Marketing Science Institute Working Paper Series 2020
Report No. 20-115

Rethinking Market Orientation from the Outside in

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February 9, 2020

Keywords: Market orientation, Customer centricity, Dynamic Capabilities, Culture, Market Strategies, Design thinking, Marketing organization.

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Abstract

The concept of market orientation has reached an inflection point. This concept has long been a defining theme of the marketing discipline, but is now hobbled by competing and contradictory interpretations, and has had only a modest influence on strategic thinking. These challenges can be addressed by embedding the spirit of a market orientation within a more expansive outside-in approach to strategy. This approach embeds an iterative, learning process within five organizational attributes that can be used to diagnose whether an outside-in mindset is present or absent within an organization. Such a shift has important implications for the role of marketing in the organization.

RETHINKING MARKET ORIENTATION

FROM THE OUTSIDE IN

The concept of market orientation has been a defining theme of the marketing discipline for more than sixty years. Marketers have embraced their mandate to understand, attract and keep valuable customers. Yet, the concept has long suffered from inherent internal contradictions, a diversity of interpretations, and limited influence outside the marketing discipline. Is it time to incorporate market orientation within a more robust approach to marketing strategy? Our proposal is that market orientation should be embedded within a more expansive, outside-in approach to strategy thinking. Both the market orientation and outside-in approaches emphasize making decisions from the market back. They share a genesis in Drucker's (1954) observation about the need for marketing to permeate all areas of the enterprise.[1]

Market orientation lacked theoretical rigor and empirical validation until the seminal contributions of Kohli and Jaworski (1990), Jaworski and Kohli (1993) and Narver and Slater (1990). Both teams used field-based research to establish the boundaries, antecedents and consequences of the construct. But, after thirty years of building on these foundational studies,[2] fault-lines have appeared. They are not as acute as the contradictions that Kuhn (1962) found when a dominant scientific paradigm is under duress, but the symptoms of stress are similar, "*…the proliferation of competing articulations, the willingness to try anything, the expression of explicit discontent…*" In the next section we describe four conceptual contradictions or ambiguities that are compromising the concept: Is market orientation an aspect of culture or a behavior pattern? is it market driven or driving? what should be the emphasis on exploring versus exploiting, and should it encompass the entire market ecosystem? We then identify some reasons for the modest influence of market orientation outside the marketing discipline due to the emergence of competing and complementary concepts, such as the dynamic capabilities approach to strategy, design thinking, and the "jobs to be done" and "working backwards" heuristics.

The final section argues for an outside-in approach to organizational strategy making. This means taking the perspective of multiple stakeholders beyond customers and competitors, in order to be more inclusive and relevant to leadership teams. This approach is able to incorporate inside-out considerations including capabilities, technologies and assets to be leveraged, constraints on strategic moves, and recognizes the need to balance short-run and long-run financial performance. The outside-in strategy process is embedded within an organization distinguished by five enabling attributes. The adoption of an integrative, outside-in approach has significant implications for the role of marketing thinking throughout the organization and the influence of the Chief Marketing Officer within the leadership team.

"What the Hell is Market Oriented?"

This was the attention-getting and provocative title of Shapiro's (1988) article, decrying the lack of definitional clarity about this "slogan," while acknowledging a consensus on the need to pay attention to the market. Despite assurances that Kohli and Jaworski (1990) had addressed Shapiro's challenge (Varadarajan 2017), the terminological calm following their work was temporary and perhaps illusory. The market orientation concept strains to explain competitive success in many markets and the debate over what it means remains muddled.[3]

Consider the stellar performance of Ryanair which seemingly confounds the precepts of market orientation in a service industry that is supposed to be attentive to customer loyalty, preferences and satisfaction. This European ultra-low cost airline has been among the most profitable airlines in the world by offering the best price, achieved by a relentless focus on fixed asset utilization (the amount of time their airplanes were in the air). High utilization was achieved with an operating model that didn't permit allocated seating while imposing rigid boarding procedures and harsh baggage limits (Meehan 2017). This rigorous and rigid cost containment model was seen by customers as harsh and unfriendly, but was defended by the combative CEO Michael O'Leary who argued, *"People say the customer is always right, but you know what – they're not. Sometimes they are wrong and they need to be told so."*

Ryanair is just one of many aberrations amidst the conceptual confusion created by the proliferation of terms identified in Figure One. What seems to happen is that a poorly understood catchphrase is created to set the user/promulgator apart, and is then overused so another catch phrase is developed to restate the concept. It is noteworthy that variants on "customer-oriented" are much more numerous than "competitor-oriented," perhaps reflecting the subordinate role of competitor insights in market-oriented thinking. Also worth noting is the absence of "channel-oriented" in any formulation of what it means to be market oriented, despite the dominating role of channels in many market ecosystems, and the need for marketers to understand their behaviors and intentions.

<Insert Figure One here>

The proliferation of terms is due to four fault-lines appearing in the foundation of the market orientation concept. These four are framed as questions with answers that depend on the predilection of the user:

- Culture or behavior?
- Customer or market (ecosystem)?
- Market driven or market driving?
- Exploring or exploiting?

Culture or behavior? This fault-line first appeared in 1990 from the stresses created by definitional differences. Kohli and Jaworski (1990), defined market orientation as, "the organization wide *generation* of market intelligence pertaining to current and future customer needs, *dissemination* of the intelligence across departments, and organization-wide *responsiveness* to it." This behavioral definition has a decided emphasis on organizational capabilities. Concurrently, Narver and Slater (1990) defined market orientation as, "the organizational *culture* that most effectively and efficiently creates the necessary behavior for the creation of superior value for buyers and thus, continuous superior performance for the business." They created a persistent confusion[4] by noting that market orientation, "consists of three behavioral components – customer orientation, competitor orientation, and inter-functional coordination…" But these three components are also embedded in the values, beliefs and mind-sets that shape the culture.

