm performance, first, I need to explain about the market orientation in a digital world. Later, the conceptual model as presented in Figure 1 will be combined with the proposed idea about market orientation in a digital world from Kohli (2017).

Market orientation in a digital world
Kohli, et al (1993) already examined a market orientation instruments in a non-Internet context which directly influences organizational performance. It’s measurement scale then get a refinement and validation by Matsuno, et al. (2000). Min, et al (2002) explained that the emerging of advanced information technologies, will fundamentally causing a changing in every sector. Then, this will show a great potential for information acquisition, sharing, and dissemination. These are the essential processes that will be formed a market orientation construct, progressively. Mariani, et al (2016) highlights the advanced of information and communication technologies (ICTs), that dramatically shifting and changing most of the human behavior in various activities. The consumer behavior dynamically changed, either the organizational environment, both from internal and external factors. So, it needs to be properly adopted by the organization for the appropriate strategy in the dynamic market position, in order to conduct market intelligence. Jaworski and Kohli (2017) mentioned that the methodological approaches of Kohli and Jaworski (1990) are too abstract and broad. The framework does not work the same way operationally for all types of businesses, so it needs to re-validate its measurement. The intelligence generation, dissemination, and responsiveness need to be much more frequent and faster.

Min, et al (2002) clearly mentioned that a market orientation has long been an elemental notion in the marketing discipline. The rapid revolution of ICTs demonstrates an enormous prospective for consumer information acquisition through market intelligence generation, dissemination, and responsiveness, which are become a fundamental process of market orientation. Kohli (2017) propose a question, “How has the advent of the digital world influenced each of these three activities (generation, dissemination, responsiveness)?” The term of market orientation that introduced for the first time in 1990 by Kohli and Jaworski has much change along with the enhancement of information and technology (internet). The internet penetration currently growing so fast and massive, globally. Miniwatts Marketing Group (2017) in https://www.internetworldstats.com/stats.htm, provided data the internet users in the world by regions, and internet world penetration rates by geographic regions per December 31, 2017. The biggest internet users with 48.7% of total proportion in the world come from Asia with the penetration rates 48.1%. Consumer information acquisition is getting easier, through the sophisticated of information and technology with big data analysis. Digital era successfully creates an unbelievable amount of information, directly and real-time, through consumer activities while using their own internet-based gadget. This condition could be a blessing and also a curse, for an organization in order to create market position advantage through market intelligence in market orientation.

To build a concept of market orientation in the digital world, I propose to compare the classical view of market orientation interactions and integrated market orientation ICTs-based interactions. Besides the studies of market orientation in one last decade, I also combine it with gathering a classical view of market orientation interactions from Kohli and Jaworski (1990), and ICTs-based from Min, et al (2002) and Kohli (2017). So, this is been able to represent the beginning phase, development phase, and presently phase of market orientation in the advanced of a digital world. Implementation of market orientation concept in a digital world needs to be conducted carefully. The consequence of the advancement of information and technology is the richness of information that sometimes becomes so annoying. This is it, currently, CEOs might do not need excess information, but what they need today is meaningful and powerful information.

The generation of market intelligence will relatively easier through the emergence of big data era. Organizations through its CEOs can utilize the various device with internet technology inside, used by a customer in their daily activities. So it will yield rich data about the consumer activities that can be strategically used by management, to point out and targetting the exact market target. Dissemination of information is getting faster in massive, through the emerge of a various messaging platform (Whatsapp, Line, etc). There’s emerge the distinct characteristics about how the information being disseminated, in line with the advancement of information and technology. Its no doubt, the existence of social media platform also support the spread of information. So, it will help management to tailor their market orientation concept, marketing capabilities, and the achievement of firm performance (Murray, et al, 2011). Rapp, et al (2008) already suggesting the important role of top management, in order to utilize the advancement of ICTs to
implement market orientation. Without the support of top management, it is impossible to create a comprehensive strategy in market orientation based on ICTs.

Min, et al (2002) emphasize the generation of market intelligence of market orientation through online inter-functional meetings (web-based), and online document distribution (e-publication, e-bulletin boards, search or access company database). Kohli, 2017 proposing the adaptive application of market intelligence that fully integrated with digital utilities and all organizational activities involve it, in order to create the market orientation. ICTs in digital era help the organizations in order to quickly responses various observed reactions in a certain domain, either from customers reactions and competitors as well, rather than other organization that less adapted of ICTs. The quick response of organization about various reactions, both from customers and competitors, was supported from two earlier phase, that is generation and dissemination of market intelligence. In addition, on the whole sequences from the generation of market intelligence, disseminating it, and quickly create the responsiveness, become much efficient in time-consuming. The process is not just stopped on the responsiveness phase, like a loop, it turns back to the intelligence generation, to be revised.

After clearly understand the theoretical concept of market orientation in a digital world, now I am tailoring the conceptual model that been synthesized provided in Figure 1 and the proposed idea provided in Table 1. Not all variables that belong in Figure 1 includes in this proposed conceptual model of market orientation in a digital world. This consideration based on the parsimony of science, that have to simplify the complex phenomenon exists. Figure 2 provides its conceptual model and clearly mention the novelty proposed to further empirically tested. I used three modified antecedents of market orientation from Kohli (2017), adding market capabilities variable tested by Morgan, et al (2009), relate it to innovation tested by Ozkaya, et al (2015). As an effort of novelty, this paper put the innovation as mediating variable between market knowledge competencies of ICTs.

Figure 2. A conceptual model of market orientation in a digital world

As simply schematic as provided in Figure 2, there’s a new role that emerges as a novelty based on the critical literature review. First, all the previous studies did not enough attention about the role of the knowledge competencies. Some of it, already trying to linkages the role of knowledge competencies and firm performance. Unfortunately, the linkages in still unclear yet. Furthermore, it is important to empirically examine the mediating role of knowledge competencies. Third, based on the advancement of ICTs, then its necessary to elaborate the knowledge competencies of ICTs through all organizational line.

Conclusion
The aim of this paper is to propose a new conceptual model of market orientation in a digital world, based on a rigor and critical literature review. The gap that emerges from the previous studies, tries to be covered in a comprehensive way. Research in market orientation in one last decade, indicate that each of it has a
limitation. Furthermore, of course, this will open the opportunity to be argued critically. Based on the synthesized model, there’s a new conceptual model of market orientation in a digital world. In addition, there’s a new linkage from the construct that previously not yet been related. The novelty and originality of this idea will be sufficient to become a strong literature basis, to conduct empirical research. Even though, there’s also some limitation that needs to be refined, in the next critical review. This paper only focusing on the profit-sector organization. So, the further paper should be clearly conducted critical review also from the non-profit sector.

References


