From a Production Orientation to a Stakeholder Orientation: The Evolution of Marketing Sophistication in Private, Multi-site U.S. Sawmills

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Abstract

Marketing can be thought of as a means of satisfying stakeholder needs in a social context. The role of marketing within a firm and the way it is conducted serve as indications of the sophistication of a firm. When marketing is purely a selling function, the company is likely production oriented. Conversely, marketing as an integrator or relationship-builder implies a more sophisticated market-orientation. Based on previous research, it is clear that marketing is changing over time. This study is focused on the “real” marketing sophistication and practice present in the US sawmilling sector. Here, marketing sophistication is used to mean the “degree of market orientation.” It also explores the evolution of marketing sophistication in the sawmilling sector during the past years and the direction towards which marketing will develop. Finally, it investigates the interface between marketing and sales departments which can have essential impacts on marketing sophistication.

Key words: marketing sophistication, evolution, recession, customer, stakeholder
Introduction

During the early years when demand was high and customer needs were relatively unified, companies were mainly focused on producing large volumes of commodity products and would rely on a sales force to sell those products to customers. As the marketplace changes over time, especially with respect to customer needs and competitors, companies must become more sophisticated in their marketing approach to remain competitive. Instead of focusing only on production, companies should put more efforts to satisfy customers and other stakeholders. According to Narver and Slater (1990), a market orientation is a focus on customers and competitors and an ability to bring information about each back into the organization and effectively integrate it into operations (Narver and Slater 1990). This perspective is broadened by adding the idea of “stakeholder orientation” (Ferrell et al. 2010).

The forest industry is traditionally production-oriented and competes on low cost. Marketing is implemented as a sales-tool. However, the marketplace has evolved and become much more sophisticated. Marketing has to keep up with the change, especially during recession and times when the companies are facing severe challenges. Therefore, the understanding and approach of marketing must be improved to provide forest product companies with continuous competitive advantages. Hence, the objectives of this study, in the context of private-owned, multi-site, medium-sized U.S. sawmills are the following:

1) To learn the current situation of marketing sophistication
2) To investigate the evolution of a marketing sophistication
3) To assess the role of marketing departments in sawmilling companies

Theoretical background

Market orientation conceptualization

Lear’s (1963) work is the earliest literature that can be found discussing market orientation and it can be considered quite similar to customer orientation. However, after decades of development, market orientation has turned into a rich concept including multiple dimensions. It is considered as the actual implementation or interpretation of the marketing concept (Kohli and Jaworski 1990). Narver and Slater (1990) and Kohli and Jaworski (1990) are the two well-know “camps” regarding market orientation. Narver and Slater (1990) consider market orientation as an organizational culture consisting of three components, namely, customer orientation, competitor orientation and interfunctional coordination. However, Kohli and Jaworski (1990) understand market orientation as a behavioral process of intelligence generation, intelligence dissemination and responsiveness. They provide two perspectives to approach market orientation with the same focus - the customers. The two perspectives are different but can be integrated as a whole.

From the cultural perspective, market orientation could be understood as attitudes and values that are shared by the people in the organization. It is like “an invisible hand” guiding individuals’ behavior (Lichtenthal and Wilson 1992). The behavioral view of market orientation provides a
framework of implementation of market orientation (Vazquez et al 2001). Cadogan and Diamantopoulos (1995) synthesize these two perspectives and suggest a reconstruction of market orientation (Figure 1).

![Figure 1: An integrated model of market orientation (adapted from Cadogan and Diamantopoulos, 1995)](image)

In this integrated construct of market orientation, the three behavioral components—intelligence generation, intelligence dissemination and responsiveness—are led by customer orientation and competitor orientations. The coordinating mechanism dictates the manner in which these three behaviors are performed. That is to say, the activities associated with a market orientation take place following the process of intelligence generation, intelligence dissemination and responsiveness. The activities and the process that take place are oriented towards customers and competitors. Also, a coordinating mechanism steers the entire process to make sure things can be done effectively and efficiently. It focuses on the communication within a functional group as well as on the interaction among different functional groups.