A resolution of the culture or behavior question was later suggested by Homburg and Pflesser (2000). Since the construct of market orientation is generally operationalized by the behaviors that are manifested, they propose that these behaviors reflect an underlying organization culture. This is consistent with theorizing on culture change in organizations, that behaviors reflect the prevailing culture and that the culture slowly changes to accord with and make sense of changes in behaviors (Kotter 2012). But at any point in time the culture and the behavior in the Kohli and Jaworski (1990) definition may not be congruent.

Customer or market (ecosystem)? The shifting center of gravity of the marketing concept toward customer orientation seen in Figure One, reflects the natural gravitational pull of marketers toward the constituency they know best, and highlights their role in the organization as the "voice of the customer." This shift in emphasis away from competitors is also a consequence of the rise to prominence of the academic field of strategic management in the past thirty years. Their approach has a strong economic rivalry emphasis, giving them a greater claim on ownership of competitor orientation.

There is necessarily a role for competitive considerations in customer choice processes. Customer-oriented concepts and tools, such as consideration sets, product concept tests, conjoint analysis and lead user analyses, incorporate the competitive set when the choice judgement is made. This doesn't account for the strategies and intentions of current or potential competitors, looming threats from emerging business models, or the consequences of the lowering of barriers to entry due to digital advances. Moorman and Day (2016) ask whether the deemphasis on competitors by marketers could undercut the effect of a market-oriented culture on performance, or perhaps unleash stronger performance. Both outcomes are possible: a lack of focus on competitors could mean losing sight of the source of competitive advantages, or enable firms to give full attention to serving their target customers (Rindfleisch and Moorman 2003).

The narrowing of the market orientation lens to customers and the choices they make also understates the long-run impact of powerful ecosystem forces (Adner 2017). This ecosystem includes channel partners, supply chains and digital platforms such as social media. When economic power is shifting downstream to powerful collaborators who might also be competitors (Brandenburger and Nalebuff 1966), such as drug wholesalers, systems integrators and digital platforms with Amazon only the most prominent, it is evident that marketers should expand their orientation to consider these players.

Market-driven or Market-driving? This fault-line has generated productive tensions by exposing the limitations of the original formulation of market orientation. The stresses emerged shortly after the appearance of the two defining articles; perhaps by coincidence. Widely publicized dissenting views about the primacy of customers came from Steve Jobs (Isaacson 2011) and Howard Schultz, the CEO of Starbucks, *"…Don't just give the customers what they ask for…"* (Schultz and Yang 1997). Robert Lutz, then the Vice-Chairman of Chrysler, was especially dismissive of reliance on consumer inputs into the auto design process, *"Let's face it, the customer in this business…is usually, at best, just a rear-view mirror. He can tell you what he likes about the choices that are already out there…"* (Flint 1997). These thought leaders didn't deny the need to listen to customers; they simply found it deficient as a guide to action. These visionaries were acute observers of market shifts, with an innate understanding of the meaning of a superior customer experience. This leads to the argument that market driving firms teach rather than learn, "… by (building) consensus for an innovative concept of value rather than analyzing and reacting to buyers" (Humphreys and Carpenter 2018 and 2019). Most likely, visionary leaders both learn and teach.

A major failing of marketing and strategy research has been the focus on successful survivors. Archival studies find the failure rate among "visionaries" to be quite high (Golder and Tellis 2002). The successes were blessed with leaders who were highly observant of customer reactions while learning from the failures of their predecessors. Thus, Howard Schultz envisioned his original concept of a "third place" by observing customer communities in Italian coffee houses (Schultz and Yang 1997). Similarly, Steve

Jobs saw more deeply the possibilities for personal computers when he was first exposed to the advances in technology made by Xerox (Isaacson 2011).

Because leading customers is inherently risky, successful managers ground their decisions in a deep understanding of customer behavior, their latent needs and deep-seated dissatisfactions with the available market-place alternatives. Firms must be prepared to continually learn and refine their judgements through broad scanning and observation, followed by rapid experimentation. To say that market driven firms are not market driving is therefore a distinction and not a difference. These two approaches work together to reduce the likelihood of failure and realize a competitive advantage. The cycle of interaction between these two approaches is moving ever faster as advantages become more transitory (McGrath 2013).

Exploring or exploiting? This fault-line is traceable to the trade-off within organizations between "the exploration of new possibilities and the exploitation of old certainties" (March 1991), or between acquiring and using new knowledge versus relying on existing knowledge (Gupta, Smith and Shalley 2006). Both are essential to long-run success, but each uses scarce resources. Finding the right balance of exploration and exploitation activities is complicated by: (1) the types of organizations and talent suited to each activity set, (2) the appropriate capabilities needed for new learning and adaptation versus efficiently using existing assets and processes, and (3) the very different patterns in the timing and variance of financial returns. It remains an open question whether exploration and exploitation are two ends of a continuum versus being orthogonal: are they competing or complementary or both? For many marketing activities, successful organizations seek complementarities by building on their insights into the behavior of their present markets (and leveraging their brand equity that gives them permission to enter new domains), while applying these insights and processes to new learning about future opportunities in adjacent market spaces.

Most definitions of market orientation haven't specifically addressed the trade-off between exploring and exploiting activities. Kohli and Jaworski (1990) include current and future customer needs, while Day (1994) considers “creating and sustaining superior customer value,” and includes exploratory search, experimentation and discovery. Customer-centered definitions tend to be more exploitative. As Fader (2012) states, “Customer-centricity is about identifying your most valuable customers – and then doing everything in your power to make as much money from them as possible and to find more customers like them.”

Going forward, the reconciliation of the exploitative and exploratory aspects of market orientation will be found in March’s (1991) original formulation: both are necessary! While both require scarce resources, their allocation is not necessarily a zero-sum calculus. Successful organizations will learn to be ambidextrous (Benner and Tushman 2003) by partitioning themselves into different sub-units with different mandates. The efficiency-oriented and short-term focused organizational units will exploit scale economies with tightly coordinated processes serving the existing customers. They will be operationally separated (the degree depending on the extent of shared resources) from the smaller, exploratory units with looser cultures and processes seeking new solutions for existing customers or emergent needs in new markets.

