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# **Evaluations of market orientations in companies. Contemporary methodological dilemmas and challenges**

## **Introduction**

Pursuit of the highest possible level of market performance is the fundamental principle of company behavior in a competitive environment. A company's market orientation is believed to have the potential to increase such performance substantially. Hence, the process of establishing and improving a company's market orientation is a central theoretical and practical issue. Descriptions and studies of marketing concepts, tools, techniques, etc. are widely discussed in marketing literature. Much less coverage has been given to implementation of the marketing concept. The marketing concept implementation is inseparably tied to an assessment of the market orientation of individual companies. The two major issues of focus in such an assessment are:

1. a procedure for determining the degree of a company's market orientation,
2. a procedure for determining the impact of market orientation on a company's performance.

The author's goal in writing this article was to present an overview of possible approaches to and methods for evaluating a company's market orientation. In formulating his conclusions, the author drew upon, among other things, the findings of the International Research Group, whose research and methodological objectives include developing methods for diagnosing companies in terms of their market orientations<sup>1</sup>.

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<sup>1</sup> The aim of the ACE research project conducted from 1992 to 1993 (ACE I) was to survey the level of marketing knowledge and the degree of its utilization by Polish, Bulgarian and Hungarian companies. Another ACE project carried out from 1995 to 1997 (ACE II) concerned the effects of privatization and foreign direct investment on market orientation, market strategy, marketing opera-

## 1. The essence of market orientation

The basic precept of the marketing concept is achieving complete satisfaction of the customer's needs. The practical means of achieving this goal vary depending on a company's profile, industry, etc. Studies show that most companies focus their efforts on the use of instruments of mass communication to reach customers. Such companies operate mainly on mass markets, where consumer goods are sold on a massive scale. On these markets companies are not able to reach a large number of customers directly so they resort to a traditional marketing mix, an approach in which mass advertising plays a major role.

A growing number of companies, especially those operating in the service and business-to-business sectors, are finding opportunities for market success through the establishment of direct, long-lasting and long-term relationships with their customers. Such an approach to the market is in line with the contemporary concept of marketing and is called relationship marketing<sup>2</sup>.

Essentially, the assumption in relationship marketing is that vendors and customers may and should maintain direct mutual relations. It is emphasized that direct relationships developed by marketers are a key success factor in any market. Such relationships are achieved as part of a long process of working closely with customers. An important feature of relationship marketing is its departure from exchanges focused on specific transactions toward those centered on close cooperation between the vendor and the customer.

This notwithstanding, numerous studies and observations suggest there is more to a company's performance than just its relationships with customers.

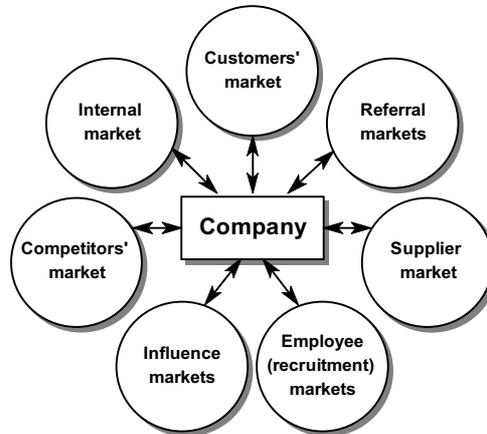
According to the relationship marketing concept, companies seeking to meet their objectives need to operate actively in six different markets, including those for customers, suppliers, internal business units, prospective employees (the labor market), opinion-makers and influential organizations. To complete its range of influence, a company should be active on one additional market: that for competitors (see Fig. 1).

A customer's decision to purchase a given product is influenced by a company's actions in all of the above markets. It is therefore essential that a company's key goals be defined for each such market (cf. Table 1).

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tions and the operating performance of Bulgarian, Polish, Slovenian and Hungarian companies. The studies were coordinated by an international research team composed of: Prof. Graham Hooley of Aston Business School, U.K., Prof. Krzysztof Fonfara of Wielkopolska Business School at the University of Economics in Poznań, Prof. Jozsef Beraacs of the Budapest University of Economics, Hungary, Prof. Marin Marinov of Sofia Technical University, Bulgaria, Prof. David Shipley of Dublin Trinity College, Ireland, George Avlonitis of Athens University of Economics, Greece (ACE I), and Prof. Boris Snoj of Maribor University of Slovenia (ACE II).

