Why Should Time be Considered in Market Orientation Research?

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EXECUTIVE SUMMARY

Although, the market orientation literature acknowledges the potential role of time, its implications for research and practice have not been fully developed. This paper presents three aspects of time affecting market orientation. Initially one has to consider the time taken to implement a market oriented strategy. Lagged, threshold and cumulative effects occur over this implementation period. These can influence the relationship between market orientation and performance. Time as signified by the age of a firm impacts on its strategy and its ability to change. This can either inhibit or facilitate the development of market orientation. Lastly, time is history and represents the specific, dated context of a firm. The historical context, such as early or late entry into a market can affect adoption of a genuine market orientation.
Four implications surrounding the inclusion of time within market orientation are discussed in the paper.

1. The first one implies that the time scale of studies of market orientation should be defined. This helps understand the different effects of time on planning changes in orientation and the long-term effects of these changes.
2. The second one surrounds the time at which a company is incorporated. This will help to understand the firm's initial culture and the industry structure, especially for case studies of market orientation.
3. Third, a historical documentation of corporate culture and strategy development provides a useful diagnostic for managers wanting to change the market orientation of their organizations.
4. Lastly, from a practical standpoint market orientation can't be treated as a business fad. A long-term commitment to market orientation is necessary before organizational and economic benefits can be expected.

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Since the formalization of the market orientation concept in the 90's (Kohli and Jaworski 1990; Narver and Slater 1990), empirical investigations were mainly devoted at the exploration of its impact on business performance (Slater and Narver 1994; Jaworski and Kohli 1993; Greenley 1995). As the associations were not always clear, researchers suggested that delayed effects could explain non-significant associations with the measures of performance (Greenley 1995; Hunt and Morgan 1995). Researchers also looked for potential mediating variables (Han et al 1998) while others emphasized the cultural dimension of market orientation. For Day (1994) the cultural basis of market orientation is essential in defining the ontological status of the concept. Several recent studies integrate such a view (Jaworski and Kohli 1996; Harris and Ogbonna 1999; Olavarrieta and Friedmann 2000). Acknowledging the cultural nature of market orientation leads to the examination of temporal phenomena involved in market oriented processes. As recently demonstrated by Heiens (2000), there is a need for a better understanding of market oriented firms. In line with this, assessing the role of time in market orientation will certainly add to our knowledge. The key aspects of time that are considered are length, age and historical period. The significance of these three aspects for market orientation are now considered.

TIME: THREE DISTINCTIVE ASPECTS

Time as a factor in market orientation can be viewed from three perspectives. The first one is **length.** Researchers (Greenley 1995; Hunt and Morgan 1995) consider this to be an important perspective. The second perspective is derived from strategic management literature and proposes time as an influencing organizational variable through the **age** of the firm. The third one concerns the **historical period** surrounding the firm's foundation. Hence while time as age leads us to consider time as an intrinsic variable, time as historical period leads us to consider it as an extrinsic variable.

Time as Length - *Lagged effects, threshold effects, and cumulative effects*
Firstly, it takes time to develop a market-oriented culture and strategy within the firm. The main hypothesis suggested in extant works is that the longer a firm is market oriented, the greater the benefits of market orientation. The length of time is thus a moderating and reinforcing variable. A long-term view reinforces the impact of market orientation on output indicators (mainly business performance and *esprit de corps* as conceptualized by Kohli and Jaworski, 1990). The length of market orientation should lead to take into account three distinct effects: lagged effects, threshold effects and cumulative effects.

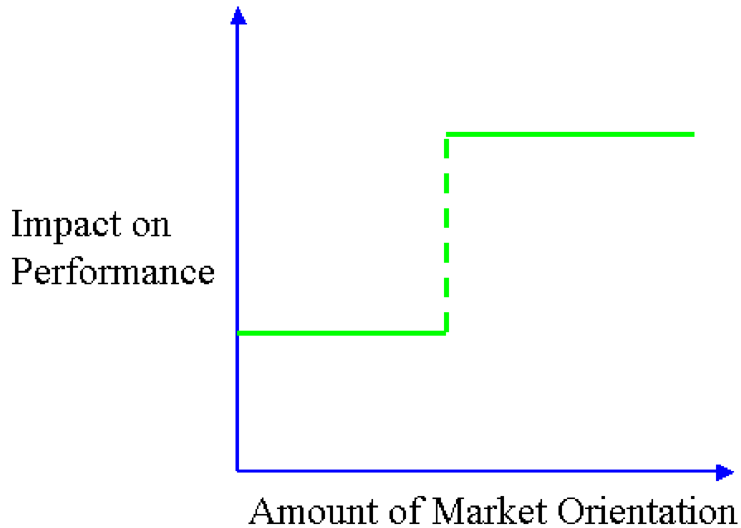
Lagged effects refer to the mechanism where the amount / intensity of market orientation at a moment T impacts other organizational variables only after a while in T+n (see figure 1).

