Analyzing Organizational Responsiveness Through The Lens Of The Strategy Theory

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Abstract

Academics attempt to explain the differences in company performance in a changing environment. Organizational responsiveness is a concept related to strategy and marketing that permeates the variables involved in management action, which leads the company to innovate, seize business opportunities, adapt and act proactively. This essay’s objective is to deepen the understanding of organizational responsiveness by exploring its theoretical variations and determinants. This essay proposes an integrated view of strategy and marketing research. For future research, a broader investigation of the construct is suggested, starting from theoretical perspectives more aligned to complexities and environmental changes, such as dynamic capabilities theory.
1. Introduction

Both the area of strategy and marketing attempt to understand the effects of company actions in terms of competitive advantage and company performance. Another challenging issue for management and marketing literature is the identification of forces that promote adaptation and organizational responsiveness to environmental changes. Researchers focused on the mechanisms of organizational adaptation and strategic change (Wernerfelt, 1984; Eisenhardt and Martin, 2000; Wang and Ahmed, 2007) attempt to identify individual, organizational and external factors that drive organizational responsiveness. Academics and practitioners attempt to understand and explain the differences in company performance in the face of the complexity of the market, competitive pressures and uncertainties.

Marketing performance has an important role in the heterogeneity of companies’ performance, and brand management, investment in advertising, new products and customer relationship management are some of the marketing initiatives that can be translated into competitive advantage and superior market performance (Morgan, Vorhies & Mason, 2009; Morgan, 2012).

Organizational responsiveness is a concept related to strategy and marketing, that runs throughout the multiple variables involved in management action, and in the face of a changing environment it leads the company to innovate, seize business opportunities, maintain brand dynamics, adapt and act proactively. So, it is maybe one of the market performance antecedents, besides organizational performance (Hult, Ketchen & Slater, 2005).

Despite the importance of the construct organizational responsiveness to marketing and strategy literature, it still presents gaps and inconsistencies in terms of conceptualization, antecedents, and measurement. Researches also differ in terms of levels of analysis. These problems can also arise from different theoretical background used by researchers (Homburg, Grozdanovic & Klarmann, 2007; White, Varadarajan & Dacin, 2003; Wei & Wang, 2011). Such ambiguities produce confusion, compromise the consistency of research on the topic and hinder the advancement of this topic within management literature.

Faced with these divergences and controversies surrounding the concept of organizational responsiveness, this work aims to elaborate a revision of the literature on the subject. The objective is to deepen the understanding of the construct organizational responsiveness by exploring the concept and its variations in terms of theoretical streams and determinants.

The theoretical contribution of this essay to the existing body of knowledge resides in the identification and discussion of the existing gaps in the conceptualization and theoretical frameworks of the organizational responsiveness concept in business literature. In addition to expanding understanding of the concept of organizational responsiveness, this work also
seeks to identify those determinants that enable the organization to respond to environmental changes.

This essay takes as its starting point an integrated view of research in the field of strategy and marketing. The development in the discussion regarding the organizational responsiveness construct reveals the relationship between those schools of thought in the area of strategy that have migrated to and incorporated marketing research, such as the resource-based view and dynamic capabilities. As a recommendation for future research, a broader investigation of the construct is suggested, starting from theoretical perspectives more aligned to a company’s need to adjust to environmental dynamics, uncertainties and complexities.

2. Definition and theoretical support to organizational responsiveness

The marketing literature reveals gaps, inconsistencies and ambiguities in relation to the definition of organizational responsiveness. The difficulty in finding a universal definition seems to be linked to the diversity of suppositions and theoretical frameworks associated with the concept. Research defines responsiveness based on the perspectives of market orientation (Kohli & Jaworki, 1990; Kohli, Jaworski & Kumar, 1993; Narver & Slater, 1990), cognitive theory (White et al., 2003), the resource-based view (Zaheer & Zaheer, 1997; Hult et al., 2005), dynamic capabilities (Wei & Wang, 2011) among others.

The increasing interest shown by marketing in the organizational response first arose around the end of the 1980s and the beginning of the 1990s, with research into market orientation.

