

The effects of market orientation on relationship learning and relationship performance in industrial marketing: The dyadic perspectives

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ABSTRACT

From dyadic perspectives, this study explores the effect of market orientation on relationship learning and relationship performance and the moderating effect of relationship quality in Taiwan manufacturing industry. The results reveal that: (1) both customer market orientation and supplier market orientation are positively related to relationship learning; (2) relationship learning is positively related to relationship performance; (3) both customer and supplier market orientation has positively interaction effect on shared information and negatively interaction effect on sense-making activities; and (4) trust of relationship quality has moderating effect on the relationship between customer market orientation and relationship learning.

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1. Introduction

Since Dwyer, Schurr, and Oh (1987) emphasized the importance of relationship in marketing, many researches have studied this topic from different approaches. Selnes and Sallis (2003) suggested that most successful collaborative relationship is developed when both parties are market orientated. This statement highlights the idea that both upper and lower stream firms in the supply chain need market orientation culture to create the best collaborative relationship with their partners. Because firms want a steady long-term partnership to maintain sustainable competitive advantage, they will think carefully about how to foster co-learning with their partners. However, in the supply chain system the question arises whether competitive advantages can be created if only unilateral company pursues the market orientation or if only one of the partners has learning culture. The research of dyads in market orientation has been lacking. This study tries to fill this gap by using dyadic perspectives to discuss market orientation and relationship learning.

When discussing about the co-ordination relationship between partners, Håkansson and Snehota (1995) considered only trust and commitment as important attributes at inter-firm coordination level. However, Medlin, Aurifeille, and Quester (2005) suggest that future dyadic relationship studies should concentrate on trust, commitment and relationship performance. Selnes and Sallis (2003) proposed that the moderating effect of trust on relationship performance should be considered along with learning. Leong, Furnham, and Cooper (1996)

examined the effect of commitment as a moderator between the outcome relationship and organization. In accordance with these studies, this study explores the moderating effect of trust and commitment on the relationship between market orientation and relationship learning.

This paper adopts the dyadic perspectives from both supplier and customer viewpoints and tries to explore: (1) the relationship among market orientation, relationship learning, and relationship performance; (2) the interaction effect of supplier market orientation and customer market orientation on relationship learning; (3) the moderating effects of trust and commitment on the relationship between market orientation and relationship learning.

The rest of this paper is organized as follows. Section 2 introduces the research framework and proposes hypotheses concerning the relationship among market orientation, relationship learning, and relationship performance. Section 3 then presents the research methodology. The findings with respect to the hypotheses are presented in Section 4. Finally, Section 5 summarizes the results, the implications of the study, and suggestions for future research.

2. Literature review and research framework

Relationships between customers and suppliers have been discussed in many domains. Slater and Narver (1995) argued that market orientation is one component in the culture of a learning organization. According to them market orientation provides the cultural foundation for organizational learning. Only if market orientation is complemented by a spirit of entrepreneurship and a suitable organizational climate, structure, processes and incentives for performing in terms of the cultural value, could it achieve maximum

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effectiveness (Deshpande & Webster, 1989). This viewpoint supports the argument that market orientation is related to organizational learning.

The concept of relationship learning comes from organizational learning, but these two concepts are different. Relationship learning involves all kinds of interaction between the two organizations. Selnes and Sallis (2003; 92) suggested that, “collaborative relationships are most successful when both parties are market oriented.” Thus the goal of relationship learning is to create a better collaborative relationship between partners. The relationship performance flowing from relationship learning is also suitable for measuring buyer-seller interactions (O’Toole & Donaldson, 2002). According to the above discussion, this study tries to test the relationships among market orientation, relationship learning and relationship performance. This section shows the literature review, research framework (Fig. 1) and hypotheses.

2.1. Market orientation

Over the past decades, marketing scholars have long asserted the significance of responding to customer needs for maintaining long-term sustainability of a firm’s competitive advantage. Narver and Slater (1990) and Kohli and Jaworski (1990) built the theoretical foundation of market orientation in detail and found a positive link between market orientation and business performance. Narver and Slater (1990) considered market orientation as one component of organizational culture most effectively and efficiently establishing the expected behaviors to create superior value for buyers and, then continuously generate superior performance for business. They argued that market orientation include customer orientation, competitor orientation, and inter-functional coordination. In contrast, Kohli and Jaworski (1990) claimed that a market orientation perspective contains intelligence generation, dissemination and responsiveness. Although these two groups of scholars used distinct theoretical bases to explain the market orientation, both groups agreed that the market orientation is posited to trigger great customer satisfaction and organizational commitment of employees (Jaworski & Kohli, 1993).

