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Marketing Orientation, a Tool for Risk and Complexity Management in the Global Market

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Abstract: *The purpose of this paper is to ascertain concept of market orientation presented as an alternative to the traditional marketing concept, this is to identify market orientation as a tool for managing complexity risks in today's global market. A descriptive survey design was adopted. Out of the total population of the respondents, 15 respondents were chosen as the sample size. The study found out that the Internet technology is creating a dual trading arena where traditional market actors have changing roles and new actors are emerging. The research thus concludes that* companies must be willing to adapt their market orientation to stay competitive. *The study however recommends that to cope with this increased market complexity, a distinction is to be made between a cultural and an instrumental definition of the Market Orientation (MO) concept and firms should adopt the new trend of market orientation as an organizational culture or philosophy that puts the customer's satisfaction first*.

Keywords: *Marketing Orientation, Management, Complexity, Risk, Global Market*

INTRODUCTION

Market orientation is a company philosophy focused on discovering and meeting the needs and desires of its customers through its product mix. Unlike past marketing strategies that concentrated on establishing selling points for existing products, market orientation works in reverse, attempting to tailor products to meet the demands of customers. In essence, market orientation can be thought of as a coordinated marketing campaign between a company and its customers.

Additionally, market orientation provides for customer service and support improvements geared towards specific consumer desires. This helps ensure customer satisfaction remains high with the company as a whole and can function as a way to promote brand loyalty and positive word-of-mouth advertising

The Evolution of Global Marketing

Whether an organisation markets its goods and services domestically or internationally, the definition of marketing still applies. However, the scope of marketing is broadened when the organisation decides to sell across international boundaries, this being primarily due to the numerous other dimensions which the organisation has to account for. For example, the organisation's language of business may be "English", but it may have to do business in the "French language". This not only requires a translation facility, but the French cultural conditions have to be accounted for as well. Doing business "the French way" may be different from doing it "the English way". This is particularly true when doing business with the Japanese.

The long held tenants of marketing are "customer value", "competitive advantage" and "focus". This means that organisations have to study the market, develop products or services that satisfy customer needs and wants, develop the "correct" marketing mix and satisfy its own objectives as well as giving customer satisfaction on a continuing basis. However, it became clear in the 1980s that this definition of marketing was too narrow. Preoccupation with the tactical workings of the marketing mix led to neglect of long term product development, so "Strategic Marketing" was born. The focus was shifted from knowing everything about the customer, to knowing the customer in a context which includes the competition, government policy and regulations, and the broader economic, social and political macro forces that shape the evolution of markets. In global marketing terms this means forging alliances (relationships) or developing networks, working closely with home country government officials and industry competitors to gain access to a target market. Also the marketing objective has changed from one of satisfying organisational objectives to one of "stakeholder" benefits - including employees, society, government and so on. Profit is still essential but not an end in itself.

Market-Orientation (MO) and Corporate Performance

Market-orientation is generally referred to the basic orientation that governs the relationship of a firm with its market and, more particularly, with its customers. However, there is an open debate on the identification of the actors involved in the functioning of a market. Peter Drucker (1973) is considered as the father of the MO concept, expressed as follows: *... the customer must be the focus of management thinking*. In Drucker's thought market-orientation is more than just a management function as production, finance and human resources, and it represents rather a management philosophy that should guide the overall organisation. Now, in many firms, MO is treated like the marketing concept (Kotler, 1967) and is seen as the responsibility of the marketing function or area that is responsible for coordinating the 4 P, focusing on customer’s orientation.

This traditional view of MO has two main drawbacks: first of all it overlooks market actors other than customers, i.e. distributors, competitors and prescribers that may be important players. Then, this functional perspective leads to confine the concept of MO to the activities generally conducted by the marketing function, underestimating the value creation potential of other functions.

Table 1: The Tree Dimensions of the Marketing Orientation Concept

Dimensions	Activity	Corporate Focus
Analysis	Strategic vision: market needs analysis and strategic options	Strategic marketing: strategic business units (SBU) responsibility
Action	Commercial activities: implementation of strategic options	Operational marketing: sales managers responsibility
Culture	Management philosophy that involves every corporate function	Market orientation: corporate culture diffused by top management

Source: Field Survey, 2017

This confusion about the scope of the MO concept is in part explained by the lack of clarity on the definition of the marketing concept which, especially in American literature, is treated as operational marketing: the 4 Ps. For a review on the debate around this subject, see: Brady and Davis (1993), Freeling and Court (1994), Webster (1997). By converse, with others (see Lambin, 1986; McGee and Spiro 1988, 1988 and Webster, 1992) we consider that the concept of MO has three dimensions and that a distinction should be made between the MO as a management philosophy (culture), as a tool of strategic thinking (analysis) and as a commercial activity of the company (action). As shown in Table 1, firms adopting these three market orientation dimensions are involved at the level of general management, at the strategic business units (SBUs) level and at operational level.

