How sustainability orientation makes market-oriented firms more market-oriented

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Abstract

Globalization and competition have forced most firms to develop competitive advantage in order to compete and survive. In this regard, market orientation and sustainability orientation can play a crucial role in rendering firms a competitive advantage. Market orientation relates to satisfying current and future customers' needs. Literature indicates that market orientation contributes positively to business performance, and that market-oriented firms outperform non market-oriented firms. As a result, firms are forced to be market oriented even though becoming or increasing or maintaining a market orientation is costly, complex, and time-consuming. Therefore, the costs of becoming market oriented must at least be offset by additional revenue. One of the sources of such additional revenue can be obtained by adhering to the principles of sustainability orientation (e.g., triple bottom line), which captures the whole set of values, issues and processes that firms must address in order to minimize any harm resulting from their activities and to create environmental, social and economical value. Thus, it is expected that firms that follow sustainability principles in addition to being market oriented should outperform firms that are market-oriented only. The premise for such expectation is that customers are more attracted to firms that care also about social and environmental aspects of society (and not just financial) than firms that are market-oriented only (i.e., care about customers' needs just for financial reasons). The purpose of this study is to explore relative contribution of market-oriented firms, and market-oriented firms with a sustainability orientation. To assess relative contributions of both the orientations, we speculate a trade-off between them, and recommend that any additional revenue generated from sustainability initiatives should be redeployed to enhance market orientation that contributes further to enhancing business performance.

Keywords: Market Orientation, Sustainability, Business Performance, 3BL

1.INTRODUCTION

The premise for this study is that market orientation and sustainability are positively related, leading to a superior business performance. Market orientation is defined as the extend to which a firm engages in generating and disseminating market intelligence pertaining to current and future customer needs and wants, competitor strategies and actions, and broad business environment (He and Wei, 2011). Market orientation is an important source of achieving competitive advantage, as all members of the firm commit to continuously creating superior value for customers. The purpose of the study is to examine how a firm's orientation affects its long-term viability; i.e. sustainability. Firms with a higher level of market orientation tend to perform better than their counterparts with less market orientation (Liu et al., 2003); however, the hierarchical structure of a firm can hinder its ability to disseminate information within a firm, and thus decreasing accountability of each employee (Adhikari and Gill, 2011). This negatively effects the firm's market orientation, as firms become less responsive to customer needs, which is required by the firm to be market oriented. Considerable research supports the positive relationship between market orientation and business performance (Jaworski and Kohli, 1993; Narver and Slater, 1990). The majority of the research is conducted in developed nations, but emerging markets are radically different from the traditional industrialized countries in that they require us to rethink the core assumption of marketing such as market orientation (Sheth, 2011). For example, emerging markets are more customer-based and markets within these nations are created by shaping customer expectations, and not assessing them. Firms with higher market orientation perform better and are characterized by their intentions to continuous delivery of superior value to their customers (Slater and Narver, 1998).

Business sustainability is defined as adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future (Labuschagne et al., 2005). A firm's strategic use of information technology facilitates competitiveness in both the short- and long-term for sustainability. Firms that cannot sustain their competitiveness have only transient value or offer negative value (Kettinger et al., 1994). Indeed, firm's capabilities, resources and technologies contribute to achieving strategic competitive advantage that shape a firm's market orientation, and thus ensures its future sustainability. In the following sections, we discuss the environment, social and economical impacts of sustainability on market orientation and provide their implications for business managers.

2.Environment

The emerging field of sustainable business has its root in both science and economics, particularly in the field of environmental science (Guest, 2010). Firms need to develop a deep-seated understanding of how to create a lasting enterprise based on the concept of internal decision-making and practices pertaining to knowledge and attitudes toward a business' sustainability via environmental science (Sa de Abreau, 2011). The decision-making and practices fall in two categories of firms: firms with developed environmental conduct and those without. The former firms have set procedures, legal requirements, controls and standards and are aware of the negative effects on the environment; the later is likely to lack management representation in the field of environmental issues.

Government policies also influence firm's level of activities relating to environment. A measurable, clear and concise policy expedites innovation and decision-making process. Firms need to compete with businesses in countries where clear policies have sharpened the corporate focus on waste and inefficiency and spurred innovation (Adeoti, 2008). Firms can develop a progressive strategy if they learn to find alternatives rather than to ignore current environment conditions. Firms particularly in emerging markets remain inert due to the assumption that the cost of implementation diminishes the level of priority as far as environment is concerned. In fact, responding to climate change should be seen not only as a means of managing risks but also an opportunity for growth, capitalizing on the growing demand for products and services that address environmental concerns. For example, a South African utility firm shifted its energy generation mix to renewable energy. Clearly, it responded to the pressure brought by climate change and the future resource constraints that threaten its long-term growth and sustainability (Etsy, 2012).