Competing and Complementary Conceptual Frameworks

Market orientation has had limited conceptual influence outside of the marketing discipline, and may even be losing ground as strategic management reaches deeper into the domain of strategic marketing. In support of this proposition, we briefly reprise four popular frameworks with a robust outside-in orientation: the dynamic capabilities framework, design thinking, and the “working backwards” and “jobs-to-be-done” approaches. Each has emerged in response to a need to understand why some firms outperform others and how they stay ahead. They are globally compatible in their intent, overlapping in their approach, and seldom informed by any other approaches, including market orientation. This is a recipe for conceptual confusion and fragmented jurisdictions that calls out for a higher-level integration of approaches.

Dynamic capabilities[5]. These capabilities enable organizations *to sense* opportunities sooner than rivals, *seize* them more effectively, and support the organizational *transformation* needed to stay ahead. When guided by a clear strategic vision, they enable the organization to adapt to turbulent and uncertain market conditions. They emphasize the need to "define managerial traits, management systems and organizational designs that will keep the organization alert to opportunities and threats, enable it to execute on new opportunities, and then to constantly morph to stay on top" (Teece 2009, p206). A dynamic capability is not an ad hoc resolution of a single problem but a repeatable and deeply embedded set of skills and knowledge exercised through organization processes. Dynamic capabilities are different from the ordinary capabilities that enable efficiency-oriented administrative, operational and governance activities. These ordinary capabilities are found in the organizational routines, skills and systems needed by a firm to sustain a competitive advantage within their currently served markets. When ordinary capabilities are hard for rivals to imitate and scarce, they bestow a competitive advantage that is sustainable *until conditions change*.

Dynamic capabilities reside in part with individual managers and process teams, in part with the senior leadership team, and also within organizational change routines. The ability of leaders and managers to anticipate emerging changes, and then respond faster than rivals is a defining feature of these capabilities. This framework is the leading paradigm in strategic management under conditions of uncertainty and when rapid innovation is central to the strategy of adaptation.

The overlap (and affinity) of the dynamic capabilities framework with market orientation is most evident with the sensing capability. This entails the exercise of constant vigilance through scanning, searching and exploring – including probing latent customer needs, monitoring competitive threats from adjacent sectors, and collecting timely intelligence about every aspect of the market ecosystem. Successful sensing is achieved through two interrelated learning processes that serve as dynamic sub-capabilities (Day and Schoemaker 2016). The peripheral vision sub-capability is activated to capture early signals of potential opportunities and nascent threats sooner than rivals. This sub-capability determines how widely to scope (and what issues to address first), and how actively to scan. All managers scan, but often do so passively. They are continually exposed to a wealth of data from the fuzzy impressions of trade rumors to firmer evidence from the dashboard of performance metrics. By contrast, active scanning is often hypothesis driven, reflecting intense curiosity that pushes the scan into the periphery of the organization.

The vigilant learning dynamic sub-capability enables interpreting and understanding the weak signals, of threats and opportunities, and requires a willingness to act on partial information. Vigilance means a heightened state of awareness and alertness that is enables decision making from the outside in. Thus, vigilant learning about new market opportunities requires a willingness to be immersed in the lives of past, present and prospective customers to learn how they process data, an open-minded approach to exploring latent needs and learning from lead customers, and extracting early insights from data analytics.

Design Thinking. At the heart of this approach is the motivation to improve an organization's offerings and interactions with key stakeholders, through an iterative process of creative problem solving. While there are many variants of the design thinking process,[6] all embody the same principles and follow the same steps, beginning with empathy with users, followed by the definition of user's needs and problems to be solved, the generation of ideas for solutions, and then building and testing prototypes. These steps are grounded in deep insights from prospective users that are usually based on hypothesis - driven observations of actual behavior. The intent of design thinking is to unlock the creativity within the organization.

For our purposes the dominant feature of design thinking is user-centeredness and involvement. Empathy is considered the primary means of achieving this user-centeredness (Micheli, et al 2019), where empathy is referred to as "the core value of human-centeredness" (Carlgren et al 2016). In this context empathy means taking the perspective of another and understanding what they regard as meaningful.

Beyond being a people-first approach, design thinking is also an antidote to the inherent constrictions of linear problem-solving by using trial-and-error learning and a tolerance for ambiguity and failure. This approach is best followed by a diverse team representing different skills, interests and capabilities.

Although design thinking appears coherent and cohesive it shares with market orientation the problem of diverse perspective and critics. Some view design thinking as an organizational attribute while others conceive it at the individual or team level; some focus on design as culture while others highlight the tools and the process. A recent review (Micheli 2019) characterized the construct as plagued by polysemy, (the existence of many possible meanings), and potentially threatened by "construct collapse".

"Jobs-to-be-Done" Approach. This is a noteworthy example of the limited influence of marketing thought on adjacent fields of management. The essence of this "jobs" approach is that: *"…our long-held maxim – that the crux of innovation is knowing more and more about the customer is wrong… Understanding customers does not drive innovation success… understanding customer jobs does."* (Christensen et al 2016 a and b). According to these advocates a well-defined job is, *"…very different from the traditional marketing concept of 'needs' because it entails a much higher degree of specificity about what you're solving for…needs are important to consumers, but they generally provide only the vaguest of direction to innovators as to how to solve them."*

Marketing thought and research about customer experiences, latent needs, problem analysis and other customer insight tools is largely ignored in this approach. There is a brief nod to Ted Levitt (1960): otherwise the chapter on "The Jobs-Focused Organization" has no mention of the influence of market orientation on culture, capabilities or configuration. Instead the authors emphasize that a well-articulated job provides an integrating theme (they call a "commander's intent") that employees at all levels understand, and then are motivated by how the work they do fits into a larger theme of helping customers get their jobs done. They argue this delivers four benefits: (1) enabling distributed decision making, (2) aligning resources against what matters most, (3) inspiring people and unifying the culture in service of what they care about most, and (4) measuring what matters most – customer progress, employee contributions, and incentives. Each of these benefits corresponds to four of the five perspectives on market orientation cited by Hult and Ketchen (2017), and their fifth category of the customer perspective is a reprise of the jobs-to-be-done approach.

