



# The Relevance of the Marketing Concept.

BY: KAREN A. BLOTNICKY

FOR NEARLY 50 YEARS, MARKETERS HAVE FOCUSED ON THE IMPORTANCE OF ADOPTING A MARKETING ORIENTATION IN ORDER TO ACHIEVE THE GREATEST SUCCESS IN BUSINESS. HOWEVER, SOME EXPERTS HAVE QUESTIONED WHETHER OR NOT THE MARKETING ORIENTATION IS A PANACEA. THE CURRENT STUDY UTILIZED SURVEY RESEARCH TO CONTACT 21 OF THE ATLANTIC CANADA TOP 101 FIRMS TO FIND OUT IF THEY ADOPTED A MARKETING ORIENTATION, AND WHETHER OR NOT IT WAS RELATED TO THE SUCCESS THEY ENJOYED IN THEIR INDUSTRIAL SECTORS. RESEARCHERS ALSO EXPLORED THE IMPACT OF ENVIRONMENTAL CONSTRAINTS ON MARKETING ORIENTATION AND BUSINESS SUCCESS. THE RESULTS FROM THE TOP 101 FIRMS INTERVIEWED INDICATED THE FIRMS WERE EITHER NOT MARKETING-ORIENTED, OR JUST BARELY MARKETING-ORIENTED, DESPITE THEIR SUCCESS. ALSO, COUNTER TO PREVIOUS RESEARCH IN THE FIELD, ENVIRONMENTAL CONSTRAINTS SEEMED TO HAVE LITTLE IMPACT AT ALL ON MARKETING ORIENTATION OR ORGANIZATIONAL PERFORMANCE.

## Introduction

For 40 years, researchers have argued that the most successful firms must be market-oriented, and that the focus on customer needs and satisfaction is the most critical factor in success. Delener and Cheng found that firms that performed well possessed four qualities: a high level of marketing orientation, innovativeness, open organizational climate, and an externally focused corporate culture [1]. They also concluded that market orientation and corporate culture are important elements in a firm's performance. However, the relevance of the marketing orientation has been questioned in some circles.

To be marketing oriented, a firm must be able to demonstrate a need in the marketplace before presenting a service offering. Therefore, a high technology firm with very new innovations may not be able to test their concepts effectively on an uninformed buying public. In such cases, it is not possible for such firms to fully utilize a marketing concept by identifying customer needs before the product is produced and commercialized [2].

Jaworski and Kohli indicated that there are external constraints to the adoption of the marketing orientation [3]. Such constraints involve market or economic situations, which make it difficult for firms to adopt the marketing concept even if they are willing to do so. The competitive nature of the industry, the amount of power that the consumer has over the purchase process, and the degree of market growth were constraining factors. The easier it is for competitors to enter the market, the greater the market volatility, and firms may be more likely to do proactive research and adopt a marketing orientation. As buyers gain more control over the purchase process (as has happened with the Internet and other direct selling tools), the more important market intelligence becomes and the more market-oriented firms are likely to become.

Langerak conducted a meta-analysis to determine the link between marketing orientation and performance, and, while he found more positive links than negative or non-significant links, he concluded that the role of marketing orientation in creating business success is "still an open question" [4]. Kirca et al. indicated that the impact of a marketing orientation is culturally mediated [5]. Organizations in a low power distance, low uncertainty avoidance culture demonstrate more positive outcomes of adopting a marketing orientation than those in high power distance, high uncertainty avoidance cultures.

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Bailey and Dangerfield attributed limited business success to being customer led, as opposed to market-oriented [6]. Firms with customer orientations focused more on meeting customers' immediate needs instead of considering long-term growth potential. Firms that were marketing oriented were focusing on future needs instead of solely focusing on the current needs of customers. Pelham determined that marketing orientation has a stronger impact on organizational performance than strategy selection, size of the firm or industry characteristics [7].