<sup>2</sup> K. Fonfara, *Marketing partnerski na rynku przedsiębiorstw*, PWE, Warszawa 1999.



**Figure 1. Effective companies need to be active in seven different markets**

Source: Modified on the basis of: *Advances in relationship marketing*, A. Payne (ed.), Kogan Page, London, 1995, p. 31

**Table 1. A company's key goals in markets**

Market	Goals
Customers' market	<ul style="list-style-type: none"> <li>to focus on customer service, which is the key element distinguishing a company's offerings from those of the competition</li> </ul>
Referral market	<ul style="list-style-type: none"> <li>to establish new relationships and secure new contracts by acting on the recommendations of professional advisors and existing customers</li> </ul>
Supplier market	<ul style="list-style-type: none"> <li>to create a network of close and mutually beneficial relationships</li> </ul>
Employee (recruitment) markets	<ul style="list-style-type: none"> <li>to recruit and retain loyal employees committed to meeting company objectives</li> </ul>
Influence markets	<ul style="list-style-type: none"> <li>to establish close relationships with entities that influence opinions and buying decisions on a given market</li> </ul>
Competitors' market	<ul style="list-style-type: none"> <li>to establish benchmarks</li> <li>to neutralize competition by engaging in cooperation with competitors</li> </ul>
Internal market	<ul style="list-style-type: none"> <li>to create an atmosphere conducive to ensuring that all of a company's employees have a complete understanding of customer-driven actions</li> </ul>

Source: K. Fonfara, *Marketing partnerski na rynku przedsiębiorstw*, PWE, Warszawa 1999, s. 74.

Consequently, a company's effectiveness depends both on market actions carried out in its external environment (external marketing) and those aimed at the company itself (internal marketing).

Finally, an essential issue pertaining to the concept of relationship marketing is customer portfolio management. Here, particular emphasis is placed on actions aimed at retaining existing customers. This goal is important with regard to inter-company relationships since, according to studies, a company's performance depends on a limited number of relationships<sup>3</sup>. Thus, a clear link can be shown between such relations and a company's performance. It is believed that important though acquiring new customers may be to any company, maintaining existing customers is even more crucial. This is because, as studies have shown, acquiring new customers is many times more costly than maintaining loyal buyers. Many companies set their sights on acquiring new customer groups. In effect, especially in the short-run, significant increases in sales are achieved. In the long-term, however, since most such companies find themselves unable to serve their customers satisfactorily, a process of attrition begins.

Therefore, strategically speaking, it is most essential to retain the broadest possible base of loyal customers. A company's success in doing so depends not only on satisfactory sales performance but also on adequate cost-effectiveness. Every company, therefore, must balance the proportions of investment in new customer acquisition with those in providing customer services to its existing loyal clients.

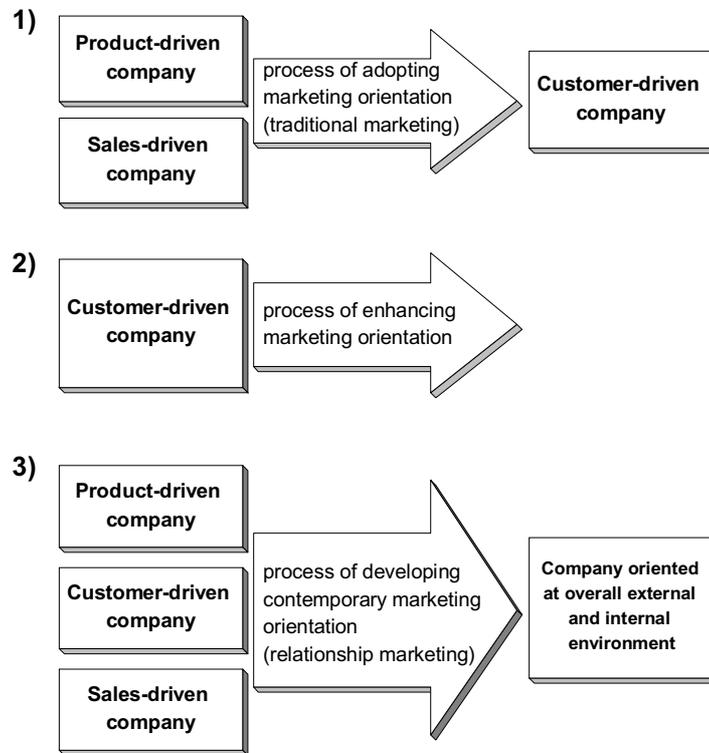
Since market operations in many companies and institutions are driven by relationship marketing, evaluations of their market orientations should account for the above mentioned areas.

