

# **Marketing Entrepreneurship: Linking Alertness to Entrepreneurial Opportunities with Strategic Orientations**

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*Marketing and entrepreneurship have long been recognized as two key responsibilities for firms. Research efforts, however, have generally considered the two separately or examined integration only in specific contexts. This paper, building upon Austrian economics and marketing perspectives, presents marketing and entrepreneurship as synonymous and explores the means by which a firm's marketing function may fulfill its entrepreneurial role. Strategic orientations, it is suggested, serve to alert marketing entrepreneurs to opportunities by focusing attention on aspects of the firm's environment. Testable propositions linking alertness to opportunities, strategic orientations, and market maturity are presented. Both managerial and research implications are discussed.*

## **INTRODUCTION**

Ideas from the Austrian school of economics, founded by Menger (1871) in the late nineteenth century, have entered into several streams of marketing theory literature. Alderson (1957), for example, indicates that the work of Mises (1949), an Austrian economist, influenced his theory of functionalism. In the 1990s, both Dickson (1992) and Hunt and Morgan (1995) drew upon Austrian economics in presenting theories of firm competition. Defining marketing as a technological (or applied) discipline, Kirkpatrick (1983) suggests that Austrian perspectives on entrepreneurship offer a foundation for marketing theory. Expanding upon this viewpoint, he links the Austrian vision of entrepreneurship with strategic marketing, claiming that "strategic marketers are entrepreneurs" (Kirkpatrick, 1985, p. 186). More recently, Broeckelmann (2008) addresses the potential of Austrian economics as a general marketing theory. Concluding that the Austrian approach is not a satisfactory basis for a general theory of marketing, he concurs with Kirkpatrick in presenting Austrian economics as a solid foundation for that aspect of marketing focused on commercial exchanges.

This paper expands Kirkpatrick's (1983, 1985) "marketing is entrepreneurship" viewpoint by examining the means by which a firm's marketing function is able to fulfill the entrepreneurial role. The focus is on the part played by strategic orientations in directing a firm's marketing function to profit opportunities. A strategic orientation, it is suggested, serves to alert marketers to opportunities by focusing attention on a particular aspect of the firm's environment. Propositions related to strategic orientations are presented: (1) the strength of each strategic orientation will vary in the stages of market maturity, and (2) for each strategic orientation, strength of the orientation-performance relationship will

vary in the stages of market maturity. In other words, the firm's marketing function, interpreting signals from the competitive environment, moves to orient toward various environmental elements and profit opportunities.

## **AUSTRIAN ECONOMICS**

Marketing, according to Kirkpatrick (1983, 1985), is an applied discipline that aims to define general principles by which need-satisfying products may be created, promoted, and delivered to consumers. These general principles can be "derived from the concepts, principles, and laws of Austrian economics" (Kirkpatrick, 1985, p. 186). The Austrian vision of market competition as a dynamic process, in particular, provides a foundation for an entrepreneurial theory of marketing. From an Austrian perspective, economics is based on human choice. According to Mises (1949, p. 14), all human choices are aimed toward removing a "felt uneasiness." Both Mises and Rothbard (1962) restate this principle in declaring that choices and actions are generated by a desire to exchange a less satisfactory state of affairs for a more satisfactory state. Continuing this line of reasoning and drawing upon Menger's (1871) earlier insights regarding market prices, Mises (1949, p. 270) indicates that the "captain is the consumer" in a market society. Producers (labeled entrepreneurs, capitalists, farmers, etc. ) cannot determine what is to be produced. Consumers, whose tastes and preferences continually change, control production through choices concerning what to buy and what not to buy. So long as scarcity is an enduring characteristic of the market, competition among producers ensures that resources are employed to further consumer satisfaction. Kirkpatrick (1983, p. 47) equates this perspective with the idea that the market economy "begins and ends with the consumer," often considered the foundational concept for marketing management (e.g., Houston, 1986).

### **The Market Process**

Mises (1949), Hayek (1948), and Kirzner (1973) argue that the market is a dynamically competitive process. This process involves four "actors" performing basic functional roles: entrepreneurs, capitalists/landowners, workers, and consumers. The first three make up the productive forces of the market. All actors lack knowledge concerning the current and future state of the market and their actions in the face of uncertainty are speculative in character. Mises and Kirzner observe that uncertainty and speculation result in a market process that is essentially entrepreneurial for both producers and consumers. In striving to offer consumers a more satisfactory state of affairs, however, entrepreneurs relieve consumers of the necessity to act as entrepreneurs. The result is a market process that can be examined "as if all entrepreneurial activity were in fact carried on by producers" (Kirzner, 1973, p. 18).

