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## Unfolding the ambidextrous effects of proactive and responsive market orientation

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## ABSTRACT

Investigating the ambidextrous effects of its proactive and responsive dimension offers a fresh perspective on market orientation. Drawing upon the ambidexterity literature, the author derives hypotheses on the joint effects of combining and balancing proactive and responsive market orientation. He examines his hypotheses with two-wave panel survey data from 167 strategic business units. Using time-lagged performance data and polynomial regression with response surface analysis to overcome limitations of previous studies of ambidexterity, the author finds that the balance between proactive and responsive market orientation has an incremental positive effect on performance beyond their combined effect; that performance will decline less sharply when proactive is higher than responsive market orientation; and that as the level of balance increases, performance will first decrease and then increase. Given resource scarcity, an important and counterintuitive implication of the present study is that balancing proactive and responsive market orientation is as important as their combination.

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## 1. Introduction

A recurring theme in the marketing and management literature is that successful firms address not only current but also future needs of customers (e.g., Blocker, Flint, Myers, & Slater 2011; Ketchen, Hult, & Slater 2007; Narver, Slater, & MacLachlan 2004). Managerial experience mirrors the academic observation, for example a statement from IBM's Global Chief Executive Officer Study: "Make sure you are providing what customers want tomorrow, instead of what they wanted yesterday" (IBM 2010, p. 47). Thus, firms need to be highly skilled at serving expressed and current needs to fulfill today's demand, while at the same time also looking to the future by creating innovations that address latent and future needs of customers (Slater & Narver 1998). In other words, firms should be ambidextrous and score high on both components of market orientation (MO): *responsive MO*, that is the ability to satisfy customers' current and expressed needs and associated with marketing exploitation, and *proactive MO*, that is the ability to satisfy customers' future and latent needs and associated with marketing exploration (Narver et al. 2004).

While the strategy of maximizing both proactive MO and responsive MO possesses intuitive appeal, achieving and maintaining such a strategy are extremely difficult because firms need to spend vast financial and intellectual resources to maximize both foci simultaneously (Ketchen et al. 2007). Thus, managers may have to decide on investing a given amount of resources in responsive or proactive MO, without the possibility to maximize both. *Contradicting empirical results complement the theoretical tensions.* For example, while *Atuahene-Gima, Slater, and*

*Olson (2005)* find a negative effect of the interaction between proactive and responsive MO on performance, *Blocker et al. (2011)* find a positive interaction effect on performance.

Despite the resources necessary, contradictions and tradeoffs might occur between proactive and responsive MO (e.g., *Yannopoulos, Auh, & Menguc 2012*). While a proactive approach emphasizes the translation of customers' unexpressed and future needs into new products or services and focuses on exploration, a responsive approach emphasizes the close attention to customers' current needs and focuses on exploitation (Narver et al. 2004). The disparities led some researchers to point out the difficulties to successfully combine proactive and responsive MO (*Lamore, Berkowitz, & Farrington 2013*), or more broadly exploration and exploitation (*March 1991*).

*Table 1* reviews previous studies and their contradicting findings on the performance implications of ambidexterity. Extant research reports both a positive effect (e.g., *Cillo, De Luca, & Troilo 2010; Lubatkin, Simsek, Ling, & Veiga 2006*) and negative effect (e.g., *Aspara & Tikkanen 2013; Vorhies, Orr, & Bush 2011*) of ambidexterity on performance. However, two limitations inherent in previous studies led the author to question some findings. First, many studies employ a cross sectional design which suffers from simultaneity (*Gatti, Volpe, & Vagnani 2015*). Thus, performance may potentially cause ambidexterity, and reverse causality may potentially explain some contradictions. Second, extant research employs an incomplete understanding of ambidexterity because research to date considers neither the direction of imbalance nor the level of balance between exploration and exploitation or proactive and responsive MO. Therefore, the author challenges previous approaches of measuring ambidexterity, and derives testable hypotheses on the complex joint performance effects of proactive and responsive MO.

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**Table 1**  
Previous empirical studies on the performance implications of ambidexterity.