## **2. General precepts for marketing implementation**

An essential prerequisite for success in implementing marketing is to define the anticipated results of planned changes and to monitor progress. A number of methods and instruments are available for diagnosing the status of a company's market orientation and assessing progress achieved in the marketing concept implementation. A number of scenarios exist for changing a company's market orientation – their choice depends on the company's initial mode of operation (see Fig. 2). A company may be transformed from a product- or sales-drive operation to a traditional marketing approach (marketing mix). Another scenario of a company's marketing reorientation is to improve its performance in implementing individual ele-

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<sup>3</sup> H. Hakansson, I. Snehota (ed.), *Developing Relationships in Business Networks*, Routledge, London 1995, pp. 10-12.



**Figure 2. Possible paths for a marketing reorientation of companies**

Source: Author's work

ments of the marketing concept as continuity in the process of marketing reorientation is crucial. Finally, changes in a company's operations may be aimed at adjusting it to current market conditions and trends. Such adjustments require the adoption of the contemporary market orientation (relationship marketing).

As demonstrated earlier, a company looking to ensure the effectiveness of its actions should undergo a transformation in line with the principles of contemporary market orientation. The question that arises is what factors determine the status of a company's market orientation?

It is commonly believed that determinants of the market orientation are as follows<sup>4</sup>:

- customer needs (intelligence generation, including market surveys),
- target markets (market segmentation, the choice of a target segment),

<sup>4</sup> Ph. Kotler, *Analiza, Planowanie, Wdrożenie i Kontrola*, Gebethner i S-ka, Warszawa 1994, pp. 13-26.

- coordination of marketing efforts (integration of activities carried out in the area of the marketing mix and coordination of marketing efforts with other in-house actions),
- profitability (as companies' ultimate goal is to maximize profit, not sales, the key is to monitor profitability for individual products, market segments and customers continuously).

The above determinants, compiled in keeping with the principles of the traditional approach to market orientation, fail to account for, among other things, the importance of a company's environment in the context of its market orientation. Other authors, however, suggest a much broader view. R. Brown points out that market orientation is distinguished by an emphasis on customer needs, market segmentation, analyses of a company's environment, including the competition, and the redesigning of a company's organizational structure to reflect market needs<sup>5</sup>. A. Kohli and B. Jaworski place emphasis on such market orientation determinants as a system of generating, disseminating and responding to intelligence<sup>6</sup>. They specifically describe the desired elements of such systems, which should include in particular:

- a system for generating intelligence – this concerns the entire organization, not just the marketing unit, and refers to data on current and future customer needs and the company's environment (including data on competitors),
- a system for disseminating intelligence – formal and informal dissemination of market intelligence to ensure everyone in the company is aware of market trends and developments and customer needs,
- a system for responding to intelligence – choices of target markets, products and services based on data on customer needs; distribution and promotion of products in line with customer expectations; all departments in a company should contribute to preparing an offering consistent with customer preferences.

The determinants presented by A. Kohli and B. Jaworski include many crucial market orientation criteria that are tied directly to contemporary market orientation approach. These include the importance of the overall environment (not only the customer), the need for the conscious participation of departments and individual staff members across the board in marketing concept implementation. However, in view of the above marketing precepts and the related concept of relationship marketing, adequately distinguishing market orientation features should include identifying them in a much more detailed and unambiguous manner. Once market orientation is seen and understood as a philosophy underpinning a company's actions, the factors affecting such an orientation can be classified on two levels:

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<sup>5</sup> R. Brown, *Marketing – A Function and a Philosophy*, The Quarterly Review of Marketing 1987, Spring/Summer, pp. 25-30.

<sup>6</sup> A. Kohli, B. Jaworski, *Market Orientation: The Construct, Research Propositions and Managerial Implications*, Journal of Marketing 1990, April, pp. 1-18.