As entrepreneurs discover errors in prior entrepreneurial plans, the plans are corrected and the market moves toward equilibrium (Hayek, 1948). Rothbard (1962, pp. 885-886) explains that the test of an entrepreneur's plan corrections, guided by perceptions regarding consumer desires and recognizing consumer sovereignty, comes quickly:

Large profits are a signal that he has been on the right track, losses that he has been on the wrong one. Profits and losses spur rapid adjustments to consumer demands; at the same time, they perform the function of getting money out of the hands of the inefficient entrepreneurs and into the hands of the good ones. The fact that good entrepreneurs prosper and add to their capital, and poor ones are driven out, insures an ever smoother market adjustment to changes in conditions.

If the market reaches equilibrium, the market process ceases. Market activities would then continue indefinitely without change. But failures of entrepreneurial discovery and correction, as well as continual changes in consumer preferences, resource availability, and technology prevent the process from proceeding to completion. Nevertheless, Austrian economists indicate that entrepreneurial discovery and correction can be viewed as moving the market toward a constantly changing equilibrium (Kirzner, 1997).

### **Entrepreneurial Alertness**

Klein (2010) distinguishes among three strands of entrepreneurship literature. Occupational perspectives explore the characteristics and attitudes of potential and actual entrepreneurs, often comparing entrepreneurship career options with non-entrepreneurship employment (e.g., Mboko, 2011). Structural approaches examine particular firms (or industries) and generally associate entrepreneurship with specific market structures (in most cases, markets comprised of small firms or turbulent markets) and organizational cultures (e.g., Aldrich, 1990). The Austrian perspective of Mises (1949) and Kirzner (1973), in contrast, views entrepreneurship as an essential producer (firm) function. Kirzner's perspective on markets and competition directs attention to this entrepreneurial role, found in large and small firms, old and young firms, and across occupation and industry categories. For Kirzner, an entrepreneur is a speculator who seeks opportunities to better satisfy consumers needs and wants. A successful entrepreneur, exercising alertness to opportunities and moving to take advantage of such opportunities, is rewarded with profits. Following Mises, he recognizes the arbitrage element in all entrepreneurial activity. The entrepreneur who speculates better than others about the future state of the market is able to "buy low and sell high." Kirzner (1997, p. 73) emphasizes the competitive nature of this process, as "each entrepreneur seeks to outdo his rivals in offering goods to consumers (recognizing that, because these rivals have not been offering the best possible deals to consumers, profits can be made by offering consumers better deals)."

Entrepreneurial alertness refers to anticipating opportunities to better serve the needs and wants of consumers and then exploiting those opportunities. Brockmann (2011, p. 46) contends that successful entrepreneurs are able to access tacit knowledge, "work-related practical knowledge learned informally through experience on the job," and this access has a positive impact on their ability to recognize opportunities and make better decisions related to those opportunities. Similarly, Earl (2003) suggests that successful entrepreneurs have a comparative advantage in making mental connections among elements of the environment. By making unique connections, an entrepreneur is able to develop a product that has greater appeal to consumers than anything competitors are able to provide. The resulting arbitrage opportunity, however, does not exist (beyond the mind of the entrepreneur) until the consumer is aware of the product's value. Entrepreneurs must discover opportunities, assess the attractiveness of each opportunity, and then exploit the more attractive opportunities. Plummer, Haynie, and Godesiabo (2007) extend this discovery-evaluation-exploitation framework to include selection of a strategy for exploiting each attractive opportunity. Kirkpatrick (1983, p. 48) summarizes this effort, which he suggests is synonymous with the marketing function of a firm, by indicating that the entrepreneur's end goal is "to make the opportunity available to the consumer in such a way that he cannot miss it." Poor choices and mistakes in the process result in "underexploited" opportunities (Plummer et al., 2007) or losses (Kirzner, 1997) that stimulate subsequent entrepreneurial discoveries.

### **MARKETING ENTREPRENEURSHIP**

Kirkpatrick (1983, 1985) equates the role of entrepreneur, as defined by Mises (1949) and Kirzner (1973), to the marketing function of a business enterprise. Speculative insight, or alertness to opportunities, allows a firm's marketing function to anticipate and realize profit opportunities by offering consumers "better deals." In essence, the marketing function creates these opportunities by employing the classic tools of marketing management: market research, product design, pricing, marketing communications, and distribution (Broeckelmann, 2008; Kirkpatrick, 1983). Success in this endeavor comes from providing consumers with value (allowing consumers to exchange less satisfactory states of affairs for more satisfactory states). Broeckelmann (2008) agrees with Kirkpatrick in presenting Austrian perspectives as a solid base for the commercial aspects of marketing. Pointing to commonly accepted definitions of marketing, including those put forward by the American Marketing Association and Philip Kotler, he identifies "striking similarities with the Austrian entrepreneur" (Broeckelmann, 2008, p. 54). Marketing managers, planning and acting in the context of a dynamic market process where consumers' tastes and preferences continuously change, must speculate about uncertain future events and use

instruments of the marketing program to facilitate exchanges with consumers. Alertness to opportunities, which allows for product differentiation, exploitation of opportunities, and resulting profits, is one key to success. In a dynamically competitive market process, however, product differentiation and profits quickly erode (Broeckelmann, 2008; Kirkpatrick, 1983; Kirzner, 1997). The firm's marketing function must therefore scan the environment in search of short-term as well as long-term opportunities for profit. Opportunities for long-term product differentiation and lasting profits are rare, so the firm's marketing function (acting entrepreneurially) most regularly seeks profit opportunities that can be briefly exploited through relatively small changes in marketing program elements.