3.Social

When considering the impact of the economic and environmental values in relation to market orientation and sustainability, it is necessary to address the social aspect of sustainability. A firm's social stake in its market orientation suggests that multinational firms increasingly need to consider local values and the social consequences of their activities. Such consideration is required for them to gain legitimacy for their business activities, expressing the notion that, among local stakeholders, the presence of the firm is desirable and deserves acceptance and support (Reimann et al., 2012). Corporate social responsibility has proven to be the most effective strategy for multinational to capture the attention and gain support in local markets. In fact, multinational firms should also evaluate their corporate social performance to enhance their sustainability. Indeed, firms have an incentive to invest in corporate social activities in order to augment their reputation, and encourage primary stakeholders to get involved in firms' business activities (Brammer et al., 2009).

For a long-term sustainability of market orientation, social orientation may be a key factor in determining multinational firms' success, particularly in emerging markets, where attitudes and practices differ from those of Western multinational firms. To compete, the capabilities and resources of a firm should be rare, valuable, and difficult to imitate (Adhikari and Gill, 2011). Previous studies have identified human capital resources and physical capital resources as the resources satisfying the above criteria, and thus capable of delivering superior customer value. However, firms wishing to be sustainable, it is crucial that firms consider investing in local communities and solidifying ties with locals. Without capable local employees, local operations cannot be established. In fact, rapid economic development in many emerging markets has already led to a shortage of skilled labour. Employees are more likely to be productive and loyal to a firm which they trust and respect. Reimann et al. (2012) found support for the notion that employee performance is positively related to both working condition and firm's community development efforts. This leads to the fact that firms that provide better working conditions for their employees in emerging markets will be more sustainable in foreign market and enjoy continued long-term success.

Firms that are the first or early to develop a market orientation gain more in sales and profit than firms that are late to develop a market orientation (Kumar et al., 2011). When a firm is first in market, using resources to enhance social initiatives can be the deciding factor in obtaining employee loyalty and loyalty from the consumers in that community. Whether it is through donating time, money or simply ensuring above average working conditions, compared to local standards, firms need to consider as to how to develop their market orientation to ensure sustainability.

4.Economic

Innovation determines sustainability of an organization, as it stimulates research and development to come up with new or improved products or services (Getz and Robinson, 2003). The degree of innovation determines the economic performance of a firm's market orientation (Gatignon and Xuered, 1997). Successful firms develop superior products that are attuned to customer wants and needs. It is mainly due to the fact that firms' products are more successful because market oriented firms would conduct market research to discover customers' needs. As a result, customers' preferences match firms' products, resulting in less product failures, leading to superior business performance as determined by profitability, return on investment, and market share, among others. Often firms develop market oriented strategies to be profitable and combat entry of new firms by adjusting their marketing mix (Robinson, 1988).

5.Conclusion and Implication for Managers

Firms need to examine how their actions affect the physical environment in which they operate and how these actions will affect their sustainability (Wackernagel and Ress, 1997). A firm's ecological footprint impacts environmental consciousness. Ecological footprint is a useful yardstick for sustainability that firms can create based on level of their activities that will be necessary to facilitate growth and sustainability. With sustainability as the goal and intent behind the emergence of a firm, it is necessary for managers that they examine the external environment and adapt strategies accordingly. Clear policy and regulation should be the framework within which a firm should develop methods and strategies as well as how it manages daily operations and long-term actions.

It is the general value toward sustainability that needs to be engrained in a firm. However, without access to and use of natural resources, a firm would no longer require these values because they would eventually cease to exist. Implication for managers is that they need to value natural resource supply and put system in place to strengthen themselves in other areas if or when the supply of resources diminishes. Indeed, due to increasingly stringent constraint imposed by the natural environment, the firm's ability to deal with these constraints will depend upon organisational capabilities, leading to economic and social outcome (Chan, 2005).

Some of the challenges in developing market orientation in emerging markets is a lack of systematic ongoing attention to acquiring and utilizing market intelligence, improper investing in product and service development that create competitive differentiation, and reluctance to fostering an organisational culture that internalizes this philosophy and expresses it in all its actions (Adhikari and Gill, 2011).

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