"Working Backwards" Approach. Jeff Bezos, the founder and Chairman of Amazon.com is advocate of an outside-in approach he calls a "working backward" mentality (Lyons 2010): *"Rather than ask what we are good at and what else can we do with that skill, you ask, who are our customers? What do they need? And then you say we're going to give that to them regardless of whether we have the skills to do so, and we will learn these skills no matter how long it takes…"*Bezos attributes this approach to the success of Amazon in meeting the needs of customers for Web services by offering access to its cloud computing network and for a more convenient reading experience with the Kindle. This is a central element of their stated mission to be "Earth's Most Customer Centric Company (or EMC3) for short."

The apparent origin of this approach was Steve Jobs, who once said that, *" ….you have to start with the customer experience and work backwards towards the technology"* (Gilliland 2018). It is put to work within Amazon when they are developing or updating new products, by first requiring the writing of an internal, two page or less press release describing the end product, based on solving a specific customer problem. The press release has to be written without tech jargon and is focused on the benefits to the target customers. The stated benefits are greater empathy and deeper understanding of the customer needs, and a more effective communication of the offering. It is noteworthy, in contrast to other approaches to customer-centricity, that there is little emphasis on customer life-time value and much more on creating an emotional connection across the portfolio of offerings. It has been credited with Amazon becoming the third ranked, "most innovative" company based on the innovation premium investors grant them (Dyer and Gregersen 2017).

Is the customer first among equals? Received doctrine among marketers (Challagalla, Murtha and Jaworski 2014), enshrined in slogans such as "Customer is King" or "Customer-first," is that customer are,*"primus inter pares"* relative to other stakeholders, which implicitly subordinates employees, suppliers, communities and equity shareholders. This message was reinforced during the turnaround of Procter & Gamble when A. G. Lafley became CEO in 2009. He found a demoralized organization where the pace of innovation had declined dramatically. To center the organization, he adopted the mantra "Consumer is boss." With intense repetition and his personal commitment, Lafley was able to embed this notion into the cultural values of the company.

Despite the success of the P&G turnaround, and decades of marketing scholarship, there is scant recognition of the primacy of the customer stakeholder outside of marketing.[7] In a controversial statement of the purpose of a corporation (Murray 2019), the Business Roundtable asserted that, *"While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to all of our stakeholders."* (Business Roundtable 2019). The controversy arose because it was such a departure from their 1997 statement of purpose that declared, *"The paramount duty of management and of boards of directors is to the corporation's stockholders… The interests of other stakeholders are relevant as a derivative of the duty to stockholders."* The field of marketing has been silent during this debate and needs to address persuasively the question of when and why customers would (card should) be a decision priority.

TOWARD AN OUTSIDE-IN APPROACH

The outside-in approach is an *orientation to* strategic issues, a mental model that is *empathetic to* external stakeholders, and a *decision priority*. It starts with the leadership team stepping outside the boundaries and constraints of the organization as it is, and looking first to the market for guidance: How and why are the needs and behaviors of current and prospective customers changing? What can we do to solve their problems and help them succeed? What new competitors are poised to meet these needs? and how can we derail their efforts? The goal is to expand and enrich the strategy dialogue, and create a richer set of opportunities (Day and Moorman 2010).

An outside-in orientation is an antidote to short-term and transactional "product-centricity" (Shah et al 2009), and the inside-out bias of the resource-based theory (RBV) of the firm. The essence of the RBV is that scarce, inimitable, and valuable resources (such as patents, facilities and brands) exist to be used (Barney 1991). It follows readily that the task of management is to improve and fully exploit these resources (Makadok 2001). This leads to an emphasis on internal efficiency improvements and short-term cost cutting moves. As a starting point for strategic thinking the RBV myopically narrows and prematurely anchors the dialogue to what exists now, versus what might be possible in the future.

Starting from the outside in serves as a counterweight to such decision biases as overconfidence, excessive optimism and the confirmation bias informed by only the facts that support prevailing beliefs. Decision theorists have found (Kahneman 2011, Lovallo and Kahneman 1993) that an inside perspective inherently neglects competitive reactions to initiatives a company has never attempted before, such as forecasting new product sales, or estimating the profit rewards of cost cutting. Finally, a thoughtful outside-in approach to strategy making is a hall-mark capability of effective leaders. A study of CEO succession (Favaro, Karlsson and Neilsen 2012) concluded, *"…rather than breadth of experience, boards and recruiters should look for a proven track record of challenging conventional wisdom and experimenting with unconventional ideas…"*

An outside-in approach to making and implementing strategy choices embeds an iterative, learning process that starts from the outside in within an organization distinguished by five attributes: (1) an ***expansive*** perspective using a wide lens, (2) an ***empathic*** orientation, that (3) ***pervades*** all levels of the organization, is (4) ***forward-looking***, and (5) driven by ***curiosity***.

The iterative, learning process is a dynamic capability composed of the sub-capabilities necessary to "scan, create, learn and interpret" (Teece 2014, Dong et al 2016). The five enabling attributes of the organization applying this learning process are different aspects of the culture (Moorman and Day 2016), comprising the shared values, beliefs and mind-sets that orient the organization to its external stakeholders. These attributes can become impediments rather than enablers if they emphasize the exploitation of internal resources and prioritize short-term performance.