In recent years, the interrelationship between marketing and entrepreneurship has been explored through the "entrepreneurial marketing" construct presented by Morris, Schindehutte, and LaForge (2002). Emerging primarily from structural and occupational approaches to entrepreneurship, entrepreneurial marketing is offered as most appropriate for the marketing functions of small and mid-size firms facing environmental turbulence. Entrepreneurial marketing differs from the "marketing is entrepreneurship" of Kirkpatrick (1983, 1985) and Broeckelmann (2008), who indicate that the marketing function in all firms (and in all competitive environments) is essentially entrepreneurial. Elaborating on this point, Kirkpatrick (1985, p. 186) describes strategic marketing as follows:

Strategic marketing unites innovation with execution. Just as individual acting man chooses his goals and then acts to achieve them (with no guarantee that he will achieve them), so also the strategic marketer chooses his company's goals (including what products to offer and what markets to serve) and then sets out to achieve them. That is entrepreneurship.

This paper, adopting Kirkpatrick's functional conception of entrepreneurship, views entrepreneurship as the essence of the marketing function in all firms.

## **PHILOSOPHICAL CONCEPTS AND STRATEGIC ORIENTATIONS**

Kirkpatrick (1983) and Broeckelmann (2008) present Kirzner's (1973) concept of entrepreneurship, focused on alertness to opportunities, as identical to the marketing function of a firm. Klein (2010), however, identifies a weakness in this approach in its failure to offer a theory of how opportunities are identified. Both Earl (2003) and Holcombe (1998) address this limitation. Earl (2003, p.15), pointing out that "profit opportunities are not things that lie around waiting to be found," examines the question of how opportunities come to be perceived by entrepreneurs. His answer is that the entrepreneurial role involves construction of opportunities through mental connections. The entrepreneur creates the potential for profit opportunities by linking elements of the firm's internal and external environments (product attributes, consumer desires, technological capabilities, etc.). The firm then engages in operational activities in order to make the connections and profits a reality. Holcombe (1998), exploring the relationship between Kirzner's views on entrepreneurship and Hayek's (1945) perspectives concerning use of knowledge, suggests that alertness to opportunities involves being in the "right position" to notice opportunities. Specific knowledge does not create entrepreneurial insight, but it does place the firm in a position to notice things that could not be noticed without that knowledge. Knowledge differences thus partly explain why one entrepreneur is able to make the mental connections needed for discovering profit opportunities while others are incapable of making those connections. Holcombe also emphasizes that knowledge critical to entrepreneurship is not necessarily substantive knowledge, but knowledge of where to find relevant information. Based upon these extensions of Kirzner's functional approach to entrepreneurship, the role of the marketing function within a business enterprise can be stated as follows: determine where relevant information is to be found, seek that information, construct mental connections, and create profit opportunities ahead of the competition. In performing these tasks, marketing entrepreneurs manifest alertness to opportunities as described by Mises (1949) and Kirzner. For over half

a century, the marketing literature has asserted that the starting point for successfully performing this entrepreneurial role lies with philosophies that guide a firm's marketing activities.

### **Philosophical Foundations for Alertness to Opportunities**

The principle of the marketing concept, which emerged in the 1950s and early 1960s, has become a philosophical foundation for both marketing academics and practitioners. Proponents argue that creating satisfied customers should be the primary objective of a business (Keith, 1960; Levitt, 1960). Keith, for example, expresses the requirement that marketers place consumers' needs before the production and selling abilities of a firm. He describes an evolutionary approach, with a firm gaining strength as it moves through production and sales phases to a customer satisfaction emphasis. In the antecedent phases (guided by production and sales philosophies), the firm's products are not tailored to meet consumer needs and wants as revealed by marketplace research. Adopting a more negative tone, Levitt (1960) urges marketers to avoid "marketing myopia," the naïve belief that current profitability will extend indefinitely into the future. He provides numerous examples of marketing efforts where firms emphasize current product features and production processes while giving little attention to customer desires. Instead of internally-focused product and production approaches, Levitt declares that firms must be preoccupied with the idea of satisfying customer needs. In this manner, stagnation is avoided and marketplace opportunities are continually identified and exploited. For decades, marketing texts have presented the marketing concept as superior to the product and production concepts defined by Levitt and the sales concept critiqued by Keith and others (e.g., Kotler, 1977). Summarizing the philosophy, Saxe and Weitz (1982, p. 343) link the marketing concept to the marketing function's alertness to opportunities, which requires a firm to "determine the needs of a target market and adapt itself to satisfying needs better than its competitors."