Description of the MO Model

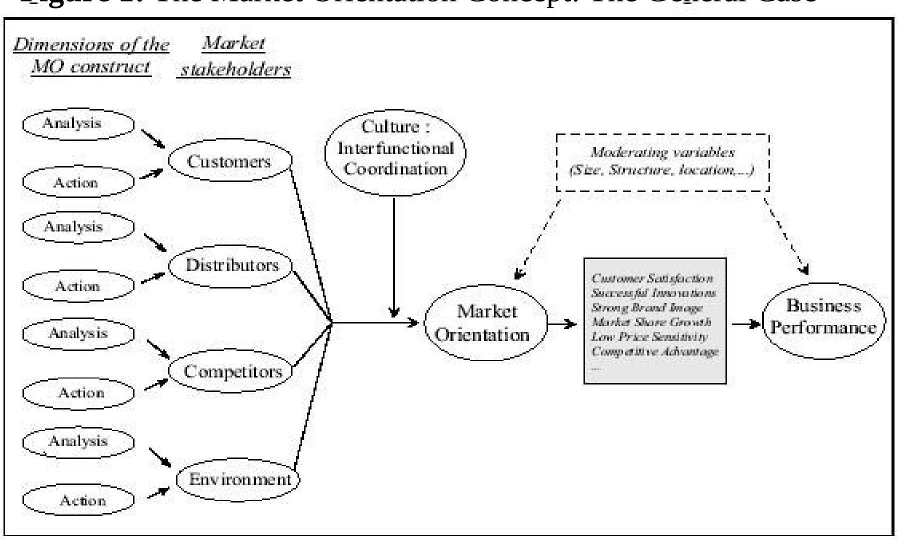
In general we define the concept of MO on one hand, referring to four players: customers, distributors, competitors, prescribers, on the other hand to three activities: analysis, action and culture. Culture is defined as a mediating variable (Baron & Kenney, 1986), that is with an inter-functional coordination role in the firm, designed to facilitate the involvement of all levels of the organization in creating a culture oriented towards the market. Finally, the macro-marketing environment is seen as a key moderator of the relationship between market orientation and corporate performance. The MO model presented here is very similar to that already described by Kohli and Jaworski (1990) and by Narver and Slater (1990).

However, there are four main differences:

1. a broader definition of market players;
2. a distinction between the three dimensions of the MO concept;
3. a consideration of inter-functional coordination as a mediator variable that involves all business functions;
4. The analysis of the macro-marketing environment turbulence and its impact on the MO-CP relation.
5.

We will review briefly the various components of this general model.

Figure 1: The Market Orientation Concept: The General Case



Source: Field Survey, 2017

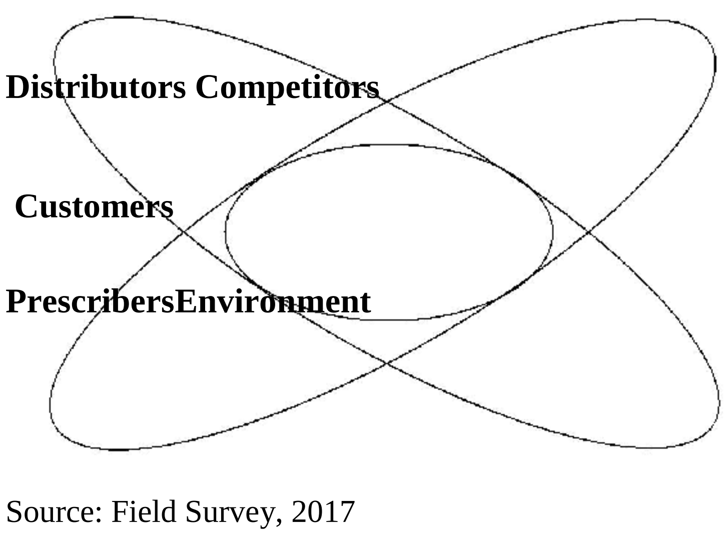
The Market Actors

In Fig.1; general we can identify four key players involved in the functioning of the market: customers, distributors, competitors and prescribers.