FIGURE 1
Lagged Effect

The implications of such thinking means that practitioners should not expect instant results and that market oriented change does not have an immediate impact on performance and that an "incubation" period is necessary. From a academic standpoint more research is needed in identifying the average time necessary for market orientation to be effective. Hence, we suggest that the "n" of T+n would be the research object ('n' being the lag effect).

Threshold effects correspond to the idea that a minimum level of market orientation is required before it impacts on performance variables in the firm (see figure 2).

FIGURE 2
Threshold Effect

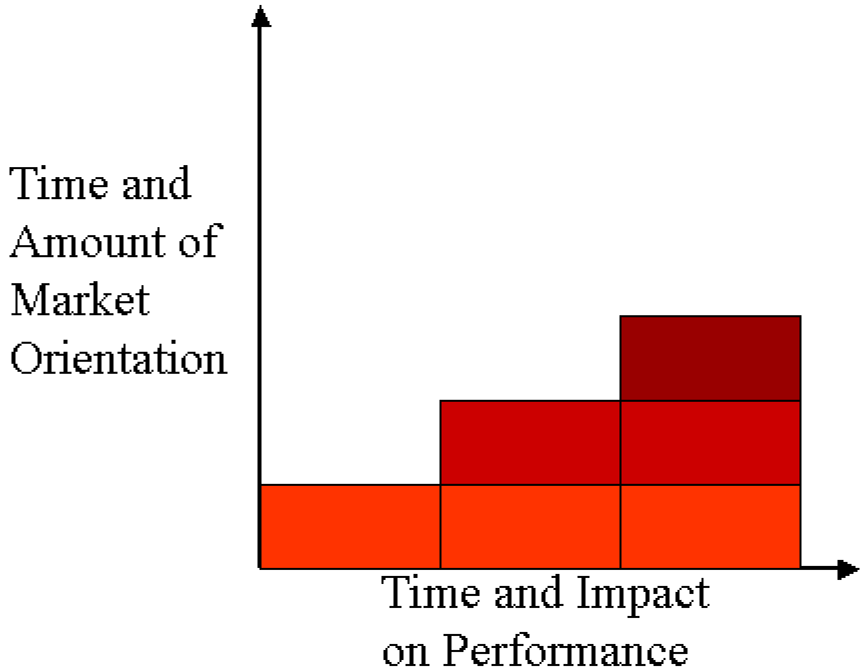


This suggests that an initial foray into market orientation is not necessarily sufficient to yield the benefits of market orientation that are traditionally recognized in research. The relationship linking market orientation and performance may actually be nonlinear and perhaps discontinuous. Time-related modeling as opposed to mere regression analysis may be more helpful for the analysis of such relationships.

Lastly, cumulative effects point to the time when market orientation reaches **a level and moment** when it begins to impact more positively on organizational and performance variables (see figure 3). These three effects are inter-related and complex. Traditional quantitative models may not be robust enough to take time into consideration. It is therefore proposed that well designed qualitative research needs to be undertaken to understand the impact of the length of time.

Time as Age - *The role of the timing of incorporation and history in organizational change*
Management authors indicate that the moment when a firm is founded impacts on its structure and strategy (Stinchcombe 1965). Hence the age of the firm constitutes a determining variable of the firm's strategic choices and ability to change. In the strategic management field, Boeker (1989) demonstrates that both the age of the firm and its history constrain the available strategic spectrum. He also shows that when firms have one specific dominant strategy they are not likely to change it, even if poor performance is encountered. This type of analysis matches the notion of organizational inertia as identified by Hannan and Freeman (1984). Schein (1983, 1992), on the other hand also discusses the predominant role of the founder in developing a firm's culture and strategy. Hence the age of the firm can be considered as an influential variable in the adoption and implementation of market orientation. Age can either **facilitate** or **inhibit** market orientation.

FIGURE 3
Cummulative Effect



Indeed, it is difficult to predict the relationship between age and market orientation. Mutually exclusive positions can be defended. An negative association between age and market orientation might exist. It could be that older firms are not likely to change because of their inertia and bureaucratization (Mintzberg 1989). However, it could also be argued that if firms have survived through time, it is because they were able to adapt and integrate market orientation, the key to survival (Narver and Slater 1990). This would suggest a positive association. In spite of the complexities discussed, time as age should be incorporated in further research.