Despite widespread academic and practitioner acceptance, questions have been raised concerning the value of the marketing concept in guiding a firm to successful performance outcomes. Hayes and Abernathy (1980) argue that the marketing concept leads only to creation of feasible products within the customers' frame of reference. The result is incremental innovation and inferior products over the long-term. Hamel and Prahalad (1991), advocating a product concept, assert that firms centered on understanding and responding to customers' needs are unable to anticipate many innovations which later prove to be commercially successful. In a more extensive critique and restatement of the marketing concept, Houston (1986) suggests that most interpretations of the philosophy lead to an incomplete prescription for firm success. Failing to recognize that consumers are not necessarily good sources of information concerning their future desires, marketers often accept the necessity of following only the currently expressed needs and wants of their customers. Interpreted in this manner, the marketing concept creates a marketing function that fails to recognize the frequent need for product designers and salespeople to educate and persuade consumers. Houston suggests that a consumer-focused management philosophy does not require the firm to set aside its unique skills, capabilities, and resources in product design, production, and sales in attempts to better satisfy consumer needs and wants. Under certain circumstances, "the production concept or the sales concept would be a more appropriate management philosophy for the organization than the marketing concept" (Houston 1986, p. 85). Consumers who pursue exchanges by emphasizing non-product elements of the marketing mix, for example, may be best served by firms which aggressively seek out customers for established products (the sales concept). In other cases, passivity with regard to marketing efforts (the production concept) may best serve consumers who choose simply to accept or reject available products. An underlying customer focus provides the philosophical base for a firm's efforts to discover, evaluate, and exploit opportunities, but this does not suggest that opportunities are to be identified only by gathering information on consumers' current desires and then responding to those desires. Dependent upon circumstances, the philosophical foundations of the production, sales, product, and other concepts may provide a better starting point for the firm's marketing function as it develops entrepreneurial alertness to opportunities.

## **From Concepts to Orientations**

Marketing, sales, production, and product concepts are philosophic bases from which the marketing function gains direction. The term orientation, rather than concept, is generally used when considering implementation of a particular business philosophy, as reflected in the strategic activities of a firm (e.g., Kohli & Jaworski, 1990). Orientations represent elements of the firm's culture that guide its interactions with the environment. A market orientation, for example, is grounded in adoption of the marketing concept with its emphasis on understanding and responding to consumers' needs and wants. In contrast, a production orientation guides firms to pursue production and distribution efficiencies that produce widely available and relatively inexpensive products. These and other orientations provide strategic alternatives directing the marketing function toward various environmental emphases. Each orientation requires choices in allocation of resources as the firm seeks to develop a better understanding of customers, competitors, internal operations, technological advances, and other aspects of the competitive environment. The values and beliefs implicit in an orientation encourage continuous learning about key environmental factors and action to exploit opportunities revealed by the learning. Firm knowledge and distinctive capabilities arise from this learning process. It is the development of these distinctive capabilities (or competencies) that allows the firm to attain a superior competitive position.

From a marketing entrepreneurship perspective, the firm's distinctive capabilities are competencies in alertness to opportunities. Competent firms are able to perceive profit-making opportunities and act to take advantage of those opportunities. Researchers of the resource-based view of the firm and the associated resource-advantage theory of competition contend that the foundations of these competencies are generally related to organizational learning (e.g., Hunt & Morgan, 1995). An orientation, manifest through use of firm resources and capabilities, stimulates acquisition of knowledge that cannot be readily emulated by competitors. This knowledge, focused on critical aspects of the firm's environment, develops a marketing function that is alert to opportunities for creating, promoting, and delivering value to consumers through practical application in product design, production processes, market intelligence, selling techniques, and other aspects of the competitive environment. If the firm's entrepreneurial alertness is superior to that of competitors, it will have an advantage in the potential for discovering, correctly evaluating, and exploiting attractive (profitable) opportunities in key areas.