- the strategic level
  - a company’s mission, accounting for the essential elements of the company’s market approach,
  - a company’s objectives and strategies (a strategy shows how a company’s market orientation will help effectively implement its strategic objectives),
- the operational level
  - relations maintained with every entity representing above mentioned markets (the markets of customers, opinion-makers, suppliers and competitors, employees – the labor market – and influential entities),
  - internal marketing is pursued (the internal market),
  - direct formal and regular relations with customers and other entities established with the use of a professional database,
  - an optimized customer portfolio.

A company is said to operate in accordance with the principles of relationship marketing if its functions, processes and actions are performed in response to the factors named above. Companies failing to pursue such functions, processes and actions do not meet the criteria of being market-driven in the contemporary sense of the term.

Nevertheless, it is difficult accurately to define the extent and type of a company’s market orientation in practice, as over-generalized and superficial surveys of companies may lead to erroneous conclusions. The challenge lies in developing proper procedures and analytical tools that ensure that information on a company’s market orientation or the absence thereof, as well as the extent and type of such an orientation, is objective and unequivocal.

### **3. Procedures and analytical tools for evaluating marketing implementation**

There are a range of practical methods for collecting data to assess the degree of a company’s market orientation. Besides direct interviews (the qualitative method), a significant tool used for this purpose are independent observations of the actual workings of a company. Frequent use is made of standard questionnaires (quantitative methods) filled out by representatives of various levels and divisions in an organization. Their outcomes provide general insights into a company’s market orientation. Quantitative and qualitative methods are commonly used to achieve the most accurate view of a given company.

One widely known method are what is called ‘analytical questionnaires’, which allow surveyors to determine the extent of a company’s market orientation by identifying the degree of reliance on key elements/areas of the market orientation as

indicated by the questionnaire's authors. Such questionnaires reflect the concepts of market orientation as held by specific groups of researchers.

One of the first questionnaires used in evaluating the process of assuming a market orientation was developed by Ph. Kotler<sup>7</sup>. The questionnaire he developed provides a useful tool for studying the following five areas in companies:

- customer philosophy,
- integration of marketing efforts,
- marketing information systems,
- strategic orientation,
- operational efficiency.

The next step in the process is to study those factors that are the most important to a company's proper functioning in each of the above areas. The factors to be surveyed with respect to customer philosophy are:

- the degree to which a company's product offerings are adjusted to its target markets,
- the actual segmentation of the target market as recognized by the company,
- a company's responsiveness to environmental changes with respect to readjusting its product offerings presented to customers.

With respect to the integration of market efforts, the focus is on:

- determining the degree of integration of a company's marketing and its other functions,
- evaluating cooperation between marketing and other functions (such as production, finance, purchasing, etc.) in the process of new product development.

Factors surveyed with respect to the third of the above qualities include:

- the amount of marketing research conducted by a given company,
- awareness of the structure of revenues and profits derived from specific market segments, products, distribution channels, etc.,
- measurement of increases achieved in the return on marketing spending.

The factors studied in the area of strategic orientation are:

- the scope of formal marketing planning,
- evaluation of the quality of marketing strategies,
- the contingency provisions included in marketing plans.

The final areas involve the research on:

- the manner in which the marketing strategy is communicated to employees and the manner in which such a strategy is implemented,
- the effectiveness with which marketing budgets are utilized by company management,
- the ability to respond quickly and effectively to sudden or unexpected events.

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<sup>7</sup> Ph. Kotler, *From sales obsession to marketing effectiveness*, Harvard Business Review 1977, November-December, pp. 67-75.

Each of the above qualities was studied with the use of specially selected questions arranged into a point system. The respondents were carefully selected employees of various divisions and departments of a given company. Low scores indicated the need for a program for increasing the degree of a company's market orientation. The questionnaires were drawn up in line with traditional marketing approaches.

A broader approach reflecting the contemporary approach to the market orientation more closely can be found in questionnaires prepared by J. Narver, S. Slater and the research team of B. Jaworski, A. Kohli and A. Kumar.