| Study  | Approach to ambidexterity |         |                        |                  | Lagged outcome | Key findings   |
|--|---------------------------|---------|------------------------|------------------|----------------|--|
|  | Combination               | Balance | Direction of imbalance | Level of balance |                |  |
| <i>Empirical studies on ambidexterity in terms of exploration and exploitation</i> |                           |         |                        |                  |                |  |
| He and Wong (2004)   | ✓                         | ✓       |                        |                  |                | Combined ambidexterity and balanced ambidexterity both have <i>positive</i> effects on the sales growth rate.  |
| Lubatkin et al. (2006)   | ✓                         |         |                        |                  | ✓              | The combination of exploration and exploitation has a <i>positive</i> effect on firm performance.  |
| Cao et al. (2009)  | ✓                         | ✓       |                        |                  |                | Combined ambidexterity has a <i>positive</i> effect and balanced ambidexterity has <i>no significant</i> effect on firm performance.   |
| Uotila, Maula, Keil, and Zahra (2009)  |                           | ✓       |                        |                  | ✓              | Balancing exploration and exploitation has an <i>inverse U-shaped</i> effect on firm performance.  |
| Vorhies et al. (2011)  | ✓                         |         |                        |                  |                | The combination of marketing exploitation and marketing exploration has a <i>negative</i> effect on customer-focused marketing capabilities.   |
| Wei et al. (2014)  | ✓                         | ✓       |                        |                  |                | Combined ambidexterity has a <i>positive</i> effect and balanced ambidexterity has an <i>inverse U-shaped</i> effect on new product development.   |
| Ho and Lu (2015)   | ✓                         |         |                        |                  |                | The combination of marketing exploitation and marketing exploration has a <i>negative</i> effect on market performance.  |
| <i>Empirical studies on ambidextrous MO</i>  |                           |         |                        |                  |                |  |
| Atuahene-Gima et al. (2005)  | ✓                         |         |                        |                  |                | The combination of proactive and responsive MO has a <i>negative</i> effect on new product program performance.  |
| Cillo et al. (2010)  | ✓                         |         |                        |                  | ✓              | The combination of retrospective and forward-looking approaches to market information has a <i>positive</i> effect on firm performance.  |
| Blocker et al. (2011)  | ✓                         |         |                        |                  |                | The combination of proactive and responsive customer orientations has a <i>positive</i> effect on customer value perceptions.  |
| Aspara and Tikkanen (2013)   | ✓                         |         |                        |                  |                | The combination of novel consumer value creation and value capture has a <i>negative</i> effect on firm financial performance.   |
| The present study  | ✓                         | ✓       | ✓                      | ✓                | ✓              | The balance between proactive and responsive MO has an incremental <i>positive</i> effect on performance beyond their combined <i>positive</i> effect; performance <i>declines less sharply</i> when proactive is higher than responsive MO; and as the level of balance increases, performance <i>first decreases and then increases</i> with an increasing rate. |

Note: Due to space restrictions, Table 1 reports selected studies on ambidexterity in terms of exploration and exploitation. Junni, Sarala, Taras, and Tarba (2013) provide a comprehensive summary of the performance implications of organizational ambidexterity. MO = market orientation.

The present research is the first study that uses response surface analysis to test for the performance effects of ambidexterity. Using two-wave panel survey data from 167 strategic business units (SBUs), the author finds that the balance between proactive and responsive MO has an incremental positive effect on performance beyond their combined effect; that performance will decline more sharply when responsive is higher than proactive MO; and that as the level of balance increases, performance will first decrease and then increase with an increasing rate.

The intended contribution of the present study is threefold. First, the findings from the empirical study advance the MO literature by pointing out that the relationship between proactive MO, responsive MO, and performance is more complex than previously assumed. Second, the author informs marketing and management researchers who conduct empirical investigations of ambidextrous constructs by highlighting the importance of considering lagged performance outcomes and the superiority of response surface analysis to uncover the complex joint effects of proactive and responsive MO, and of exploration and exploitation. Third, the results inform managers on how to increase the output of MO under conditions of resource scarcity.

## 2. Theoretical background

### 2.1. Proactive, responsive, and ambidextrous MO

In response to criticism that being market-oriented may harm firms, Slater and Narver (1998) introduce the twin concepts of a customer-led philosophy, which deals with satisfying customers' current and expressed needs (i.e., *responsive MO*), and a market-oriented philosophy which deals with understanding and satisfying customers' future and latent needs (i.e., *proactive MO*). However, the proactive and responsive dimensions of MO do not independently affect performance

(Atuahene-Gima et al. 2005; Blocker et al. 2011). Thus, when evaluating the link between MO and performance, researchers should consider the joint effects of proactive and responsive MO, or in other words the ambidexterity within MO.

Ambidexterity is an organization's ability to be aligned in managing today's business demands while simultaneously being adaptive to changes in the environment (March 1991). The most common labels for the two complementary activities are exploitation and exploration. While exploitation refers to activities that involve improving and refining current skills and procedures, exploration refers to activities that involve challenging prior approaches (March 1991). In line with the definition of ambidexterity, *ambidextrous MO* is an organization's ability to satisfy customers' current and expressed needs with responsive MO (i.e., exploiting customer needs) while simultaneously being able to address customers' future and latent needs with proactive MO (i.e., exploring customer needs).

### 2.2. The combined and balanced view on ambidextrous MO

Following He and Wong (2004), ambidexterity refers to two conceptually distinct views – one relates to the combination and the other relates to the balance of exploration and exploitation. Following the dual logic of ambidexterity, the present study differentiates between *combined MO*, a firm's efforts to increase the *complementary effect* of proactive and responsive MO, and *balanced MO*, a firm's efforts to balance the *relative emphasis* on proactive and responsive MO (cf. Cao, Gedajlovic, & Zhang 2009; He & Wong 2004). The two different views determine the assessment of ambidextrous MO. As an example, one may imagine two firms: The first firm scores medium on proactive MO and high on responsive MO (i.e., the firm overemphasizes current needs), and the second firm has a medium score on both proactive MO and responsive MO (i.e., the firm balances current and future

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