Many orientations (often termed strategic orientations) have been recognized in both the marketing and strategic management literature. Much of this work focuses on the market orientation and follows conceptual frameworks suggested by Kohli and Jaworski (1990) and Narver and Slater (1990). While both frameworks emphasize the importance of a customer focus, the Narver and Slater conceptualization includes a competitor orientation component which the marketing literature has increasingly come to view as a distinct strategic orientation (Noble, Sinha, & Kumar, 2002). Some aspects of the competitor orientation, including an emphasis on short-run performance and aggressive sales and promotional efforts, appear synonymous with the sales orientation as traditionally presented in the marketing literature. Although most orientation research has focused on the market orientation and its components, a number of studies suggest that a market orientation is not the only viable strategic alternative. Orientations found to be prevalent in some contexts include the production, sales, and product (often labeled entrepreneurial or innovation) orientations prominently featured in marketing texts (Berthon, Hulbert, & Pitt, 2004; Noble, Sinha, & Kumar, 2002). Others closely linked with a firm's marketing function are the externally focused alliance orientation (Kandemir, Yaprak, & Cavusgil, 2006) and the internally directed learning and employee orientations (e.g., Grinstein, 2008). These and other studies indicate that no single orientation offers the lone prescription for superior performance. Research outcomes point to a variety of orientations leading to discovery and exploitation of opportunities for competitive advantage and profitability.

Two general conclusions have emerged from the literature on strategic orientations. First, firms differ in the extent to which they emphasize a specific orientation. As Kohli and Jaworski (1990, p. 6) indicate in their specification of the market orientation:

It therefore is appropriate to conceptualize the market orientation of an organization as one of degree, on a continuum rather than as being either present or absent. This conceptualization facilitates measurement by avoiding certain difficulties inherent in asking informants to indicate whether or not their organization is market oriented (e.g., it may be somewhat market oriented).

An orientation is not “all or nothing,” but a degree of emphasis for firm activities. A second and related conclusion emerging from orientation studies is that firms must consider tradeoffs. With limited human and financial resources, capabilities, and time, tradeoffs among the activities associated with each orientation are required (Heiens, 2000). For example, Noble, Sinha, and Kumar (2002, p. 29) note that the weakened market and product orientations of a strongly production-oriented firm result in “a reduced ability to maximize customer satisfaction and, in some cases, reduced quality due to the extreme focus on cost minimization.” A firm certainly has the potential to combine orientations and enhance its alertness to opportunities in different areas, but it cannot be oriented toward all things. Each orientation directs the firm to utilize its resources and capabilities in developing technologies allowing for identification and realization of certain types of profit opportunities. The question facing each firm is where to seek opportunities. Answers to the question guide the firm to emphasize (or strengthen) strategic orientations that stimulate learning, knowledge, and development of firm capabilities related to those areas of the environment where the firm has determined that opportunities are most likely to be found.

## **RESEARCH PROPOSITIONS**

Research propositions, derived from the literature, are presented below. The propositions consider (1) antecedent environmental factors that encourage or discourage strategic orientations, and (2) performance consequences of the link between environmental factors and strategic orientations. Guiding the propositions is the belief that a firm’s orientation stimulates alertness to opportunities by developing the firm’s knowledge and capabilities in some focal aspect of the competitive environment. A firm’s distinctive technologies, its practical applications of knowledge, procedures, and systems, allow it to perceive opportunities that other firms are unable to perceive. No single orientation, however, is able to create a marketing function that is alert to all opportunities. A strong production orientation, for example, may foster development of technical and engineering skills that enhance the firm’s ability to identify and exploit opportunities for improved operating and distribution efficiencies. Exercising alertness to opportunities in product design, changing customer desires, persuasive promotional techniques, or other areas, however, would likely require implementation of other business philosophies. As resource constraints prevent a firm from orienting toward all things, tradeoffs among orientations result in tradeoffs in alertness to opportunities. A firm highly alert to opportunities in one area will necessarily be less alert to other types of opportunities.

Holcombe (1998) believes the environment can direct a firm to turn its perception toward particular areas in search of profit opportunities. External events, such as changes in consumer desires or technological developments, signal marketing entrepreneurs that profit opportunities are available. This perspective, while consistent with the Austrian view of entrepreneurial choice, recognizes that choices can be impacted by the environment. Holcombe further suggests that opportunities are most likely to be found in growing economies (markets). This conclusion is based on the belief that the dynamic nature of growing markets attracts entrepreneurial activity, creating profit opportunities. A stagnant market “blunts the incentive for entrepreneurial activity” (Holcombe, 1998, p. 56). In effect, Holcombe contends that a market orientation is optimal in all instances. The firm’s marketing function seeks opportunities by focusing attention on customers. Stagnant markets, with unchanging consumer desires and little or no growth, offer little to the firm’s marketers in terms of profit opportunities.