Having applied analytical procedures and having tested the significance of various criteria for market orientation, J. Narver and S. Slater have come up with a questionnaire focused on customer orientation, competition orientation and internal coordination<sup>8</sup>. In addition, an assumption was made that all of the identified market orientation criteria are equally significant. Empirical analyses showed that two of the initially considered criteria, the potential benefits of long-term actions and a focus on the company's profitability, are relatively less important. Based on study findings, a questionnaire was constructed comprising 15 questions related to the above-mentioned three key criteria for determining the degree of a company's market orientation. Such questions embrace:

1. a commitment to serving customer needs based on a program for monitoring their preferences,
2. a business strategy driven by the development of an attractive customer offering,
3. a good understanding of customer needs,
4. a commitment to satisfy customer needs fully,
5. regular measurements of customer satisfaction with a company's offering,
6. close attention given to after-sales services,
7. information on competition collected and communicated by sales staff,
8. a rapid response to competitive actions,
9. competitive strategies (their strengths and weaknesses) discussed by top management,
10. a commitment to achieving a competitive advantage written into the strategy,
11. a commitment to serve customers (also through direct customer relations),
12. information communicated across a company's business units,
13. business functions integrated to serve customer needs,
14. participation of all functions in serving customer needs,
15. resources shared by business units.

Critics of J. Narver and S. Slater's measuring approach emphasize the need to abandon the precept of the equal significance of the three identified criteria and to

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<sup>8</sup> J. Narver, P. Slater, *The Effect of a Market Orientation on Business Profitability*, Journal of Marketing 1990, No. 4, pp. 20-35.

give priority to customer orientation which, compared with the other two criteria, has a relatively stronger effect on a company's market orientation. Despite these and other qualifications (such as the lack of a direct link between some of the above-mentioned criteria and market orientation), the analytical questionnaire has proved to be a reliable practical diagnostic tool for determining the current status of a company's market orientation.

Another popular instrument for measuring a company's market orientation is an analytical questionnaire developed by A. Kohli and B. Jaworski<sup>9</sup>. The questionnaire is based on market orientation criteria (described above) that provide insights into the system for generating, disseminating and utilizing information on a company. The questionnaire

- relies on the entire market rather than only the customer as a source of information,
- emphasizes the role of coordination between a company's functions in the process of generating, disseminating and utilizing information,
- focuses on information processing.

The questionnaire comprises 20 questions concerning:

1. direct meetings with customers arranged to identify their future needs,
2. market surveys,
3. the time required to identify changes in customer preferences,
4. the system for collecting information from end users to appraise the quality of products offered,
5. the pace of change in the industry,
6. studies of the impact that changes in the external environment have on customers,
7. meetings between various departments of a company held to discuss market and development trends,
8. discussions between marketing staff and other functions on the future needs of customers,
9. time taken to spread information throughout the company on significant events regarding major account customers,
10. the regularity with which information on customer satisfaction is disseminated throughout the company,
11. the amount of time a company's departments require to provide significant information on the competition,
12. the amount of time required to make decisions on whether to respond and how to respond to changes in prices offered by the competition,
13. the propensity to ignore changes in customer needs,

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<sup>9</sup> A. K. Kohli, B. J. Jaworski, A. Kumar, *MARKOR: A Measure of Market Orientation*, Journal of Marketing Research 1993, Vol. XXX, pp. 467-677.

14. checks of progress achieved in product development to verify if new products are meeting customer expectations,
15. meetings of company departments to plan actions in response to changes in the external environment,
16. retaliatory responses to aggressive actions by the competition aimed at a company's customers,
17. the degree of coordinating the work of a company's various departments,
18. the manner of handling customer complaints,
19. the prospects for successful implementation of the marketing plan,
20. product or service modifications in response to information on changes in customer preferences.

The questionnaire specifies the scope and degree of:

- a company's commitment to have its departments research the market, collect information and receive signals from the external environment,
- dissemination of information (on the basis of the received signals) vertically and horizontally by means of formal and informal information channels,
- the formulation and implementation of marketing programs by the company on the basis of signals received from its environment and the information collected.

The questionnaire developed by A. Kohli and B. Jaworski is a tool for diagnosing the degree of a company's market orientation and for identifying the actions required to eliminate the weakest areas. In the event that steps have been taken to improve areas identified as weak or unsatisfactory, the questionnaire can be reused after some time to verify the effects of corrective measures and their impact on improving a company's market orientation.

As mentioned earlier, present-day studies of a company's market orientation call for unambiguous references to key areas proposed in the concept of relationship marketing. This is why in his consulting work the author chose to use a questionnaire that verifies the following criteria of a company's market orientation:

- a company's mission,
- goals and strategy,
- cooperation between various business units and levels of management,
- a system of part-time marketers,
- a key account management system,
- the use of a customer database,
- the effectiveness of a system for evaluating the degree of customer satisfaction,
- procedures for improving customer loyalty,
- knowledge of the buying process,
- the degree of reliance on informal relations,
- the degree of formality in a company's relations with its external environment.