The economic and social climate in Atlantic Canada differs from other regions of the country. Firms that are successful and that are based in Atlantic Canada have overcome many of the limitations imposed on them by their location within the country, and the difficult economic climate. These firms have had to overcome challenges that were not visited upon their counterparts in the west, or in central Canada. Such challenges have included broad shifts from a resource-based to a knowledge-based economy due to loss of coal-mining and fisheries industries, and tremendous growth of a fledgling high technology and biotechnology industry. The region has also been rocked by redundancies caused by the merging of large corporations in the energy, telecommunications and grocery sectors. The transition has been far from painless, but recent years have seen increased economic growth and record low unemployment in major urban centres. If the findings of the Jaworski and Kohli study are relevant in the Canadian marketplace, one would believe that the volatility of these market shifts would lead most firms to become market-oriented [3].

## Study Goals

The purpose of this study was to explore whether or not leading Atlantic Canadian firms embraced a marketing orientation. The Atlantic Canadian culture, like that of North America, is low power distance and low uncertainty avoidance. Therefore, based on past research, the marketing orientation should be linked to performance. If marketing orientation was an important contributor to business profitability, the most successful firms in Atlantic Canada should be marketing-oriented. If they weren't marketing-oriented, then clearly some other factors would be driving success, which may call into the question the importance of embracing a marketing orientation to achieve success.

### FOUR HYPOTHESES WERE TESTED IN THIS STUDY:

1

The first focused on the intensity of marketing orientation. How marketing-oriented would the Top 101 companies be? Given previous research, it was presumed that Atlantic Canada's most successful firms would embrace a marketing orientation, with a marketing orientation intensity score of more than 50%.

2

The second hypothesis focused on the impact of marketing orientation intensity on organizational performance. Based on previous research, it was anticipated that firms with higher measures of marketing orientation intensity would be perform better than firms with lower marketing orientation intensity scores.

3

The third hypothesis was to test Jaworski's & Kholi's theory that environmental constraints had a positive impact on marketing orientation intensity. Did market volatility, competitive intensity and technological impact affect marketing orientation intensity, or was it independent from such environmental constraints?

4

The fourth hypothesis focused on the impact of environmental constraints upon organizational performance and the role of marketing orientation. Did market volatility, competitive intensity and technological impact affect organizational performance, and, if so, was their impact mediated by marketing orientation?

## Methodology

To examine the role of marketing orientation in successful firms, a survey was administered to the Atlantic Canada 2005 Top 101 firms, as selected by Progress Magazine. To be included in the Atlantic Progress Top 101 Atlantic list, a firm must be evaluated in an annual competition that is conducted by Corporate Research Associates in Halifax, N.S. To be eligible to complete the survey, firms must be headquartered in Atlantic Canada, or be managed by an independent board of directors based in the Atlantic region. The leading firms are chosen because they are leaders in their sectors, and in the Atlantic region.

By using the Top 101 list, only the practices of successful firms were evaluated. This was important because successful firms provide credibility to marketing management methods in ways that a sample of the overall business community cannot. The Top 101 list crosses industry sectors, spans all four Atlantic Provinces, and features public, private and family-owned businesses, as well as exporting firms. This provides enough variability in the study to give depth to the understanding of marketing management in the Atlantic region. The Top 101 list was further refined to include firms where contact information could be obtained for the top ranking marketing executive, or the President or CEO. The refined list included 89 firms.

The survey incorporated the MARKOR scale to measure marketing orientation [3]. The MARKOR has been used successfully for over 10 years in applied research, and it has been verified many times using rigorous testing procedures [8]. In addition to the MARKOR measurement, demographics were collected about each firm. This information included gross revenues, organizational performance, number of employees, sector, export activity and information about the respondent and their position in the company.

Organizational performance was measured two ways. First, respondents were asked whether or not their firm's performance, relative to major competitors, was very good, good, neither good nor poor, poor, or very poor. Second, they were asked to classify their firm's performance in the previous year as very good, good, neither good nor poor, poor or very poor.

Based on the work of Jaworski & Kholi, three environmental constraints were measured using additive scales [3]. The constraints included technological impact, competitive intensity and market volatility. Market volatility refers to the frequency of changes in the marketplace. Technological impact refers to the level of technological change that occurs in the industry. Competitive intensity refers to the level of competition in the industry. Previous research has shown that these environmental constraints are positively related to market orientation).

Firms were approached to complete the survey a total of five different times. The first four requests were completed electronically, directing respondents to an online survey. The final attempt included a mail survey, sent out to the refined list of 89 firms. A total of 21 firms completed the survey using both online and offline methods. Twenty-four percent of the firms responded to the survey resulting in a margin of error of plus/minus 0.25 when estimating average ratings for the MARKOR scales.