Customer Orientation (CO). Meeting needs of end users or customers is clearly the heart of the MO concept and it coincides with the traditional marketing concept. A company that has adopted a customer orientation is a firm that has the skills and willingness to meet the needs and expectations of its direct and indirect customers and '... to design and promote the value solutions to the problems of population and/or organizations'. In this definition the word 'to design' refers to strategic marketing and the word 'to promote' refer s to operational marketing. In the customer orientation, the product (or service) is viewed from the standpoint of the customer, i.e. as a 'solution to a problem'. The customers are analysed in three different roles: decision maker, user and buyer (Sheth et al. 1999).

Distributor Orientation (DO). Distributors (industrial distributors, wholesalers or retailers) are key-players in many sectors and in particular in the fast moving consumer goods businesses, for the diffusion of private label strategies and, more generally, for the growing power of large retailers. Today, the manufacturers brands increasingly need the cooperation of retailers rather than the opposite, although e-commerce development tends to change this situation (Lambin, 2000). To avoid being excluded from retailers' shelves, manufacturers are obliged to adopt a distributor orientation and to develop marketing programs tailored to the distributors needs, working on: how can we reduce the cost of our distributors, how can we reduce their stocks, how can we improve their cash flows, how can wesupport their retailing strategies? Manufacturers hope to manage their distributors as partners, while distributors are more interested in maintaining their relationships with key-suppliers in terms of competition. Trade-marketing, therefore, implies the application of the market-orientation concept focused on distributors that must be considered and managed as customers.

Figure 1: Market Key-Actors



Source: Field Survey, 2017

As shown in figure1, competitive or cooperative relations between manufacturers and distributors depend on the degree of concentration observed in a market, which determines the market power held by different actors. With the exception of the situation in which the concentration ratio of manufacturers and distributors is limited, there is the problem of developing a relational strategy.

In the European food industry, the concentration degree of large retailers is very high in many countries and the situation is exactly the one described in Box 1 (Table 2), where a distributor orientation is required. Also in other sectors we can observe a distributor orientation. For example, Lambin (1996) and Lado (1997) observed that in the insurance sector, particularly in Belgium and Spain, the companies were more oriented to distributors (agents) than customers.

STATEMENT OF THE PROBLEM

Market orientation is a customer-centered approach to product design. As was proved in the recent history of the automobile industry, the idea that companies can create a product and sell its features to an eager buying public is no longer concrete. With an increasingly global economy and more and more choices for consumers, companies must be willing to adapt their market orientation to stay competitive. This allows a company to focus on product development funds on the characteristics that are most in demand at the time in the hope of fulfilling consumer desires through their product choices. Hence the essence of study to evaluate on the relevance of marketing orientation as a tool for managing risk and complexity in today’s global market.

OBJECTIVES OF THE STUDY

The study aim to examine marketing orientation as a tool for managing risks and complexity in global market, other sub objectives includes;

- to find the various pitfalls of marketing orientation
- to compare marketing orientation and product differentiation and sale orientation
- to examine how to understand and manage complexity risk

JUSTIFICATION OF THE STUDY

The study will be of great benefit to entrepreneurs, organizations both large and small on the essence of staying put with their marketing orientation, educating them on the pitfalls inevitably to be encountered while pursuing customers’ interest and how to manage these complexities in marketing.

LITERATURE REVIEW

To deal with the complexity of the global market, in the 1990s, there has been increasing attention in the academic literature to a reorientation of the traditional marketing concept. This new market orientation concept is the outgrowth of a double dissatisfaction: the weak implementation of the traditional marketing concept, more important, its conceptual shortcomings which does not provide appropriate normative guidance for the firm in today’s context. As pointed out in 1980 by the Editors of the Journal of Marketing, Day and Wind (1980, p. 7)1 “*... there is a growing belief that a solely consumer-oriented search for differential advantages is an unbalanced approach to strategy formulation and that greater weight must be given to competitive factors and other stakeholders*”. The objective of this section is to propose a revised and updated definition of the marketing concept that we shall call the extended market orientation concept, called for short, the EMO concept.