Time as Historical Period - *Past, present and future*
The age of the firm introduces the notion of history. History entails both internal conditions which we have discuss previously and external conditions which we develop now. The question of the entry into a market is linked to the history of the firm. Several authors have studied the impact of the order of entry on market share and business performance (Szymanski et. al. 1995). First movers are supposed to have competitive advantage, technology-mastering etc. (Tellis and Golder 1996). However, we suggest that late entry on the market might foster better market orientation. Because the competitive intensity (Porter 1985) is likely to be stronger over time, newcomers are bound to demonstrate higher market orientation levels in order to reach a profitable place on the market. Hence from a competitive point of view, time could reinforce the necessity of market orientation for young firms or firms entering new markets. In other words, the historical period when a firm is founded (and enters a new market) implies higher pressure for being market oriented.

In line with this, it is also interesting to examine whether market orientation constitutes a durable source of competitive advantage. It is not difficult to admit that business world likes fads. Generally, the business fad phenomenon is not counter-productive because it directs the attention of academics and practitioners towards important, neglected, managerial features. However by their very nature, business fads are condemned to last only a small period of time. We could question the place of market orientation in the history of business fads. It is clear that market orientation has been long defended by marketing academics (Lear, 1963; Levitt, 1960) but it is only recently (90's) that researchers sought to heavily promote the view that firms should be market oriented. This allows us to come back to the previous question "will market orientation constitute a competitive advantage in the future?". The answer is probably positive. When the infatuation for market orientation will be over, firms that are deeply, genuinely, market oriented will probably keep their leading market positions.

IMPLICATIONS FOR RESEARCH AND PRACTICE

Four major research and managerial implications follow from previous developments.

Define the Time Scale

From the discussion of time effects in the relationship between market orientation and organizational and performance variables, it appears that researchers should define the time span under which a study is considered and under which results are valid. Indeed, Zaheer et al. (1999) indicate that "specification of the relevant time scale is as critical as the specification of the appropriate level or unit of analysis". The diversity of effects (lagged, threshold, cumulative) necessitates more research for (1) evaluating the time span necessary for an effective impact on performance and (2) evaluating the amount of market orientation firms need to cumulate in order to encounter organizational and economic benefits.

The identification of varied effects calls for a renewal of research methods. Linear models could be fruitfully complemented with nonlinear models that would grasp threshold effects, for instance. Also, longitudinal, qualitative studies could enrich the understanding of the role of time. It is clear for instance, that an entire organization does not evolve at the same pace, therefore understanding how time affects various parts is important for providing firms with an evolutionary picture. Such case studies might help us to understand how to speed up the adoption of market orientation. Clearly, the identification of catalytic factors would be of immense practical and theoretical value. From a managerial perspective, the three time effects constitute conceptual receptacles where managers can order their own reflection.

Collect the Date of Incorporation and Industry Characteristics at That Time

It has been made clear that the initial conditions surrounding the creation of a firm are crucial for its subsequent evolution. Hence, researchers should be encouraged to integrate the date of the incorporation of firms under study. It could help to better understand the role of the age in market orientation. Along with information concerning the initial strategy and the initial competitive conditions, it can help to better grasp how market orientation is initiated, and how it is stimulated or impeded.

Understand the Initial Culture and Strategy

For managers, the understanding of the initial culture and strategy appears necessary for the planning of a change toward market orientation (provided market orientation is not the initial culture). Such a diagnosis can be realized using a historical approach (Nevett, 1991). This approach can also be valuable for research opting for case studies.

Stick to Market Orientation

This last implication is exclusively managerial. Following our discussion on time effects and historical period (past, present and future) it can be concluded that managers should not consider market orientation as a mere business fad that can bring immediate benefits. On the contrary, market orientation should represent a genuine business orientation and will be profitable only in the long run once the fad has gone.

SUMMARY

The article discusses the inclusion of the time variable in market orientation research. While academic authors mentioned the potential role of it, very few have tried to conceptualize its role in an integrative manner. The article suggests that time be considered under three aspects. Time can stands for the length of a firm's market orientation. It can represent the age of the firm and it can correspond to the historical period that surrounds it foundation. The various aspects of time as suggested above need to be considered in the development of market orientation research. This will lead thinking on the subject into a newer and more fruitful direction. The previous linear relationships that have been considered by other authors may be too simplistic to grasp the richness and detail surrounding time related factors. It is time to consider a different approach.

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