The scope of a market orientation has expanded to include other stakeholders. Besides customers and competitors, other factors such as suppliers and communities could each highly influence companies (Lusch and Laczniak 1987). Taking such factors into consideration, the idea of stakeholder orientation is suggested (Maignan and Ferrell 2004, Ferrell et al. 2010). A stakeholder orientation emphasizes the importance of all individuals and organizations that have a “stake” in the company. It is suggested to be an extension of a market orientation, broadening the focus of the concept from just customers and competitors to all stakeholders.

As mentioned earlier, the stakeholder perspective is proposed and it enriches the concept of marketing. From the stakeholder perspective, marketing not only focuses on customers but also takes employees, suppliers, communities, etc. into consideration. Ferrell et al. (2010) proposes the definition of a stakeholder orientation as “the organizational culture and behaviors that induce organizational members to be continuously aware of and proactively act on a variety of
stakeholder issues.” A stakeholder orientation has concerns for a variety of parties rather than being centered on any specific group. On the contrary, a traditional market orientation identifies customers and competitors as the key focus while paying little attention to other stakeholders. Although a stakeholder orientation does not put more importance on any specific group than the others, neither does it consider them equal. Different stakeholder groups may be prioritized depending on the issue. Bringing this idea together with the integrated construct of market orientation, the focus of each behavioral component can possibly be expanded from a customer and competitor orientation to a stakeholder orientation (Figure 2).

Figure 2: An integrated model of market orientation, from a stakeholder view

Marketing and sales

The distinction between the marketing department and the sales department is receiving increasing attention in the generic marketing literature, although in the past they were not well distinguished. In some research, sales is considered a subunit under the marketing department managed by the marketing executive (Dashpande and Webster 1989; Ruekert et al. 1985), while some authors only talk about the marketing department and don’t even mention the sales department (Dastmalchian and Boag 1990). In fact, sales and marketing are two different concepts with different mind-sets or thought worlds behind them.

The role of either a sales department or a marketing department can differ between companies, thus, the distinction of these two departments can vary from one company to another. However, there are some perspectives regarding sales-marketing distinction that can fit the situations of most companies. An example would be that sales is suggested to be short-term oriented and marketing is long-term oriented (Homburg et al.2008; Rouziès 2005). Sales people are normally motivated by month-to-month or quarter-to-quarter goals while marketers often aim for sustainable competitive advantages which may take years to achieve. Also, sales is considered people-oriented (or individual-oriented), for the salespeople often focus on building relationships with the individual customers whom they directly deal with, while marketing has its focus more on analysis of the customer group and market research, in order to get higher level knowledge and better understanding of a larger scope.
It becomes more complicated when scholars try to differentiate sales and marketing using the notion of product-orientation vs. customer-orientation. According to Rouziès et al. (2005), sales is customer-oriented, for the salespeople normally work with a certain group of customers. They promote various products and services to their customers and make efforts to build good relationships with them. Different from sales, marketing mainly focuses on a certain product or product line. This aligns with Cespedes (1994) and Homburg and Jensen (2007) that sales is customer-oriented while marketing is product-oriented. However, Lear (1963) considers sales as product-oriented and marketing as customer-oriented. According to Lear (1963), a product-oriented firm is likely to have a sales department in which people focus more on products, while in a market-oriented company, there will be a marketing department focusing on the market.

Another important aspect regarding marketing and sales department is the marketing and sales interface. As two different but closely connected departments in one company, the marketing department and sales department interact and collaborate in a number of ways. Simply speaking, the marketing department can lead, follow or be independent from the sales department (Day 1999; Kotler et al. 2006). However, the actual situation of marketing and sales configuration is rather complicated. Homburg et al. (2008) creates five categories with each category representing one type of marketing and sales configuration. In each category, the marketing department maintains a different level of knowledge, ranging from low to high, regarding products and marketing and so is the sales department. Also, the marketing department can be either short-term focused or long-term focused and the situation of the sales department is similar. The collaboration and communication between the marketing department and the sales department varies among categories.