Different conceptualizations of the MO concept have been proposed in the academic and professional literature. The main contributions are those of Day (1990 and 1999)2. Kohli and Jaworski (1990)3, Narver and Slater (1990)4, Lambin (1986/2000)5 and Deshpandé and Farley (1998)6, More than 100 studies since 1990 have looked at the market orientation-performance relationship. For reviews of this literature, see Langerak (2003)7, Gotteland (2005)8 and Gonzalez-Benito O. and J. (2005)9. For a review of the relationship between market orientation (MO) and new product success, see Baker and Sinkula (2005)10. In what follows, we shall refer mainly to the early seminal contributions on the subject.

Following Lambin (1986)25 and Webster (1992)26, this definition of MO makes a distinction between the cultural dimension of the MO concept and two dimensions of the instrumental function: analysis and action.

- *Culture* refers to the corporate business philosophy at the core of the social market economy, which places the emphasis (a) on the process of value creation for the market participants, (b) in a way compatible with the objective of sustainable development, (c) as the best mean for firm to achieve its profitability objective.
- *Analysis* refers to the firm's strategic brain or to its strategic capabilities (a) to develop market sensing tools to understand the market structure and to anticipate current and future customer's needs, (b) to design sustainable value solutions to customers' problems, and (c) to differentiate these solutions from competition.
- *Action* refers to the commercial arm of the firm and to its operational marketing instruments (the 4 or 7Ps) used to make the value proposition (a) known, (b) conveniently accessible, and (c) at price affordable by the target customer group.

Christensen C.M., Cook S., and Hall T. (2005), *op.cit.*

Thus a distinction is made between two types of capabilities in the instrumental function: the *strategic marketing* capabilities (analysis) to identify market opportunities and the positioning options for the firm and *operational marketing* capabilities (action through the 4 or 7ps) required to implement the options taken. This distinction is important to avoid falling into the trap of the short-term perspective of the 4 or 7s paradigm which refers only to the "action" dimension. The effectiveness of the operational marketing programme will be determined by the solidity of the strategic options taken by the firm. The weakness of the strategic thinking is one of the main causes of the high failure rate of new products launching (Christensen, Cook, and Hall 2005).

Market Orientation Compared to Product Differentiation and Sales Orientation

Development focused on market orientation put consumer desire first, creating the product around their expressed needs and wants. Product differentiation puts additional focus on product development and marketing their decisions to the consumer. Sales orientation focuses less on the customer and the product and instead redirects their energies toward the act of selling through various advertising-driven mechanisms, such as television commercials and sales calls. While some level of all approaches may be required for an overall successful marketing strategy, most businesses focus on one as a primary concern above the others

Pitfalls in implementing market orientation

The majority of studies linking the level of market orientation with the firm's business performance have found supportive evidence. Despite the credibility of the MO concept, contemporary research (Mason and Haras, 2005) finds that many companies have difficulties in evaluating the extent of market orientation of their company (Day, 1999) and in implementing a high level of MO. For a review of eight common misinterpretations of market orientation among a sample of 101 practitioners, see Mason and Harris (2005). Several factors can explain this state of affairs.

A first issue is the range of differing definitions of the MO concept itself. For the majority of MO theorists, market orientation is limited to two market players, customer and competitors, neglecting the other key market actors like distributors in B2C markets, influencers in B2B markets and other key market stakeholders like consumerist, ecologists, etc. Thus the dominant definition of MO gives an incomplete view of the real complexity of today's markets. It is not surprising therefore that practitioners in B2C markets, for example, confronted with powerful mass merchandisers have difficulties in developing a genuine MO strategy.

Second in those early studies, MO is viewed as an *organisational culture* and no formal links are established with the *marketing function* and no normative implications are proposed to implement effectively this MO culture. What role should the marketing function play and what capabilities should the marketing function have in an organisation that has a strong MO? Thus, there is a missing link with the marketing function.

Finally, as a result of these shortcomings in the definition of the MO concept, the scales proposed in the literature for measuring MO do not properly reflect the complexity of the market and provide incomplete measures of MO.

Source: Lambin et al. (2007)

NDERSTANDING AND MANAGING COMPLEXITY RISK

How Complexity Breeds Fragility

As companies increase the complexity of their systems — products, processes, technologies, organizational structures, contracts and so on — they often fail to pay sufficient attention to the introduction and proliferation of loopholes and flaws. As a result, many firms are continually making fixes, which then adds to the total cost of ownership and often creates new problems. To exacerbate matters, the possibility of random failure rises as the number of combinations of things that can go wrong increases, and the opportunity for acts of malicious intent also goes up. Build new applications on top of legacy systems, and errors creep in between the lines of code. Merge two companies, and weaknesses sprout between the organizational boundaries.