In his restatement of the marketing concept, Houston (1986) points to circumstances in which alternatives to the market orientation can better serve the organization in its efforts to discover and exploit opportunities. Markets may not be the most dynamic aspect of the firm’s environment. Passive

consumers, those lacking insight into the potential value of technological changes, and consumers who simply pursue the “better deal” among established competitors do little to significantly change status quo interactions between firms and consumers. DeMarais (1996) builds upon this perspective in presenting a contingency framework of strategic orientations. Like Holcombe (1998), he expects firms to orient toward more dynamic elements of the competitive environment. Dynamism of elements is expected to vary, however, as the market evolves along technical, market, and competitive paths. This research both advances the marketing entrepreneurship perspective of Kirkpatrick (1983) and elaborates upon the DeMarais framework. A strategic orientation is viewed as a manifestation of a firm’s alertness to opportunities in some aspect of its environment. Marketing decision makers, acting based upon signals from the competitive environment, choose where to seek opportunities. The marketing function, in other words, adopts a contingency approach to strategic orientations and alertness to profit opportunities. The product life cycle (PLC), a market maturity model incorporating multiple environmental factors, is proposed as a framework by which firms’ contingent orientations toward profit opportunities and superior competitive performance can be explored.

### **The Product Life Cycle and Strategic Orientations**

The PLC concept, originating with Dean (1950), is a well-known descriptive framework used to describe evolving marketplace dynamics. Four stages of product-market evolution are generally distinguished in the marketing literature: introduction, growth, maturity, and decline (Day, 1981). The introduction stage is characterized by slow sales growth, variation in product design, and few competitors. The subsequent growth stage is a period of market acceptance, rapidly rising sales, and new market entrants. Sales growth slows in the maturity stage and the number of competitors stabilizes or declines as firms engage in intense competition. In the decline stage, products are viewed as commodities by most customers, weaker competitors exit the market, and the remaining firms focus on efficient operations. Similar views of market and industry evolution have emerged from other disciplinary perspectives. One example is Utterback and Abernathy’s (1975) examination of technological industry evolution, which describes product and process technologies moving from an early “fluid” stage to a “rigid” final stage. Although the distinguishing characteristics of stages and the number of stages are somewhat arbitrary, there is substantial agreement concerning the essential pattern of development in life cycle stages (Klepper, 1997). The essence of the PLC is that markets evolve through distinct stages distinguishable by unique demand, competitive, and technological conditions (e.g., Day, 1981).

Marketing scholars disagree concerning the scientific and managerial value of the PLC concept. The framework has been faulted for conceptual and operational problems resulting in poor predictive power and invalid managerial prescriptions (Hunt, 1983). While recognizing flaws of the PLC, many consider it to be of value as a descriptive framework for considering market dynamics (Day, 1981; Kan & Ellis, 2007; Kazanjian, 1988; Klepper, 1997). The potential strength of the PLC as a contingency factor impacting strategic orientations is based on the unique competitive environment existing at each stage of market evolution. Literature in multiple disciplinary areas has shown agreement that the most dynamic aspects of the market, including firm priorities, problems, and opportunities, change as markets mature (Kazanjian, 1988; Shahidi, 2008). The distinctive nature of each life cycle stage requires changes in a firm’s knowledge, resources, and capabilities (Hwang & Park, 2007). As Shahidi (2008, p. 157) notes, a firm “evolves through a sequence of learning, reevaluating, and readjusting strategic orientations” in moving through the stages of the PLC. Changing orientations allow a firm’s marketing function to maintain its alertness to opportunities by directing its attention to the most dynamic environmental elements at each stage of the PLC. To maintain consistency with historical marketing perspectives as well as the more recent work of Kan and Ellis (2007), this paper conceptualizes the four evolving stages of the PLC as introduction, growth, maturity, and decline.

Research from multiple perspectives has examined the relationship between elements of the competitive environment and a firm’s strategic orientations. Few studies, however, have directly examined the impact of PLC stages on strategic orientations. An exception is the Kan and Ellis (2007) study of Hong Kong manufacturers, which found that a market orientation was strongest for firms in the



growth stage of the PLC. A number of studies, though not specifically focused on strategic orientations, have indirectly explored the impact of PLC stage on a firm's approach to its environment. Klepper (1997), for example, summarizing evidence from various disciplinary perspectives and a broad range of product categories, indicates that firms' focus on product innovation peaks early in the PLC. An extensive stream of literature emerging from the work of Utterback and Abernathy (1975) also describes manufacturing firms' shift in emphasis from an emphasis on product innovation in the initial stage of the PLC to a focus on process (production) innovation in the final stage. Narver and Slater (1990) find that many firms in mature markets maintain internally oriented sales and production perspectives rather than a market orientation. Day and Nedungadi (1994), studying perspectives of senior managers, report a sequence of customer, competitor, and self-centered orientations based upon stage of market maturity (from least mature to most mature product-markets). Their competitor perspective is an aggressive approach to strategic marketing similar to a sales orientation, while the self-centered perspective is clearly production oriented.