In the original formulation of market orientation (Jaworski and Kohli 1993) there was scant recognition of the possibilities and constraints inherent in the portfolio of ordinary and dynamic capabilities. The antecedents studied at that time were: (1) Top management emphasis, (2) Interdepartmental dynamics of conflict and connectedness, and (3) The degree of formalization and centralization of organizational systems. This limited array of antecedents reflected the state of organizational research approaches of that era. The progress of organizational thinking since the early 1990's parallels the evolution of market orientation documented here. For example, the field of human resources (HR), which defines their primary task as "creating the right organization," began 30 years ago with efficiency and bureaucratic approaches to organizational efficiencies. This was followed by systems thinking approaches, and recently to the outside-in development of organizational capabilities (Ulrich, Younger and Brockbank 2012). By outside in the authors advocate that HR professionals must learn how to convert external business trends and stakeholder expectations into internal actions. This strategic shift in perspective by the HR function requires a more direct and active engagement with all external stakeholders.

An Iterative, Learning Process

This process seeks the optimal balance of exploratory and exploitative activities to generate current earnings and fund continued growth. It begins with outside-in questions to set the broad context for inside-out considerations of customer and brand assets to be protected and leveraged, capabilities to be exercised, and constraints to be overcome. Outside-in thinking respects but subordinates the inside-out factors within a wider setting. Each iterative cycle begins with a wide-angle, outside-in lens, creating new insights and deeper questions that feed the next cycle through cumulative learning (Slater and Narver 1995, Sinkula, Baker and Noordewier 1997). This iterative process is shown in Figure Two and contrasts some illustrative questions from the outside-in versus inside-out approaches.

<Insert Figure Two here>

Superior performance results when the outside-in and inside-out approaches are complementary. It is not an "either/or" choice of emphasis. Both approaches are essential to success; otherwise the organization is out of balance. The necessity for balanced treatment is supported by a meta-analysis of 232 independent studies (Saeed et al 2015) on the relative importance of inside-out and outside-in approaches to innovation and firm performance. On first reading their results seem equivocal, with an inside-out "orientation" showing greater impact on innovation performance, whereas an outside-in "orientation" had more influence on firm performance. The effects of both orientations were highly significant – but their relative importance changed places depending on the performance measure. No consideration was given to interaction effects, which is unfortunate in light of our hypothesis that an effective outside-in approach should leverage existing resources and adapt them to new market relatives. Thus, innovation outcomes (which are typically limited to new product/service offerings including incremental improvements) will be enhanced if informed deeply by outside-in thinking that attempts to anticipate looming threats and potential opportunities ahead of rivals.

Outside-in Organizational Attributes

While the five attributes that illuminate different facets of an outside-in organization are conceptually distinct and often have different disciplinary roots, they do nourish each other.

An expansive perspective that adopts a wide lens. The evocative metaphor of a wide lens was used by Adner (2012) to emphasize that innovation success increasingly depends on the support of the other participants in an eco-system. He considers co-innovation risk from reliance on many supply partners, and adoption-chain risk that players in the channel will not support the innovation. Starting with a wide lens encourages looking further into the future and considering all the players in the surrounding ecosystem and their moves and counter-moves. It is antidote to the myopic tendency of inside-out organizations to obsess about the short-run moves of their direct rivals, while overlooking their long-run positioning moves or the threat of potential entrants from adjacent sectors.

By starting with a wide lens the leadership team will have a more informed point of view on the past actions, intentions and likely reactions of the influential elements of the ecosystem, and how they interact with one another. This requires an objectivity (and skepticism) about the future that challenges comfortable assumptions and illusions.

The benefits of an expansive outside-in approach were vividly illustrated by Tuli, Kohli and Bharadwaj (2007) in their study of how business-to-business firms define a customer solution. They found the prevailing inside-out view was that, "…solutions are bundles of products and services that help us sell more." By contrast, the emerging outside-in view was that, *"…the purpose of a solution is to help our* *customers succeed to our mutual benefit, by enhancing performance, decreasing their risks, and reducing their total life cycle costs."* A subsequent test of their model of customer solutions (Worm, Bharadwaj, Ulaga and Reinartz 2017), described solutions as: (1) built on deeply understanding customer requirements, (2) taking the form of an output-based performance contract that delivers on customer-specified metrics, (3) customized to customer activities and/or processes, and (4) providing post-deployment support.

The Empathetic Orientation attribute is functioning when a competitor analysis begins by trying to see the company through the eyes of the competitor's leadership team. The starting point is a deep immersion in available intelligence, followed by role playing the leaders of the competitor (Zenko 2015). This is a variant of the "red team" exercise used by the military, and sensitizes the organization to threat indicators before they reach top management's radar.

Empathy is implied in becoming market oriented or taking an outside-in approach, but this connection needs be made explicit as suggested by the following quote (Young 2015), *"…Empathy is an understanding you develop about another person. Empathizing is the use of that understanding – an action… Empathy gives you the ability to try on that person's perspective…" But empathy is hard to achieve, "…People try to act empathetic – to take someone's perspective, to walk in his shoes – without first taking the time to develop empathy."*

Empathy is an elastic term and becomes imprecise when stretched to apply to organizations. It could mean a supportive workplace culture, built on skills of empathic listening to colleagues that collectively inspires openness and trust. This requires (Kets de Vries 2016), an enhanced ability to imagine the emotional reactions and experience of others. An *instrumental* application of empathy is the training of customer contact representatives to appreciate customer's feelings and understand their frustrations to improve the customer experience. This is advocated as a way of making the customer feel valued.

For our purposes a more relevant notion of empathy is a shared sense of what is going on in a competitive market, guided by connecting with people outside the organization and seeing through their eyes (Palnaik 2009). This *diagnostic* application of empathy is more about infusing objectivity and an external perspective throughout the organization. When embedded in an organization it becomes a strategic priority and a cultural value.