**Marketing sophistication in the forest sector**

The term ‘marketing sophistication’ means the degree of market orientation in an organization. Traditionally, marketing in the forestry sector is largely production-oriented. Take sawmills for example. During the “good old days”, sawmills would just produce as much as they could. Production was their major focus and lumber they produced could be sold very quickly. However, the market is changing. Sawmills in the U.S. are facing increasing competition from other parts of the world. Hansen et al. (2002) suggest that the lumber from European countries is gaining market share in the U.S. market, although it was just a temporal phenomenon. Also, market needs to become more diversified with the growing sophistication of customers with more specific demands. The traditional commodity strategies can no longer satisfy the customers. In addition, the recession that started in 2008 brings more challenge to the industry. Many sawmills shut down during the recession. Some other sawmills are suffering from low profit and high inventories. There are calls for a development of marketing sophistication in the industry and at this point they seem especially urgent. Recent work focusing on marketing in the forest industry companies provides some evidence of increased marketing sophistication (Tibbets 2009, Juslin and Hansen 2003, Hansen et al. 2002). On the other hand, other results show that marketing in forest industry companies is not well implemented (Hansen 2006). Despite the evidence in both directions, there is limited understanding regarding the “real” marketing sophistication and practice in the forest industry.
Methods
Data was collected through in-person interviews. A semi-structural interview protocol was created and pre-tested on individuals in both academia and industry. The pre-tests were conducted following the same procedures as the actual interviews. Marketing managers and CEO/president of the private, multi-site, medium-sized, US sawmilling companies were the targets for interviews. They were sampled from the softwood and hardwood sawmills located in different regions of the U.S. In total, 19 interviews were conducted with 14 sawmills. The interviews were verbally transcribed and analyzed using the qualitative software NVIVO. Themes and important information were identified to address the objectives outlined in the beginning of this paper.

Results
We found that in most of the sawmills studied sales plays a larger role than marketing. The sales/marketing department in these sawmills largely operates focusing on sales. The major function of the department includes making phone calls to current/potential customers, establishing and maintaining relationships and then selling products. Marketing tends to be interpreted as advertising and promotion, which in general are led by the sales department and are not really important to most of the sawmills. Although the overall marketing sophistication (market orientation) in the sawmills is still relatively low, there are evidences indicating that it has evolved from the traditional production orientation towards a market orientation and a stakeholder orientation. We learned that instead of being production-oriented and concentrating on mass production at low costs, the sawmills now put more effort into understanding the market environment and demands, and then implement strategies and activities accordingly. The analysis is still on-going, but some patterns already emerged from the interview data.

Companies now pay more attention to the stakeholders relevant to their business, including customers, competitors, community, environmental world, etc. as external stakeholders. Customer seems like the most important stakeholder group for the companies. Customer wants and needs become essential to the sawmills. To retain current customers and gain potential customers, the sawmills need to be more customer-oriented-to identify what they want and provide the products and services wanted. This was not considered an important issue years ago when market demand was quite high. During the recession time when market demand was relatively low, sawmills became more proactive in terms of satisfying their customers. Although the major focus of most sawmills interviews is still on the domestic market, the overseas customers are of growing importance nowadays due to the shrinkage of the U.S. market. Developing countries such as China and India still maintain a relatively high demand for lumbers and other forest products. They can be a good potential market for U.S. sawmills.

Also, the environmental world is of a great importance to the sawmills. Sawmills are expected to be environmentally responsible with its operations. One way the companies address it is to provide third-party certified products. They also promote the fact that they manage their forest land in a sustainable manner to build a positive public image. Furthermore, some sawmills actively participate in national programs and industry associations in order to promote the forest sector as a whole.
Overall, the evolution of marketing sophistication gains a firm better understanding of the customers and the market environment. It also helps a firm to better respond to various demands from customer and other stakeholders and thus enhances firm competitiveness within the forest sector. Eventually, it may increase the competitiveness of the forest sector.
References