The Inevitability of Disaster

In fact, catastrophic events are almost guaranteed to occur in many complex systems, much like big earthquakes are bound to happen. Indeed, these phenomena, firms ought to be prepared to combat them as they are bound to happen.

What Really Causes Failures?

The internal weaknesses of a system tend to reveal themselves in times of external turbulence and stress. In other words, the cracks might not become apparent until something unusual occurs on the outside, that is, when it is probably too late. But an external trigger must not be confused with the cause of — or be blamed for — a catastrophic event. When the potential consequences are catastrophic, companies must also take into account events that are unlikely to occur. And in the case of malicious attacks, disasters might be even more likely to occur than predicted by random failure theory because such calculations do not factor in intent. When malicious intent is present, an attacker needs only one vulnerability to wreak havoc.

Forestalling Fatal Flaws

This raises the question: Without the benefit of perfect foresight, how can businesses uncover and forestall the fatal flaws lurking within their organizations? That complexity is a source of inevitable risk is not a new idea. But what's new are the practical tool sets that have been developed to help companies better manage the risks of complex systems. There are three complementary strategies for mitigating risk: (1) assess the risk to make better-informed decisions, such as purchasing an insurance policy to cover the risk, (2) spot vulnerabilities and fix them before catastrophic events occur, and (3) design out weaknesses through resilience. These ideas have been around for years, but researchers have had to reinvent them in the context of extremely complex, interconnected, cascade-prone systems.

METHODOLOGY

As this study is aimed at examining market orientation as a tool for managing complexity, risks in global market, in achieving this, the research made use of descriptive survey research design. The entire population of the respondents who were marketers are 23, thus, the study made use of purposive sampling technique to determine the sample size of 15 respondents. According to Crossman (2012) "a purposive sampling is very useful for situations where you need to reach the targeted sample quickly and the sampling is not proportional in nature".

The researcher used as the instrument for collecting data considering the nature and predisposition of the respondents. The researcher was convinced that the questionnaire is of good standard and adequate to provide the data needed for the research. This is in line with Ndagi (1999) who noted that questionnaire is the most suitable and easiest instrument administered in collecting data. It helps to keep the respondent's mind fixed to the subject and facilitate the process of research generalization. In analyzing the data collated, descriptive statistics will be used. Tables will be used to present the data collected. The answer to each research question will be generated through frequency.

DATA ANALYSIS

Research Question 1: What are the ways of understanding and managing complexity in global market?

Based on the analysis, it was found that assessing the risk to make better-informed decisions, such as purchasing an insurance policy to cover the risk, spotting vulnerabilities and fixing them before catastrophic events occur, and designing out weaknesses through resilience, are better ways of combating complexity and risks in today's global market

Research Question2: What are the various pitfalls of market orientation

The research findings showed that the various pitfalls of market orientation are the inability of companies to evaluate the extent of market orientation of their company, viewing market orientation as an *organizational culture* without a formal links established with the *marketing function* and the scales proposed in the literature for measuring MO do not properly reflect the complexity of the market and thus provide incomplete measures of MO.

CONCLUSIONS

The observed results provide a strong experimental confirmation to the validity of the MO model presented in this article. The main conclusions are the following:

1. the MO model actually includes three components: customers, distributors and competitors;
2. these three components are interdependent and distributors have a direct impact on customers and competitors orientation degree;
3. the level of market-orientation positively affects the level of corporate performance in operational terms;
4. each component of the MO influences, directly or indirectly, corporate performance;
5. when a firm is not fully orientated to the market, environmental turbulences have a negative impact on corporate performance;

RECOMMENDATIONS

It is possible to make some recommendations based on the results of this study on how to create or reinforce a corporate culture that deals with the concept of MO.

- Avoid functional organizational structures that tend to confine the culture of MO only in the marketing function.
- Promote the use of inter-functional teams with the responsibility to synchronize and coordinate all activities and decisions related to the target segments.
- Analyze all activities within the value chain to identify the factors which may be a source of competitive advantage.
- Create an information system to identify and analyze the performance of competitors and to monitor changes in technological environment.
- Spread information about the market in all functions and at all levels of the organization.
- Include every function in the preparation and processing of strategic marketing plan.
- Organize contacts with customers and distributors at all levels and functions of the organization.
- Examine the compatibility of corporate strategy with the strategic objectives of key distributors.

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