The meaning of empathy as a feature of organizations was surely stretched beyond is limits by a recent attempt to identify the most empathetic organizations (Parmer 2016). Publicly-traded corporations were rated on available metrics including CEO approval ratings from staff, ratio of women in the board of directors, number of accounting misdeeds, financial performance, and an analysis of tweets. The inherent flaws in such a sweeping and conceptually unmoored approach were exposed after Facebook was selected as the most empathetic corporation in late 2016. Their choice was aided by favorable publicity given to the 2015 launch of the Empathy Lab, which gave the Facebook employees the opportunity to experience for themselves how people with different abilities might interact with Facebook. The reality of an absence of empathy within Facebook was revealed by the Cambridge Analytica data scandal in early 2018 when it surfaced that Facebook profiles were shared without user permission or knowledge.

Pervasive. The influence of a market orientation will be diminished to the extent that this mindset and approach is seen as the sole purview of the marketing function. Other functions won't relate to the orientation, and won't feel accountable for its adoption. Conversely, an outside-in approach is more likely to be accepted and adopted throughout the organization since it is functionally agnostic.

Outside-in thinking will not permeate the organization without demonstrable commitment from the top. The leadership team signals their commitment by stimulating discovery and debate, encouraging the surfacing of weak signals of threats and opportunities, facilitating sharing of information, and endorsing and rewarding supportive behaviors.

The configuration of the organization also helps to inculcate an outside-in mindset through all levels of the organization. This was revealed in a study of companies that successfully emerged from sharp economic downturns (Gulati 2009). Those companies with an inside-out mindset were found to be less resilient in turbulent times, *"…than those organized around an outside-in mindset that starts with the marketplace, then looks to creatively deliver on market opportunities. Outside-in maximizes customer* *value – and produces more supple organizations."* The emphasis of this management scholar was on designing organizations to become more resilient by breaking down barriers that impede action, building bridges across divisions and creating a network of collaborations.

The architecture of inside-out organizations was found to dictate a strategic focus on the features of offerings, and an orientation toward selling products or services rather than towards customers and the problems they are trying to solve. Gulati proposed five levers for organizational transformation: *coordination* (to connect and restructure silos to enable swift responses), *cooperation* (among employees), *clout* (that redistributes power to customer champions), *capability* (by developing employee's skills) and *connection* (with partners). These five levers adopt a different perspective than informs the work of marketing scholars and should be seriously considered and incorporated for mutual benefit.

*Forward looking***.** An outside-in approach is more about preparedness (to capture opportunities faster than others while parrying threats) than prescience. The aim is to anticipate and understand events and trends in the marketplace to avoid losing degrees of freedom of strategic action, and being forced to act defensively. Foresight tools and approaches help organizations to understand, absorb and adapt to the inherent uncertainty of market trends and forces. It is useful to distinguish between "state" uncertainty (how will the environment change? how will attitudes toward privacy of customer data change? will autonomous vehicles dominate the market?), and "response" uncertainty about the likely impact of strategic moves such as launching a new business model or change to a subscription pricing model (Vecchiato 2012). Whereas state uncertainty demands foresight through the detection and interpretation of weak signals, response uncertainty can be somewhat resolved by hindsight approaches that seek patterns in big data or a series of market experiments. But the utility of hindsight approaches depends on whether the market forces operating in the past will persist into the future. Given the mounting turbulence in markets accentuated by digital technologies, the emphasis of strategic thinking must necessarily shift toward foresight.

To achieve a forward-looking posture, organizations have to invest in foresight. These investments are first made in organizational arrangements (such as creating a separate foresight unit, forming global scouting teams or installing precursor units in geographic outposts). A return on these investments is realized through further investments in dynamic sensing sub-capabilities including the disciplined search for opportunities, competitor analysis, scenario development and monitoring, or creating a portfolio of experiments and early-stage investments.

The nature of these investments depends on the firm and the industry requirements (Van den Driest, et al 2016) Unilever, the global consumer goods giant prioritizes investments in insights and analytics capabilities (ranging from monitoring social media to mining data from their consumer hot lines), and then interpreting and disseminating it widely. The have an advanced AI platform for querying their data bases with natural language questions from all parts of the organization. The insights group reports directly to the leadership team as a signal of their commitment to outside-in approaches.

Inquisitive. The final attribute of collective curiosity is one of the main fuels for keeping an organization's attention on the outside. It is a key ingredient for a diagnosis of the past (what were the real reasons for our success?) a stimulus for a deeper understanding of present realities (what are the reasons for the marketplace anomalies we are seeing – are they indicator of changes in customer needs and requirements?), and a more informed anticipation of the future. Cultivating curiosity at all levels helps reduce uncertainty (Gino 2018). Collective curiosity also enhances empathy – and vice versa – by encouraging diverse explanations.

Collective curiosity is shaped by the behavior of the leadership team. They can encourage curiosity by being inquisitive themselves, and approaching the future with an openness to new possibilities. Conversely leaders can discourage curiosity in the mistaken belief they will avoid making the organization harder to manage, and seeking efficiency to the detriment of curiosity-driven experimentation.

The Yin and Yang of Market Strategies

The concept of dualism of yin and yang in ancient Chinese philosophy is an apt expression of the interaction of outside-in and inside-out approaches to strategic thinking. This dualism describes how seemingly contrary forces or approaches are actually complementary and interrelated; one gives rise to the other. To achieve strategic balance both approaches need to be employed and tightly integrated.

What matters most in realizing the benefits of combining these two approaches is starting with an expansive outside-in perspective. Starting narrowly with an inside-in perspective, by asking, “how can we play our hand of cards better?” anchors the thinking of the organization in the present, and frames the diagnosis narrowly around the current situation and resources. There are three benefits to starting from the outside-in.

- *Anticipation*. Outside-in thinking naturally asks questions about how the outside world is changing, and unleashes creative thinking about the implications. The pay-off comes from seeing opportunities and threats sooner. The early mover invariably has an edge over the reactive responses of later entrants who have fewer degrees of freedom.
- *Adaptation*. When everyone in the firm is attuned to the customer experience and their pain points, there is more likely to be a wide-ranging and on-going search for pain relief. Are deliveries either too early or too late for the customer? Are customer service reps watching the clock and leaving callers frustrated? This is the essence of continuous improvement or Kaizen approaches.
- *Alignment*. When outside-in thinking is infused in the organization there are fewer turf-battles and more collaboration; resources are used more productively. Customers applaud because they benefit from clear accountability for their welfare. They aren’t left in limbo while navigating between functional silos.