Conceptual and empirical studies examining strategic orientations, while not directly considering market maturity, also suggest PLC-orientation links by pointing to a variety of external circumstances in which a firm may or may not find a particular orientation to be desirable (e.g., Berthon et al., 2004; Houston, 1986; Narver & Slater, 1990). Much of this work is consistent with Jaworski and Kohli's (1993) propositions concerning the moderating impact of environmental variables on the strength of a firm's market orientation. Greenley (1995), for example, finds that a market orientation is less valued by firms facing the market and technological turbulence characteristic of the PLC introduction stage. Consistent with this finding, Popper and Buskirk (1992) suggest that competition in the introduction stage of the PLC is oriented toward product design rather than marketing activities. In the growth and maturity stages of the life cycle, competitive intensity pushes firms to a stronger market orientation (Harris, 2001). With the predictable demand and competitive stability generally found in market maturity, Heiens (2000) suggests a shift in emphasis to sales and outperforming competitors. As DeMarais (1986) and Kan and Ellis (2007) point out, many of these external factors vary with stage of the PLC, indicating that the concept may be an appropriate framework for simultaneously examining multiple extraneous influences on strategic orientations.

In accordance with the research examined above, the following propositions are presented:

- P1: The product orientation is stronger for firms in the introduction stage than for firms in the growth, maturity, and decline stages.*
- P2: The market orientation is stronger for firms in the growth stage than for firms in the introduction, maturity, and decline stages.*
- P3: The sales orientation is stronger for firms in the maturity stage than for firms in the introduction, growth, and decline stages.*
- P4: The production orientation is stronger for firms in the decline stage than for firms in the introduction, maturity, and growth stages.*

These propositions do not suggest that a firm cannot exhibit a relatively strong orientation toward one or more aspects of its competitive environment in all PLC stages. Instead, each orientation will tend to be strongest at a particular stage of the PLC. Consistent with the traditional presentation of the market orientation in the marketing literature (e.g., Houston, 1986; Kotler, 1977), a customer orientation is viewed as its fundamental aspect. The competitor orientation, included as a core component of Narver and Slater's (1990) market orientation conceptualization, is not directly considered in these propositions. As noted earlier, the sales orientation examined here shares many similarities with a competitor orientation.

### **The Product Life Cycle, Strategic Orientations, and Firm Performance**

Since the emergence of the market orientation as a foundational concept for marketing practice, strategic orientation literature has centered on the proposition that a particular firm orientation leads to

superior marketplace performance. The above propositions imply that strong orientations at specific stages of the PLC are linked with firm performance. A market orientation is strongest during the growth stage, for example, because firm management believes that the most dynamic aspect of the competitive environment during that stage is the consumer. Orientating toward that dynamic element enhances the firm's alertness to profit opportunities. Kan and Ellis (2007), examining the relationship between PLC stage, market orientation, and firm performance among Hong Kong manufacturers, provide evidence supporting a stronger link between market orientation and firm performance in the growth stage than in other PLC stages. In contrast, Noble, Sinha, and Kumar (2002) report no relationship between customer orientation and performance among the largest American retailers. In this context, generally corresponding to the PLC maturity stage, a sales orientation was found to be positively related to performance.

Conceptual and empirical research links product and production orientations, respectively, with superior firm performance in the introduction and decline stages of the PLC. During the introduction stage, customers are still learning about products and stable preferences have yet to be established. Under these conditions, firm performance is often dependent upon product design. Berthon et al. (2004), for example, find that senior executives of North American firms generally link product innovation with performance in turbulent environments (characteristic of the PLC introduction stage). Research examining the evolution of industry product and process technologies indicates that better performing firms in declining industries are those able to shift their competitive emphases to process innovation and development of internal technical and engineering skills characteristic of a production orientation (e.g., Utterback & Abernathy, 1975).

The following orientation-performance propositions are based upon the prior discussion:

*P5: The product orientation – performance link will be stronger in the introduction stage of the PLC than in the maturity, growth, and decline stages.*

*P6: The market orientation – performance link will be stronger in the growth stage of the PLC than in the introduction, maturity, and decline stages.*

*P7: The sales orientation – performance link will be stronger in the maturity stage of the PLC than in the introduction, growth, and decline stages.*

*P8: The production orientation – performance link will be stronger in the decline stage of the PLC than in the introduction, growth, and maturity stages.*

These propositions do not preclude a strong relationship between a particular orientation and performance in multiple stages of the PLC. In addition, strong links between multiple orientations and performance are possible in any particular stage of the PLC.

## **DISCUSSION**

The primary purpose of this paper is to offer a conceptual elaboration of Kirkpatrick's (1983) marketing entrepreneurship perspective. The basic premise is that a firm's marketing function manifests alertness to opportunities through strategic orientations. Furthermore, the PLC is offered as a framework by which firms' orientations toward opportunities can be explored. Managerial implications and suggestions for future research are now considered.

