MARKET ORIENTATION

One of nowadays’ most recurring discussion topics in Marketing is undoubtedly that of Market Orientation. We all use and underline such a concept with quite a lot of frequency, as we are convinced that it is a key factor for the success of the business strategy and its sustainability. However, there exists a very significant business environment in which neither the concept is well understood nor the above-stated principle is really assumed, namely that of the industrial companies. For clarity, let’s say that, in the context and for the purpose of this paper, by industrial companies we understand those having a commercial portfolio made up of products and/or services of a clear industrial nature (i.e. raw materials, machinery components, manufacturing equipment and its associated services, etc).

Although the empirical research hasn’t produced quite conclusive evidences yet as to the reasons why industrial companies have historically paid so little attention in general to the proper development and professionalization of the Marketing function within their organizations, and particularly to the market orientation, there are some available studies which can provide some clues (among them, taking the freedom of a self-citation: García-Pardo and Cerviño, 2008). The purpose of this short paper is not, however, to deepen into said reasons but into the market orientation itself and its drivers and effects. In other words, it will be investigated which factors contribute to boosting the market orientation in an industrial company (drivers) and what impact on the company’s performance can be expected (effects) as a result of that. In order to reinforce the groundings of this dissertation and the conclusions eventually reached, the findings of the most recent scientific research available on the topic will also be provided.

HOW MARKET ORIENTATION IS ACCOMPLISHED

We all seek to ensure our respective companies operate with market orientation, but what is all that about? More specifically, what does market orientation lie in? What are the “fundamentals” which, in practice and not only rhetorically, power said orientation? Anticipating the conclusions, I will say that the mentioned fundamentals are three: functional integration, functional integration, and functional integration. Obviously, this statement contains a deliberate exaggeration aimed to emphasize the role, more than crucial and probably never sufficiently acknowledged, that the functional integration plays on the achievement of the effective market orientation within a company. By functional integration we understand the adequate harmonization and alignment of interests across the different departments and functional areas of the company, especially those most directly involved in its value chain.

Moreover, among all said areas, those providing the strongest impact potential on the achievement of an effective market orientation if effectively functionally integrated are undoubtedly Marketing and Engineering/R&D.

These theses find a widespread endorsement in the scientific literature on the topic. As a representative sample, I will mention the conclusions of one of the most notable pieces of work on the subject (Wren, Souder, and Berkowitz, 2000):

- Above all, the market orientation consists of two things: 1) the capacity to interpret the client’s needs and feedback all the company’s operations with them, and 2) the skills to obtain high-quality market intelligence.
In industrial companies, the keys to be successful on the two factors above (client orientation and good market intelligence) are essentially three: functional integration, senior executive level’s commitment, and project management skills. These are then the drivers of the market orientation according to this investigation. However, the first driver, the functional integration, is the factor which to a largest extent explains the accomplishment of the market orientation (between 20 and 60%, depending on certain external factors), and, additionally, is by far the factor showing the largest independence with respect to the country’s business culture. This is essentially the reason why we believe the functional integration is so crucial and thought was worth being emphasized so heavily before.

Now it is the time to look at the market orientation effects referred to above by addressing the question: to what extent does an appropriate market orientation contribute to improving the business performance? Again, under this investigation, in which the performance under assessment was the profitability of the newly developed products, such a contribution turned out to be comprised between 56 and 78% (!!!), and it clearly stood out as the most determining success factor. The other two factors allegedly contributing to success which were assessed, namely the technical capacities and the sales force appropriateness, showed a much more modest influence.

THE IMPORTANCE OF THE ENGINEERS’ ROLE

Once persuaded of the paramount, extreme importance that the functional integration has when it comes to achieving the desired market orientation in industrial companies, it is needed to get one’s attention regarding another closely related question: the crucial role that a particular community of professionals plays on the expectations of success, or even of viability, of the functional integration: the engineers’. This is mainly due to engineers having a prominent presence in industrial companies, on both operational and executive levels, and not only in the technical departments (i.e. Manufacturing, Engineering, R&D…), but also very frequently in the commercial areas. For this reason, the engineers, their mindset, their weaknesses and strengths, play a quite critical role on the achievement of the functional integration.

In order to provide this discussion with some rigorous, and not only prejudicious, light, we should resist to the easy temptation to turn to the popular stereotypes on the engineers, but, once again, go into the most recent empirical research on the subject. In that regard, there exists a notable scientific literature on the relationship between the engineers and the Sales and Marketing professionals in industrial companies (I would especially highlight the job by Shaw and Shaw, 1998). However, it is quite remarkable the large extent of coincidence among their basic conclusions, the ones most worth mentioning being:

- As a general observation, on the one hand marketeers see engineers too focused on achieving product’s technical excellence but little concerned about what the customer actually needs; on the other hand, engineers complain about marketeers’ total ignorance of the product’s features and the difficulties and limitations inherent in its development, as well as a deficit of professionalism of their function, in contrast with theirs, Engineering, a profession requiring a very specific university degree which is hard and takes quite a few years to achieve.

- The significant distance between both professions in terms of education and mentality seems to be the main source of conflicts between these professionals, followed, in this order of importance, by personal feelings, target misalignment, management problems, and lack of communication.

- The engineers’ training in Marketing can contribute to reducing the education distance and communication problems mentioned in the point above in many cases. However, the results of the investigations also suggest that there is certain risk that such training can somehow become counterproductive, possibly due to marketeers feeling threatened by engineers trained in Marketing, as they could look on them as rivals.

- The quantity and quality of the communication between Engineering/R&D and Marketing, hence the quality of their effective integration, improves with the proximity between their physical locations: better in the same than in different buildings, and better in different buildings based in the same site than in sites or cities away from each other.

Now the question is how to use these evidences, with strong empirical backup, to improve the critical integration between the two functions. In addition to the good practices which immediately result from the above, such as that of the physical proximity, there is, to my mind, an essential aspect: it is clear that the best way to provide a coin with two sides is not to craft the two sides independently and then stick them to each other; likewise, in industrial companies, why not to merge Marketing and Engineering/R&D into a single functional area under a unified management and with highly homogeneous professionals? It could be objected that engineers are not appropriate for Marketing. In my view, as it was already argued elsewhere (mainly in García-Pardo and Cerviño, 2008), engineers are in fact especially appropriate for Marketing functions in industrial environments, although certainly supported on specific functions by “pure” Marketing specialists.