Through cooperation with their clients, a number of training and consulting companies have developed their own analytical questionnaires, many of which are

tailored to meet the requirements of a specific industry or company size. It should be noted that assessment of the progress achieved in meeting some criteria of a company's market orientation, such as internal marketing, is often time-consuming, requires painstaking study, and as such discourages many companies. The fact of the matter is that such studies should extend to all of a company's employees. Such procedures are necessary if relationship marketing is to be successfully implemented. In effect, companies committed to adopting a relationship marketing approach should expect that implementation of a contemporary market orientation will prove to be relatively costly and time-consuming.

#### **4. The use of the resource-based theory in evaluating companies' success in achieving a market orientation**

The purpose of the studies described in the preceding sections was to determine the degree of a company's market orientation. The procedures presented should facilitate identification of the extent of such an orientation. However, there is another question that arises in the process of evaluating a company's market orientation. The question pertains to the impact of such an orientation on the company's performance in markets. After all, the purpose of implementing and improving a company's market orientation is to boost its competitive position evaluated as a function of its performance. A search for answers to the above question points to a resource-based theory of the company<sup>10</sup>. It has been found that this theory, and specifically an analysis of a company's marketing resources, may help determine the effects of marketing on a company's performance and set directions for its marketing reorientation.

The resource-based theory of the firm (RBT) is well known in the strategic management literature, where it is seen as a theory of competitive advantage. The theory assumes that the desired outcome of managerial effort within the firm is the creation and deployment of a sustainable competitive advantage (SCA), which in turn will result in the achievement of superior performance. The theory then focuses on how firms achieve and sustain advantages. Under the RBT, the route to achieving SCA lies in the possession of certain key resources which

1. add value for customers (e.g. through lower prices, superior quality or greater benefit);
2. have barriers to duplication (immobility across firm boundaries and difficult for competitors to imitate or replace by substitute processes) and

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<sup>10</sup> G. Hooley, J. Fahy, J. Beracs, K. Fonfara, B. Snoj, *Marketing capabilities and firm performance: a hierarchical model*, Journal of Market Focused Management 1999, No. 4, pp. 259-278.

3. are appropriable.

These resources may be assets (tangible assets, such as plant and machinery, or intangible assets, such as brand name and reputation) or capabilities (the skills to create, nurture and deploy assets).

In the marketing literature there are two particularly useful frameworks being proposed for understanding marketing processes and capabilities. The first one was developed by F. Webster, who proposed viewing marketing across three main dimensions<sup>11</sup>:

- marketing as culture,
- marketing as strategy,
- marketing as tactics.

In considering marketing as culture F. Webster discusses the basic set of beliefs and values of an organization and the centrality of the customer to it. Additionally, at this level of analysis, the market orientation should be considered, assuming it is a key resource capable of creating sustainable competitive advantage. At the marketing strategy level, attention focuses on market segmentation, targeting and positioning (defining how the firm is to compete in its chosen markets). At the tactical, or operating level, F. Webster suggests focus on customer relationship building through the 4Ps of product (including service), price, promotion, and place.

The second important contribution to the capabilities discussion was made by G. Day, who developed a framework for categorizing capabilities, based on their focus within the firm or outside it, as outside-in, inside-out or spanning processes<sup>12</sup>. The outside-in processes represent capabilities such as market sensing, customer linking (called earlier by F. Webster customer relationship), channel bonding and technology monitoring. Central to these is an external focus whose purpose is “to connect the processes that define the other organizational capabilities to the external environment and enable the business to compete by anticipating market requirements ahead of competitors and creating durable relationships with customers, channel members and suppliers”. Inside-out processes, by contrast, focus on the firm’s internal resources and capabilities such as financial management, cost control, technology development and integrated logistics. Their essence is that, in themselves, they offer little value until they are “activated by market requirements, competitive challenges and external opportunities” and subsequently deployed to create a competitive advantage in the marketplace. Spanning processes serve to integrate inside-out and outside-in capabilities. They typically require both understanding of market requirements and internal competencies to fulfill them. Span-