The benefits from anticipation, adaptation and alignment are hard to realize. They are readily subverted by complacency (“we have mastered the recipe for success”) and short-run performance pressures that put inside-out thinking in control. Overcoming these centripetal forces takes vigilant leaders that constantly make the case throughout the organization, lead by example, and are clearly committing to a strategy approach that starts from the outside and then looks inward.

Looking Ahead: Implications for Marketers

An outside-in approach to strategy is a natural evolution and adaptation of the marketing orientation concept to changing market realities. This evolution is fueled by thirty years of progress in understanding the marketing concept and the organizational implications. A rethinking of the concept is also timely as advances in digital technologies are accelerating the rate of change in markets while enabling innovative organizational approaches. One example of the possibilities is using artificial intelligence to create personalized offerings for customers, which will require new capabilities and could lead to much deeper market insights and enhance a learning environment within the firm (Kumar, Rajan, Venkatesan and Lecinski 2019).

Revisiting Ryanair. The fundamental premise of the marketing concepts is also a central element of outside-in thinking. A good reminder of this centrality is the saga of Ryanair, which seemingly dismissed the need to cater to their customers, and adopted an inside-out asset leveraging approach to their strategy, that delivered outstanding growth and profitability. The challenge to this approach began during the 2013 Annual General Meeting when shareholders assailed the CEO for being a bully and questioned whether the macho culture and strict service policies were deterring customers (Meehan 2017). These blunt critiques and the reality that their chief rival easyJet was gaining ground with more customer-friendly policies, prompted the hiring of the first Chief Marketing Officer, and led to a spate of customer service initiatives. The new CMO was also given the charge of developing the airline's digital capabilities which had fallen behind minimum acceptable levels. The CMO was persuaded to join by Michael O'Leary's sincerity and personal commitment to addressing the problems, and the willingness of the leadership team to experiment and change.

A rapid series of changes – notably the move to allocated seating – culminated in the December 2014 statement of "Always Getting Better" that aspired to, "…fix the things customers did not like… (while) improving the customer and digital experiences." Three years after launching the marketing initiative and building a superior digital capability, Ryanair revenues had increased by 37 percent, and profits more than doubled. During this period the load factor rose from 87 percent to 95 percent, while Ryanair continued to offer the lowest fares. O'Leary summed up the success of this outside-in transformation, led by marketing, by saying, "If I'd known it would work so well, I'd have done it years ago."

What role for marketing? Part of the answer to this question depends on the extent of an on-going transition in the character of the leadership team (or C-Suite). The most influential members of this team will be strong communicators who collaborate with other functions and serve as credible advisors to the CEO on key decisions. These team leaders will be much more than advocates for the interests of the function or group they represent, and can overcome the tendency toward isolated organizational silos that concentrate on immediate tasks within their jurisdiction.

Within market-driven organizations, the marketing leader has customarily been the "voice of the customer." The sources of the influence of these leaders are well-known (Feng, Morgan and Rego 2015). But with a broadening mandate for the leadership team they can and should evolve to becoming the authority and advocate for outside-in thinking. This includes taking responsibility within the leadership team for ensuring the strategy dialogue starts from the outside-in, and bringing deep insights about the demand-side ecosystem into the decision considerations. The credibility of these marketing leaders will depend on their mastery of both customer insights and foresight capabilities. They will be equipped to demonstrate the influence of brand equity and customer relationship building on long-run financial performance, and position the organization to thrive amidst digital turbulence.

ENDNOTES

[1] Drucker (1990) foresaw the ferment in distribution channels and in the places customers would buy and advocated being in the market place. He advised executives to "walk around," watch customers and non-customers, and ask "dumb questions" to be able to anticipate changes.

[2] This work has spawned a number of studies of the performance consequences of a market orientation (Kirca, Jayachandran and Bearden (2005), Kumar, Jones, Venkatesan and Leone 2011, 2005 and Morgan, Voorhies and Mason 2009). The Kohli and Jaworski (1990) article has had over 9750 citations as of 2016 (Varadaryan 2017).

[3] Various syntheses of the varieties of market orientation concepts have mapped the domain including Lafferty and Hult (2001) and Palmatier, Moorman and Lee (2019). The latter authors offer three different perspectives: organizational design, relational and technology. See also Gatignon and Xuereb (1997).

[4] Further confusion was created by Deshpandé, Farley and Webster (1989 and 1993), as their views changed about whether market orientation was culturally or behaviorally based (Hult and Ketchen 2017).

[5] The nature and role of the dynamic capabilities framework are discussed in Teece (2007) and Teece (2014).

[6] Design thinking is, "a discipline that raises the designers sensibility, and methods to match people's needs with what is technologically possible…" per Brown (2008), and has been broadened by Martin (2009) and others as a general problem-solving approach. A recent review of the extensive literature on design thinking (Micheli, et al 2019), derived ten defining features and eight essential tools and methods for applying this approach.

[7] We found no evidence of any prioritization of stakeholders (and certainly not customers) in the four pillars of "conscious capitalism" (Mackey and Sisodia 2013) of higher purpose, stakeholder orientation, conscious leadership and conscious culture. Nor is there any callout of the primacy of customers in the related area of ESG investing, Environmental, Social, Governance issues (Kell 2018). There is no mention of customers in the principles for socially responsible investing, which consider how corporations (1) respond to climate change, (2) treat their workers, (3) Socially build trust and foster innovation, and (4) manage their supply chains.