Most of past researches about market orientation suggested that being market oriented is positively related to superior performance such as profitability, sales growth, and new-product success (Deshpande, Farley, & Webster, 1993; Jaworski & Kohli, 1993; Pelham & Wilson, 1996; Slater & Narver, 1994; Slater & Narver, 2000). The paper infers market-orientation’s culture could encourage the learning activities between two organizations. Thus we use culture conception of market orientation for further analysis.

2.2. Relationship learning

Learning and knowledge are considered playing a significant role in inter-firm relationships (Dyer & Singh, 1998). Johnson and Sohi (2003) agreed that organizational learning activities would create a positive influence on specific inter-firm relationships such as sharing memories. Because most relationships do not follow a classic linear

development it means most relationships appear more dynamic and committed to a shared vision. However, a shared vision of a relationship likely varies over time depending on changes in needs and opportunities. Thus not only the members of the organization itself need to learn, all members of inter-organizations also need to learn about each other. Inter-organizational learning can help both partners to create the biggest benefits in their economic situation, culture and relationships. Therefore, relationship learning capability will become the pivotal point for companies to establish their competitive advantage.

Selnes and Sallis (2003) argued that relationship learning, which is composed of three main elements of information sharing, joint sense-making and relationship-specific memories, can be conceptualized as a characteristic of the relationship itself. *Information sharing* means exchanging information with a partner on products, customers’ needs, and strategies and so on. *Joint sense-making* refers to establishing the joint team to solve problems through interacting with each other. And the *relationship-specific memory* updates and refreshes the relationship and integrates their memory as a high level learning activity. Relationship learning involves all kinds of interaction between the two organizations (e.g. values, information, common language and so on) before the two partners shared the joint memory together. It is a specific ability in relationship development and emphasizes the partner interactive learning perspective. It is also an important route for generating differential advantages. Thus there are significant incentives to develop the learning capability related to the domain of relationships for customers and suppliers.

2.3. Market orientation and relationship learning

Slater and Narver (1995) argued that market orientation offers strong standards for learning between customers and competitors. They found a meaningful relationship between learning organization and market orientation. Therefore, it can be argued there is a connection between market orientation and organization learning. When an organization has adopted a learning orientation, it has also been conceptualized along a cultural dimension that includes a shared vision of learning among staff members, an open-mindedness and commitment to learning (Baker & Sinkula, 1999).

However, to maximize a firm’s ability to cooperate with their partner to learn about markets, creating a market orientation strategy is only a start. They still need to develop and manage their partner’s interactive relationship to establish the market orientation practice or performance. Interactive learning is the best strategy for companies to follow because they must deal with many business events in their daily activities. All market activities require a high magnitude of market orientation (Kohli & Jaworski, 1990). The key point is whether both customer and supplier have market orientation culture. The organization culture has a discernible impact on buyers and sellers’ interactive behaviors (Deshpande & Webster, 1989). From the perspectives formulated above it would seem that a unilateral market orientation reduces the relationship learning effect.

In this study the hypotheses are tested from both customers’ and suppliers’ points of view. First, it is expected that customer and supplier market orientation have a positive effect on relationship learning. Then it is possible that the perspectives advocated by both sides have a different level of market orientation, and that such a difference may moderate the distinctive relationship learning performance. Accordingly, we propose:

H1a. Customer market orientation is positively related to relationship learning.

H1b. Supplier market orientation is positively related to relationship learning.

H2. The positive effect of customer market orientation on relationship learning is moderated (increased) under conditions of high supplier market orientation.

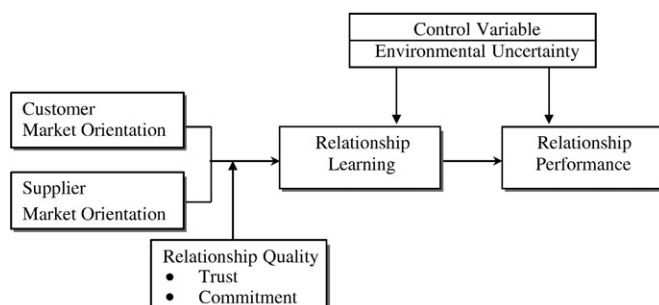


Fig. 1. Research Framework.

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