

## ORGANIZATIONAL SEARCH AND MARKET ORIENTATION

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### ABSTRACT

Market orientation has evolved into a key construct in the marketing and strategy literature. While much progress has been made in empirical research, the concept lacks a coherent theoretical foundation. Essentially, much prior research has pointed to the role of market-sensing capabilities to explain performance differentials among firms (Day, 1994). We open up the black box of market-sensing capabilities by treating the issue of choosing marketing attributes of products as a problem of organizational search. Despite much robust research on organizational search in the strategy and organization literature (Cyert & March, 1963; Nelson & Winter, 1982; March, 1988; Levinthal, 1997; Sorenson, 2002), the organizational search processes underlying market orientation has received little, if any, attention in marketing research. Our research thus contributes to the growing body of marketing research drawing on the behavioral theory of the firm.

A critical problem for marketing managers is the strategic positioning of a product in the market (Day & Wensley, 1988; Morgan & Hunt, 1995). The most basic framework to address the positioning remains the classic marketing mix, the 4 Ps (product, price, place, promotion, and their respective sub-components) of marketing. Viewed from this perspective, the main challenge for marketing managers is to find, select and deliver the attributes in the marketing mix that match the expressed and still unexpressed preferences of current and prospective customers. To shed light on this decision problem in marketing, we use two basic models drawn from the behavioral theory of the firm and analyze how firms search for and select the attributes of the marketing mix. Specifically, we draw on the aspiration-level model (March, 1988) and on the NK model of organizational adaptation (Levinthal, 1997) to study the market orientation of firms. We argue that the distinction between proactive and responsive approaches to market orientation (Jaworski & Kohli, 1996; Slater & Narver, 1998; Narver, Slater & MacLachlan, 2004) represent two very different search profiles, with their effectiveness depending on organizational and environmental factors.

We provide an elaborate outline of the multidimensional aspect of firms' responsive and proactive search processes. First, we highlight the role of organizational aspiration-levels for market orientation. We then investigate the mechanisms underlying when a firm should allocate attention to customers and competitors. Moreover, we distinguish between two different types of competitive intelligence usage, namely for imitation of competitive marketing mix and for benchmarking to develop more effective aspiration-levels. Then we provide insights into how the complexity of the marketing mix influences a firm's market orientation. Lastly, by basing our research on results from model-based research, we get insights to the dynamic and temporal aspects of a market-oriented firm's market-sensing capability. We therefore argue that a theory of market orientation grounded in organizational search holds great promise to provide answers to the problem of how to strategically position a product in the market place.

References Available on Request.