Figure One

A Partial Compilation Of Terms
Associated With Market Orientation

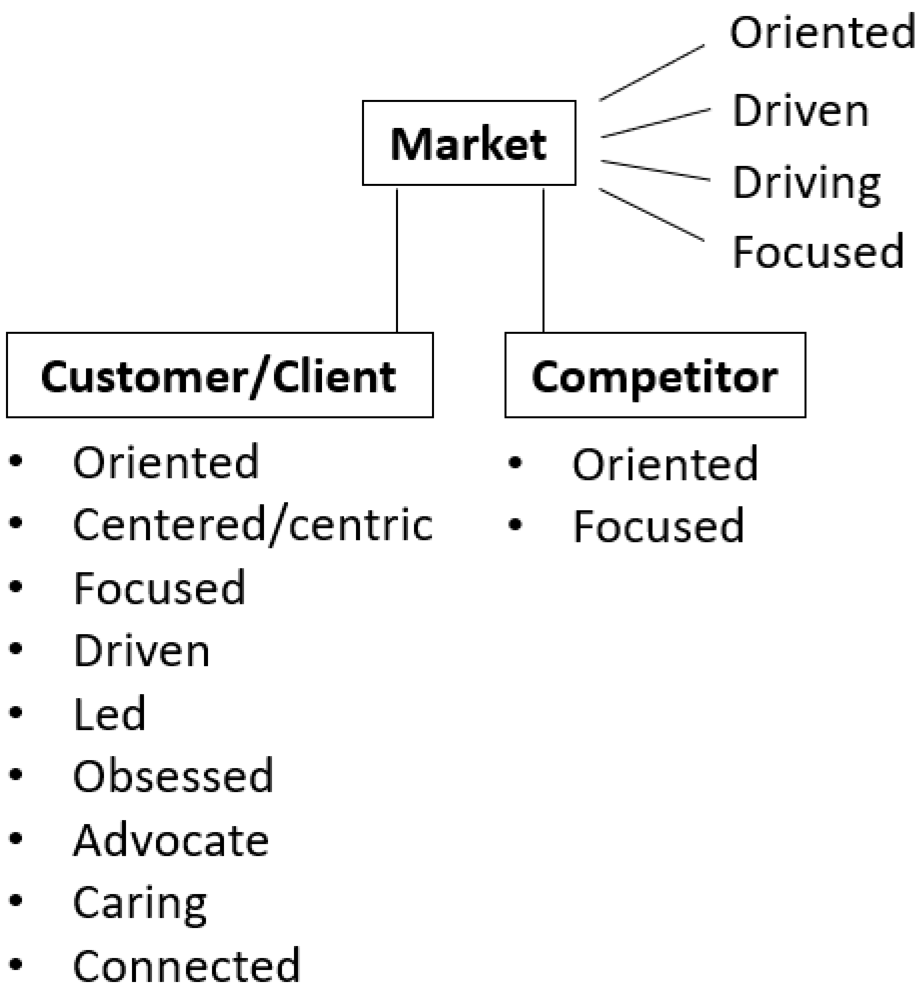
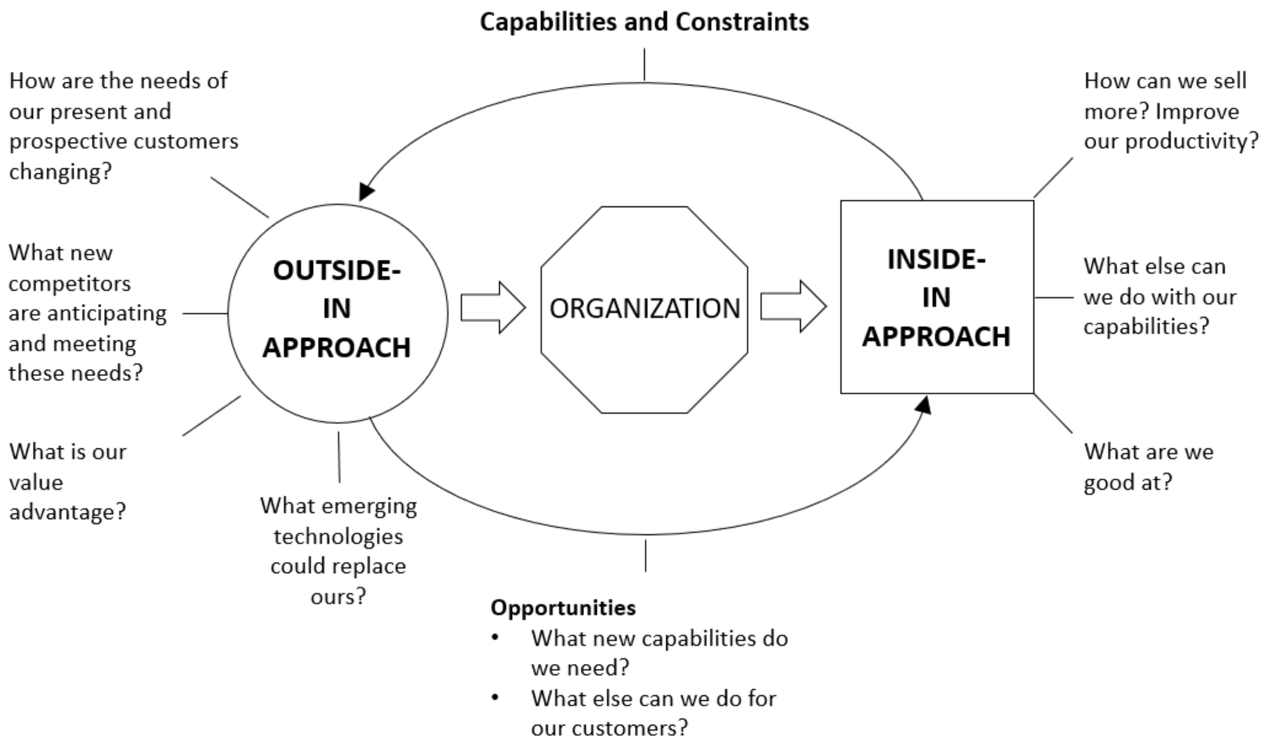


Figure Two

An Iterative Approach To Strategic Thinking



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