## Data Analysis and Limitations

The limited sample size made it difficult to conduct sophisticated data analysis. Since the sample size is limited, the results should be considered exploratory.

Direct entry regression was used to examine the impact of marketing orientation on the performance measures, and the impacts of the environmental constraints on marketing orientation. Two-stage, direct entry multiple regression was used to test the impact of each environmental constraint on the performance measures, controlling for marketing orientation.

For purposes of analysis, each of the scales was expressed as a percentage score. The scales used included marketing orientation, technological importance, market turbulence and competitive intensity. The percentage score provided a more conceptually appropriate way of describing each variable, while also providing a standardized method of conducting regression analysis and interpreting the results.

## Results and Discussion

The surveys were primarily completed by chief executive officers (52.6%) or vice presidents (28.6%). The majority of firms responding employed up to 250 people in the telecommunications, information technology, manufacturing, retailing, wholesaling and financial sectors. Most also exported outside of Canada with the United States (51.7%), Central/South America (28.6%), United Kingdom/Europe and Asia (19%), Australia/South Pacific and Africa (14.3%) making up the major export markets. The results are summarized in Table 1.

Overall, the Top 101 firms were marketing-oriented, averaging a percentage score of 51.9%. While this score is low, it exceeded the 50% cut-off stated in the hypothesis. However, 8 out of the 17 firms responding had marketing orientation percentages below the cut-off of 50%. This indicates that marketing orientation may actually be low in the Top 101 firms. Market orientation percentages showed limited intensity, ranging from 30.4% to 73.9%. The results are summarized in Table 2.

The level of marketing orientation intensity was mixed across firms with different levels of gross sales. The lowest gross sales level in the sample ranged from \$5 million to less than \$10 million. This level had the lowest average marketing orientation intensity measure at only 34.8%. Firms with gross sales levels between \$10 million and less than \$20 million showed a higher average marketing orientation intensity of 54.3%, while those with gross sales between \$20 million and less than \$30 million had an average marketing orientation measure of only 44.7%. The group of firms with the highest gross sales level of \$50 million or more had an average marketing orientation intensity measure of 54.2%. Therefore, there was not a clear upwards trend for firms with higher sales levels. However, such a trend may not be necessary because the marketing orientation focuses on higher levels of profit, not gross sales. It is possible that firms with higher levels of gross sales, and lower marketing orientation intensity measures, also had lower levels of profitability. Profit levels were not studied directly in the research. The results are also speculative due to small sample sizes, ranging from one firm for gross sales of \$5 million to less than \$10 million, to 10 firms with gross sales of \$50 million or more.

TABLE 1: SAMPLE DEMOGRAPHICS

SECTOR	EXPORTS
Telecommunications & IT (14.3%) Services (9.5%) Manufacturing (19%) Retailing/wholesaling/distribution (19%) Construction (9.5%) Financial services/banking/real estate & development (14.4%) Mining/energy (4.8%) Tourism & travel (2%)	Export outside of Canada (61.9%) United States (51.7%) Central/South America (28.6%) United Kingdom/EU (19%) Asia (19%) Australia/S. Pacific (14.3%) Africa (14.3%) Mexico (9.5%) Middle East (9.5%) Eastern Europe (9.5%)
NUMBER OF EMPLOYEES	GROSS SALES
Less than 50 (14.3%) 50 to less than 240 (38.1%) 250 to less than 500 (19%) 500 or more (18.6%)	Less than \$10 million (4.8%) \$10 million to less than \$20 million (28.5%) \$50 million and over (61.9%)

TABLE 2. MARKETING ORIENTATION INTENSITY (%)

Number responding: 17/21  
Average: 52.9%, ranging from 31.4% to 73.9%  
Standard Deviation: 12.5%  
Mode: 47.8% & Median: 40.4%  
Percentiles: 25th: 43.9%, 50th: 50.4%, 75th: 64.3%

Regression analysis on marketing orientation intensity and organizational performance also showed mixed results. There was no significant impact on organizational performance measures for the previous year, but there was a statistically significant relationship between the marketing orientation percent and the organization's performance relative to its competitors. Results indicated that the relationship was weak, but positive. Marketing orientation intensity explained 29.8% of the variance in organizational performance relative to competition, with a regression coefficient of 3.8%. The results for each regression analysis are summarized in Table 3.