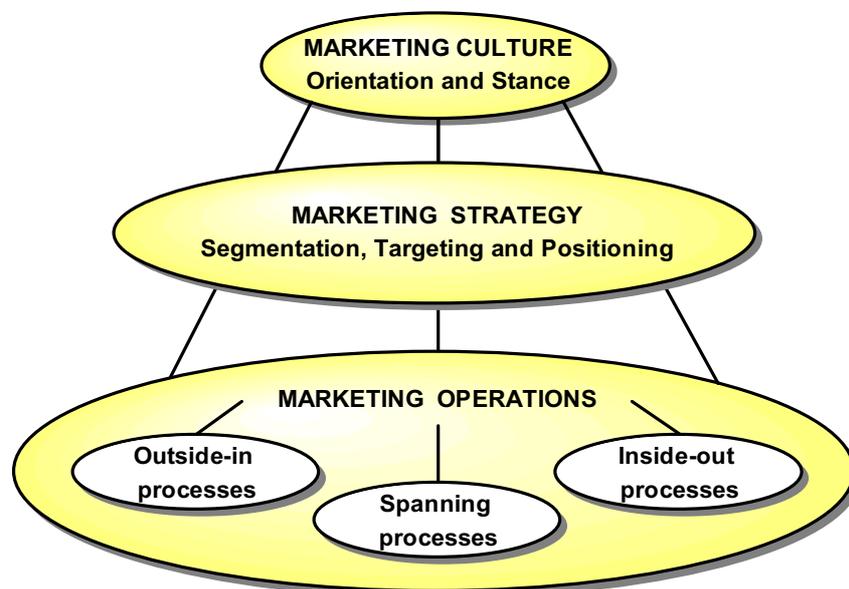
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<sup>11</sup> F.E. Webster, *The changing role of marketing in the corporation*, Journal of Marketing 1992, Vol. 56, pp. 1-17.

<sup>12</sup> G. Day, *The capabilities of the market-driven organizations*, Journal of Marketing 1994, No. 4, pp. 37-52.

ning competencies include customer order fulfillment, pricing, purchasing, customer service delivery and new product/service development.

Based on the works discussed above, a hierarchical model of marketing processes and resources was proposed progressing from culture, through strategy formulation to operational implementation (Figure 3). The model follows closely F. Webster's conceptualization of levels of marketing processes, locating G. Day's conceptualization of capabilities primarily at the operational level, in that hierarchy, but recognizing the contribution to culture of market orientation.



**Figure 3. A Hierarchy of Marketing Resources**

Source: G. Hooley, J. Fahy, J. Beracs, K. Fonfara. B. Snoj, *Marketing capabilities...*, op. cit., p. 262

#### *Level 1 – Marketing Culture*

Marketing culture can be seen as a key resource capable of creating SCA. On the criteria identified above, it can be seen to offer clear value in focusing the activities of the organization on customer requirements, and there are barriers to duplication/imitation through causal ambiguity, which in turn is considered a key isolating mechanism (phenomena that can protect resources from imitation). Marketing culture consists of the marketing philosophy adopted (market orientation) and the stance of the firm in the market place as indicated by the overriding strategic priorities pursued.

### *Level 2 – Marketing Strategy*

Competitive positioning forms the core of a firm's marketing strategy. Decisions on how to segment the market, which market segment(s) to target and how to achieve that targeting, constitute the positioning strategy adopted. In this respect, an interesting approach was proposed by M. Porter<sup>13</sup>. He proposed three main ways in which firms might position their offerings in the market place. Under variety-based positioning, the firm selects the types of offerings it can make based on its capabilities rather than customer requirements. Needs-based positioning occurs where a firm identifies its target market and then designs its offerings to meet as many of their needs as possible. Access-based positioning identifies segments through commonality of accessibility. The distinguishing feature of M. Porter's classification is the relative emphasis placed on resources (RBV) compared with customer wants and needs (market orientation).

### *Level 3 – Marketing Operations*

At the third level, the hierarchy recognizes the capabilities and skills that are needed to operationally implement the marketing strategy. At this level, the concern is with highly specific marketing operations, tactics and activities that are deployed to achieve the desired competitive positioning.

