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Market orientation, managerial perceptions, and corporate culture in an emerging market: Evidence from Turkey

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ABSTRACT

Market orientation (MO) has inspired a rich literature in marketing and organizational behavior recently. Many of these studies have been conducted in developed market contexts, however, with only a few focusing on emerging markets (EM). The way MO is perceived and implemented by managers in EMs may be quite different than those in developed markets. The institutional contexts typically found in EMs and EM firms' national and corporate cultures will likely influence how MO is perceived as practiced by different levels and functional areas of managers. In this paper, we focus on this phenomenon by empirically testing whether and the extent to which managerial perceptions of MO vary across functions, managerial levels, and company cultures in one EM setting, Turkey. Based on responses gathered from 587 managers employed in 14 separate businesses spread across the different SBUs composing a diversified conglomerate, our results indicate that MO perceptions embedded in the focal firm will vary by level of management and by function. Our findings also indicate that organizational culture contexts that inspire adaptability, cohesiveness, participation, and sense of family may be more conducive to creating higher levels of MO perceptions in EM managers. We discuss these findings and offer avenues for future research.

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1. Introduction

Market orientation (MO) has inspired a rich literature stream in marketing and organizational behavior recently. Studies, particularly meta-analyses, have shown that MO has become central in marketing strategic thinking because a positive relationship exists between MO and firm performance (FP) (Kirca, Jayachandran, & Bearden, 2005). Most of these studies have involved firms in developed markets, however. One area that remains under-researched in this literature stream has been that related to the adoption and implementation of MO as a culture and strategic orientation in the rapidly evolving emerging markets (EMs). This is surprising because EMs have become attractive havens for marketers recently with their brand-hungry middle classes with voracious appetites for consumer goods (Kravets & Sandikci, 2014) and institutional voids that marketers can fill with more market-responsive strategies (Khanna & Palepu, 2010).

There is also evidence that executive managers at many EM firms are eager to infuse MO mindsets in their functional and customer-level managers (Bodlaj, 2012) to instill in them a more sophisticated understanding of MO's significance in the evolution and functioning of their firms and markets. While these managers realize that this cultural transformation will require persistent time and effort that is not immediately rewarding (Gebhardt, Carpenter, & Sherry, 2006; Nakata, 2002), they feel that diffusing a MO throughout their corporate network is essential in developing a sustainable competitive advantage (SCA), exploring and exploiting new market opportunities, and eventually competing effectively with more advanced rivals (Bodlaj, 2012). Indeed, as the dozen or so studies that have focused on MO in EM market contexts suggest (see for example, Bodlaj, 2012; Deng & Dart, 1999; Qu & Ennew, 2005; Li, Sun, & Liu, 2006; Wei & Atuahene-Gima, 2009; Zhou, Yim, & Tse, 2005; Deshpande, Farley, & Webster, 1993; Deshpande & Farley, 2004), EM firms today want to become more MO and customer-driven to create and deliver the kind of superior customer value that consumers demand the world over (Hult, 2011) and assure greater customer satisfaction and loyalty in the longer term (Blocker, Flint, Myers, & Slater, 2011).

Studies on MO suggest that adoption of MO mindsets is essential at multiple layers of management in the organization.

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Lam, Kraus, & Ahearne (2010) advocate that while top management commitment remains the strongest predictor of organization-wide MO, work-group socialization, that is social learning among layers of managers, is equally critical in the dissemination of customer-oriented strategies. Through their MO actions, top managers serve as role models to formal middle managers and work-group expert peers; and in turn, these conductors of market and customer-related orientations, become role models of MO behaviors to lower-level employees. Thus, it is important to identify who in the organization (e.g., middle managers, lower-level managers) will serve most effectively as envoys of top management in assuring the effective diffusion and implementation of MO throughout the firm (Lam et al., 2010). Bodlaj (2012) suggests that the diffusion of MO across layers of managers, and across different functional managers matter, especially in transitioning economies, since general managers need to assure throughout their organizations that achieving higher levels of MO is a corporate-wide concern, not exclusively a concern of the marketing function. The literature underscores this view: that the adoption and implementation of MO should ideally involve other (non-marketing) functional managers, and that its value in establishing positional advantage (Hult & Ketchen, 2001), business performance (Hult, Ketchen, & Slater, 2005), innovativeness (Hurley & Hult, 1998), and the “learning organization” (Slater & Narver, 1995) should be embraced by all managers in the organization.