Regression analysis on environmental constraints and their impact on marketing orientation intensity revealed no statistically significant relationships. Unlike previous research studies, results did not show any link at all between market volatility, competitive intensity or technological impact and the intensity of the marketing orientation. The results are summarized in Table 4.

TABLE 3: REGRESSING MARKETING ORIENTATION INTENSITY ON ORGANIZATIONAL PERFORMANCE

Marketing orientation intensity on organizational performance for previous year	Marketing orientation on organizational performance relative to competition
$R^2 = .12$ F-Ratio = 2.041/df=16 P = .174 (ns) Intercept = 3.263 Regression coefficient = .018	$R^2 = .298$ F-Ratio = 5.942/df=15 P = .029 (sig) Intercept = 2.191 Regression coefficient = .038

TABLE 4: REGRESSING ENVIRONMENTAL CONSTRAINTS ON MARKETING ORIENTATION INTENSITY (%)

Market volatility on marketing orientation intensity	Competitive intensity on marketing orientation intensity	Technological impact on marketing orientation intensity
$R^2 = .117$ F-Ratio = 1.989/df=16 P = .179 (ns) Intercept = 23.832 Regression coefficient = .1553	$R^2 = .008$ F-Ratio = 127/df=16 P = .727 (ns) Intercept = 46.070 Regression coefficient = .308	$R^2 = .093$ F-Ratio = 1.540/df=16 P = .234 (ns) Intercept = 80.300 Regression coefficient = -2.122

Regression analysis revealed that the environmental constraints also had limited impact on organizational performance, and the marketing orientation did not mediate the relationship most of the time. There were no statistically significant impacts on the firm's organizational performance for the previous year by technological impact, or market volatility. In both cases, marketing orientation intensity had no impact on the relationship between the environmental constraint and organizational performance. However, there was a statistically significant impact on comparative organizational performance and competitive intensity. The relationship was not mediated by marketing orientation. The results are summarized in Table 5.

There were statistically significant impacts on organizational performance relative to the competition based upon marketing orientation intensity, but not technological impact. The results show that marketing orientation does not mediate the relationship between technological impact and the performance measure. Similar results were apparent for the environmental constraints of market volatility and competitive intensity. The results are summarized in Table 6.

TABLE 5: REGRESSING ENVIRONMENTAL CONSTRAINTS WITH MARKETING ORIENTATION INTENSITY AS MODERATOR ON ORGANIZATIONAL PERFORMANCE FOR PREVIOUS YEAR

Market volatility on marketing orientation intensity	Competitive intensity on marketing orientation intensity	Technological impact on marketing orientation intensity
<p>STEP ONE: R<sup>2</sup> = .074 F-Ratio = 1.203/df=16 P = .290 (ns) Intercept = 3.039 Regression coefficient (Market Volatility) = .063</p>	<p>STEP ONE: R<sup>2</sup> = .197 F-Ratio: 2.578/df = 16 P = .129 (ns) Intercept = 5.429 Regression coefficient (Competitive Intensity) = -.065</p>	<p>STEP ONE: R<sup>2</sup> = .109 F-Ratio = 1.824/df=16 P = .195 (ns) Intercept = 5.736 Regression coefficient (Technological Impact) = -.117</p>
<p>STEP TWO: R<sup>2</sup> = .147 F-Ratio = 1.203/df=16 P = .330 (ns) Intercept = 2.692 Regression coefficients: Market Volatility = .040 Marketing Orientation = .015</p>	<p>STEP TWO: R<sup>2</sup> = .293 F-Ratio = 2.904/df=16 P = .088 (sig) Intercept = 4.529 (p=.000 (sig)) Regression coefficients: Competitive Intensity) = -.071(p=.085 (sig)) Marketing Orientation = .020 (p=.111 (ns))</p>	<p>STEP TWO: R<sup>2</sup> = .176 F-Ratio = 1.491/df=16 P = .259 (ns) Intercept = 4.633 Regression coefficients: Technological Impact = -.088 Marketing Orientation = .014</p>