Here, within the framework of G. Day's concept discussed above, categorizing the processes as outside-in, inside-out and spanning capabilities is potentially useful. The outside-in capabilities of researching customers and competitors or creating relationships with customers and suppliers are typical activities that are embarked on to create the desired competitive positioning. Similarly, the inside-out capabilities such as effective cost control, information storing and retrieval, and integrated logistics can create a platform for creating competitive advantage. Spanning capabilities integrate the inside-out with the outside-in to generate superior implementation of strategy. In themselves, individual processes or operations (such as conducting marketing research, keeping control of costs, or efficient order fulfillment) may be imitable, but it is their combined effects that create complexity and causal ambiguity and hence offer opportunities for sustained competitive advantage.

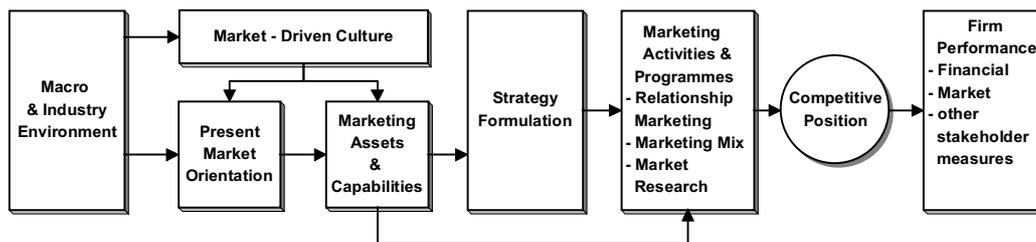
Attempts to take advantage of the RBT have been made within the framework of a current project of the International Research Group that constitutes a continuation of the above-mentioned joint research work of the 1990s<sup>14</sup>. The subjects se-

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<sup>13</sup> M. Porter, *What is strategy?*, Harvard Business Review 1996, No. 6, pp. 61-78

<sup>14</sup> The research project is conducted by a research team composed of: Prof. Graham Hooley, Prof. Gordon Greenley – Aston Business School (UK), Prof. John Fahy – University of Limerick (Ireland), Prof. Krzysztof Fonfara – Wielkopolska Business School, Poznań University of Economics (Poland), Prof. Kristian Moller – Helsinki School of Economics (Finland), Prof. Hans Muchlbacher – University of Innsbruck (Austria).

lected for the project include marketing resources defined as marketing assets and marketing capabilities. Such resources have been grouped according to the above-mentioned classification. A pilot survey suggested a number of changes to the initial version of the study, including the scope of marketing resources, which was substantially expanded by the addition of the above-mentioned criteria of relationship marketing, and specifically by a company's relationships with all external organizations (not only customers but also suppliers, competitors, influencing bodies etc.). Once such studies are completed, their findings will be examined for the effects that each marketing area has on the company's performance (see Fig. 4). A detailed examination of the data, scheduled for late 2001, is expected to provide answers on the applicability of the adopted method to assessments of a company's market orientation. The model shown in Fig. 4 is clearly a simplification, as in practice the process is not only sequential (with preceding elements effecting the subsequent ones), but also interactive. In effect, the individual elements of the model



**Figure 4. Main components of the process of evaluating a company's market orientation (resource-based approach)**

Source: Author's work

mutually affect one another, making it difficult to establish their impact on the final outcome unambiguously.

The purpose in evaluating a company's market orientation is to improve its effectiveness on the market and enhance its competitive position. A number of studies have been conducted in various research centers by a range of research groups aimed at developing relatively accurate approaches, procedures and tools for reliable assessments of the degree of a company's market orientation and its effects on a company's performance. It should be noted here that the degree of a company's marketing orientation may be analysed at the macro-level by examining a larger number of companies and attempting to establish the extent to which a market orientation is accepted in a given industry, country, etc. Such studies usually involve a great number of companies and, in addition to the above goals, are used in testing analytical tools to be used in micro-level research, i.e. research conducted at the level of an individual company.

The presentation of the process of assessing a company's market orientation provided in this paper certainly does not exhaust the topic. This is because the scope of the paper was restricted to a discussion designed, in the author's view, as a contribution to establishing further directions in research into the marketing aspects of improving a company's competitive position. The new trend in research indicated in this paper, built upon a resource-based theory of companies, has recently grown in popularity, as it offers a means for an in-depth analysis of the nature of a company's market orientation. Links between this approach and the concept of relationship marketing provide an opportunity for accounting, in a more complete way, for the state of a company's environment in the early 21st century.

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