The literature also stresses that corporate culture, a byproduct of societal culture, might play a significant role in diffusing MO throughout the firm. For example, Deshpande et al. (1993) and Deshpande and Farley (2004) show that MO, organizational culture, and innovativeness are inextricably intertwined, not only in Western-domiciled organizations, but also in Eastern-based organizational contexts in business-to-business markets, and that there is an almost-universal aspiration to move toward a more market-driven form of organization in all of these contexts. Studies in organizational behavior and strategy underline these findings. They emphasize that EM firms want to increasingly embrace orientations that encourage facilitative leadership, advanced learning, greater innovativeness and adaptation (Fey & Denison, 2003); and paralleling their developed world counterparts (Sinkula, Baker, & Noordewier, 1997; Hurley & Hult, 1998; Baker & Sinkula, 1999), upgrade their skills in market-sensing, customer-linking, and channel-bonding to deliver superior customer value (Day, 1994a,b).

These streams of work suggest that (a) MO is becoming increasingly more central in strategic thinking not only in the marketing organizations of the Western world, but increasingly in organizations that operate in EM markets; (b) it is important to acculturate different levels of managers in MO as they will likely play different roles in diffusing MO throughout corporate networks; and (c) the firm's corporate culture may play a significant role in the implementation of MO in different market contexts. With this body of work as a backdrop, we focus in this paper on three research questions in the EM context: (1) do perceptions of MO vary between managers that are from marketing and non-marketing functions?; (2) does the level of seniority in management (defined as years of service to the organization) affect managers' perceptions of the degree of MO their businesses possess and employ in strategy implementation?; and (3) does the corporate culture of the firm affect its managers' perceptions of the degree of MO their businesses hold and employ in strategy implementation? Our findings are based on responses to a survey we gathered from 587 managers employed in 14 separate component firms that compose a diversified conglomerate in Turkey. These responses are our respondents' actual perceptual evaluations of the degrees of MO their firms possess; they are not

measures of managers' normative evaluations, i.e., what they think their firm's MO norms ought to be.

Our work is significant for research and practice for three reasons. First, it is an extension to an emerging body of literature on MO, organizational culture and firm performance, including that in the EMs (see, for example, Deshpande & Farley, 2004; Bodlaj, 2012; Ozturan, Ozsomer, & Pieters, 2014). Empirically determining the nature and the extent to which MO practice is perceived at different management levels (senior vs. junior) and in different types of functions (marketing vs. non-marketing) under the same multidivisional umbrella should provide valuable input into firm, SBU, and corporate-level decision-making (Bodlaj, 2012; Lam et al., 2010) while also extending earlier work on these issues (Deshpande & Farley, 2004). Second, establishing the extent to which MO is embedded in and perceived as practiced in different businesses in the multidivisional firm's SBUs should shed light on whether developing a MO can become truly a source of long-term SCA or simply the cost of competing in EM contexts. This should help draw parallels with, or intersect, earlier findings in the literature that involve developed country businesses (Sheth, 2011; Kumar, Jones, Venkatesan, & Leone, 2011). Finally, learning about the role of corporate culture on the development of MO in EM firms should provide insights into better strategy design and more informed implementation of marketing strategy by EM marketing managers in the future. This should extend Deshpande et al. (1993), Deshpande, and colleague's work (1993 and 2004) on MO, corporate culture, and innovativeness in firms from selected countries. All three of these contributions should offer questions for future research, a necessary ingredient in extending theory (Tsang & Kwan, 1999).

The remainder of our paper is organized as follows. After we present a literature review of MO and its significance for the firm, we develop hypotheses about how and the extent to which MO is embraced in an emerging market context, and how different types of organizational cultures might affect MO. We present a model, draw hypotheses, and test these using hierarchical linear modeling. We then present our findings, offer possible explanations for them and suggest managerial implications. We conclude our work with a discussion of how our findings fit into the extant literature and offer suggestions for further research.

2. Relevant literature

2.1. Market orientation, delivery of superior customer value, and firm performance

Market orientation (MO) and its significance in the delivery of superior customer value and firm performance has inspired a rich literature stream in marketing scholarship (see Cadogan, 2003 for a critical review and Kirca et al. (2005) for a meta analysis; also see, Kohli & Jaworski, 1990; Kohli, Jaworski, and Kumar (1993); Jaworski & Kohli, 1996; Narver & Slater, 1990; Slater & Narver, 1995; Deshpande & Farley, 2004; Baker & Sinkula, 1999; Lam et al., 2010; Kumar et al., 2011; Blocker et al., 2011; Ozturan et al., 2014). This is because MO has become a key source of SCA in achieving and delivering superior customer value and performance (Hunt & Morgan, 1995) and assuring greater customer satisfaction and loyalty in the longer term (Blocker et al., 2011).

There are at least three literature streams on what MO is, what its ingredients are, and how MO leads to the delivery of superior customer value and firm performance. While each of these pathways has individual merit, they converge on the notion that MO itself is a significant factor in creating and delivering superior customer value and enhanced firm performance.

The first of these considers MO as an essential ingredient of *organizational culture*, a pattern of shared values and beliefs that

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