### **Managerial Implications**

Marketing and entrepreneurship are recognized as two key firm responsibilities. The functional roles of marketing and entrepreneurship, however, have often been considered separately. Research focused on entrepreneurial marketing is an exception, but the focus of entrepreneurial marketing has generally been confined to specific types of firms (e.g., small businesses) and environments (e.g., turbulent markets). Kirkpatrick's (1983) perspective, in contrast, offers an integration of marketing and entrepreneurship relevant for all firms. In adopting the Austrian viewpoint by which firms relieve consumers of the

necessity to act entrepreneurially, he reaffirms that all marketing activities must focus on identifying and taking advantage of opportunities to better serve customers. The managerial focus of this paper concerns the means by which a firm's marketing function can be alert to opportunities and thus improve its potential for competitive advantage and superior performance. The answer presented is that the firm's marketing function, through strategic orientations, directs the firm toward opportunities in particular aspects of the competitive environment. For marketing managers, linking alertness to opportunities with strategic orientations offers insights into the means by which a firm can identify and exploit profit opportunities. Acting based upon signals from the environment, marketers lead firms toward areas of opportunity. These opportunities may be found in the external environment or in the firm's resources and capabilities. Linking opportunity identification with orientations adds managerial insight into the value inherent in both concepts.

An ongoing discussion in the marketing literature concerns the value of a market orientation and its alternatives. Many studies suggest a generally positive relationship between a market orientation and business performance (e.g., Kohli & Jaworski, 1990; Narver & Slater, 1990; Ruekert, 1992). Some also indicate the superiority of a market orientation in comparison with other orientations (Dawes, 1998; Noble, Sinha, & Kumar, 2002). This is the orthodox viewpoint presented in marketing texts, where descriptions of alternative orientations make it "extremely unlikely that any half-sane manager would deliberately adopt any orientation other than marketing" (Pearson, 1993, p. 234). Dissenting perspectives, however, question both the importance of the market orientation-performance relationship as well as its relevance in some environments (e.g., Greenley, 1995; Jaworski & Kohli, 1993; Kan & Ellis, 2007). Research efforts by Fritz (1996) and Wong and Saunders (1993) also suggest that production, selling, and product orientations can produce successful performance outcomes. Pending results of future empirical examination, support for the above propositions would suggest that PLC stage is a relevant factor for marketing managers to consider when leading the marketing function to a particular strategic orientation. Marketers choose where to orient the firm in seeking opportunities, but the choices are impacted by signals from the competitive environment. As DeMarais (1996) suggests, this contingency approach to strategic orientations asserts that managers must seek opportunities by directing the firm's attention to dynamic aspects of its environment. Linking alertness to opportunities and orientations also requires managers to recognize that orientation decisions are matters of emphasis (not a decision to adopt only one particular orientation) and that multiple areas of opportunity are available to the firm.

### **Research Implications**

The research propositions presented here examine the impact of one variable, market maturity, on a firm's strategic orientations. Each orientation is considered independently, but this does not indicate that various strategic orientations are incompatible. Resource and capability constraints require firms to make tradeoffs in the strength of orientations, but evidence from the marketing literature suggests firms often exhibit more than one strong orientation (e.g., Berthon et al., 2004; Fritz, 1996). Fritz suggests that such a holistic approach, emphasizing multiple areas in which a firm is alert to profit opportunities, may result in superior long-term performance. Future research examining the fit (compatibility) of product, market, sales, and production orientations at various stages of the PLC could add insight to the process by which firms readjust strategic orientations over time. Research examining factors other than market maturity impacting strategic orientations also has the potential for enhancing understanding of firms' alertness to opportunities, relationships among orientations, and links between orientations and firm performance. The Miles and Snow (1978) strategic typology, based upon managers' strategic intent, is an attractive option for consideration as it fits well with the Austrian perspective on individual (producer and consumer) choice. Holcombe (1998) contends that both the environment and managerial intent direct a firm to turn its perception toward particular types of profit opportunities. Considering the relative impact of the environment and managerial choice could aid in understanding contingencies involved in firms' approaches to strategic orientations.

Empirical testing of propositions presented in this paper poses some challenges. First, measurement of strategic orientations is controversial. Conceptualizations of market orientation, for example, vary

considerably from study to study and the conceptualizations are often inconsistent (Henderson, 1998). Second, stages of the PLC are not clearly defined. This has created difficulties in prior efforts to compare firm strategy and performance at each PLC stage (Kan & Ellis, 2007). Finally, in assessing the impact of strategic orientations on firm performance, the question of subjective versus objective measures must be considered. Reviewing studies focused primarily on the market orientation, Henderson (1998) finds that managerial perceptions of both orientation and performance do not match the perceptions of outside observers. In addressing each of these challenges, replication of studies from multiple research perspectives is a key to gaining theoretical consensus.

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