TABLE 6: REGRESSING ENVIRONMENTAL CONSTRAINTS WITH MARKETING ORIENTATION INTENSITY AS MODERATOR ON ORGANIZATIONAL PERFORMANCE RELATIVE TO COMPETITION

Market volatility on marketing orientation intensity	Competitive intensity on marketing orientation intensity	Technological impact on marketing orientation intensity
<p>STEP ONE: R<sup>2</sup> = .017 F-Ratio = .240/df=15 P = .632 (ns) Intercept = 3.499 Regression coefficient (Market Volatility) = .038</p>	<p>STEP ONE: R<sup>2</sup> = .014 F-Ratio = .204/df=15 P = .659 (ns) Intercept = 4.688 Regression coefficient (Competitive Intensity) = -.026</p>	<p>STEP ONE: R<sup>2</sup> = .065 F-Ratio = .968/df=15 P = .342 (ns) Intercept = 5.742 Regression coefficient (Technological Impact) = -.117</p>
<p>STEP TWO: R<sup>2</sup> = .303 F-Ratio = 2.829/df=15 P = .096 (sig) Intercept = 2.501(p=.080 (sig)) Regression coefficients: Market Volatility = -.023 (p=.759 (ns)) Marketing Orientation = .040 (p=.038 (sig))</p>	<p>STEP TWO: R<sup>2</sup> = .323 F-Ratio: 3.095/df=16 P = .080 (sig) Intercept: 2.810 (p=.041 (sig)) Regression coefficients: Competitive Intensity) = -.034 (p=.504(ns)) Marketing Orientation = .038 (p=.030 (sig))</p>	<p>STEP TWO: R<sup>2</sup> = .314 F-Ratio: 2.969/df=15 P = .087 (sig) Intercept: 3.093 (p=.122 (ns)) Regression coefficients: Technological Impact = -.059 (p=.596 (ns)) Marketing Orientation = -.035 (p=.049 (sig))</p>



There was no significant impact based on other environmental constraints, and marketing orientation was not a factor. It also appears that marketing orientation has no moderating effect on any of the environmental constraints and their impact on organizational performance.

## Conclusions and Recommendations

The results reveal that Atlantic Canada's Top 101 firms may be market-oriented, but the intensity of the approach is very weak. However, it is sufficient to affect organizational performance relative to others in the industry. This relationship is not affected by environmental constraints, including market volatility, competitive intensity or technological impact.

Competitive intensity had a negative impact on organizational performance for the previous year. There was no significant impact based on other environmental constraints, and marketing orientation was not a factor. It also appears that marketing orientation has no moderating effect on any of the environmental constraints and their impact on organizational performance.

The marketing orientation itself was not significantly affected by any of the environmental constraints. This finding runs counter to that found in many other studies, including the work by Kohli and Jaworski that indicated that more volatile business environments create more intensive marketing orientation.

This research has shown that large scale business success is possible even with a weak marketing orientation. The implications of this result are confounding. Does this mean that marketing orientation is not important, or does it mean that even a poorly integrated marketing orientation can lead to success? Perhaps the answer to this question lies in the nature of the link between organizational performance and marketing orientation. Clearly, adopting a marketing orientation, even only slightly, appears to have a positive impact on a firm's performance relative to other firms.

The link between marketing orientation intensity and organizational performance was weak, but significant. The regression analysis explained approximately 30% of the variation in organizational performance. This outcome reveals that even though marketing orientation is important, it is not the end-all be-all of corporate success. There are many other contributing factors to the success of the firm.

Future research should continue to focus on the role of marketing orientation and how it affects organizational performance, as well as how organizational performance is affected by other factors. With the exception of competitive intensity and its impact on the firm's performance for the previous year, environmental constraints did not seem to affect organizational outcomes. Marketing orientation did not moderate such relationships. However, many other factors could be important contributors to success, including exporting, firm size, firm location and sector. Future research should also focus on further evaluation of the role of each factor and their interaction with marketing orientation in enhancing organizational performance. ○—

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## Profile

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Karen has worked in applied research for over 20 years. She holds a BA and an MBA from Saint Mary's University in Halifax. She is completing a doctorate in International Business at Northcentral University in Arizona.

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