Market orientation is characterized as a philosophy that permeates the organization with a view to delivering products and services of value to customers. Being a market-oriented company implies broadening the company's focus on the balance between customer demands and actions of competitors. This philosophy requires that market conditions be monitored and organizational response be adapted to environmental changes. The argument in favor of this approach suggests that market-oriented firms can better meet the needs of their customers, which may be reflected in better company performance (Grewal and Tansuhaj, 2001).

Researchers at the time were concerned with the implementation of the concept of marketing (Lafferty & Hult) and they referred to the perspective of market orientation both in terms of market intelligence (Kohli & Jaworski, 1990; Kohli et al., 1993) and organizational culture (Narver & Slater, 1990; Möller, Pels & Saren, 2009). From a market intelligence perspective, responsiveness is established by the generation and sharing of information, while from an organizational culture perspective, responsiveness is constructed from three behavioral elements: orientation to customer needs, actions of competitors and inter-functional coordination. More recently, researchers have felt the need to integrate these two perspectives of market orientation, when assessing the performance of companies (Hult et al., 2005; Homburg et al., 2007).

Since the mid 90s, the resource-based view (RBV) has been another approach that has influenced research in marketing. RBV focus on how organizations conducted its activities, processes and routines. This stream is based on the premise that specific resources explain the heterogeneity of results among firms (Wernerfelt, 1984; Vorhies e Morgan, 2005; Morgan, 2012). Research into responsiveness supported by the theory of RBV postulate that the response depends on the resources that the firm possess (Wang & Ahmed, 2007). Based on
Austrian school of economics and RBV theory, Zaheer & Zaheer (1997) highlighted the importance of the strategic use of information systems as a resource for action in response to the changing business environment.

Despite the use of RBV in theoretical research in marketing, critics point out its limitations in adequately explaining how and why certain firms achieve a competitive advantage in dynamics environments. Strategic management theorists argue that in such markets the theory of dynamic capability can make major contributions (Ngo & O’Cass, 2012; Eisenhardt & Martin, 2000). Arguments in support of dynamic capabilities theory consider capabilities as those processes by means of which companies integrate, create and reconfigure internal and external resources and competencies in deals that allow their fit to changes in the business environment (Day, 2011; Eisenhardt and Martin, 2000).

Firms can use dynamic capabilities to recognize and respond to opportunities and threats by extending, reconfiguring, changing, and creating resources and (Drnevich & Kriauciunas, 201; Smith, Lyles and Peteraf, 2009). This theory is linked to mechanisms of change, innovation and organizational learning (Smith, Lyles and Peteraf, 2009). Considering these variables, Wang and Ahmed (2007) integrated the absorptive, adaptive and innovative capability in a vision of dynamic capabilities. The absorptive capability is associated with the organizational learning process and the ability to assimilate and utilize the combination of external an internal knowledge and information. The adaptive capability refers to the ability to flex, align and reconfigure resources and capabilities in response to changes in the environment. The emphasis is on how the company is structured and responds to the need for change. The innovative capability concerns the ability to develop new products and markets for alignment between innovative strategic orientation and innovative behavior of the firm (Wang & Ahmed, 2007; Day, 2011; Smith et al., 2009). Some recent researches into marketing have investigated dynamic capabilities according to these dimensions (Liao, Welsh & Stoica, 2003; Zhou &Li, 2010; Thongsodsang & Ussahawanitchakit, 2011).

Studies have shown the significant relevance of marketing capabilities to business performance and have even demonstrated that marketing capability has a larger influence on performance than other capabilities such as R&D capability and operations capability (Krasnikov & Jayachandran, 2008). Studies linking the theory of dynamic capabilities and organizational responsiveness in marketing have appeared more frequently since the first decade of the 21st century Fang and Zou (2009) integrated the literature of dynamic capabilities with marketing literature and define marketing dynamic capabilities as responsiveness and cross-functional efficiency. The focus on customer value is what distinguishes dynamic marketing capability from dynamic capabilities in general (Fang and Zou 2009; Day, 1994). Also combining dynamic capabilities theory with relevant insights form marketing literature, Morgan (2012) suggests that dynamic marketing capabilities have three elements: market learning, resource reconfiguration and capability enhancement.

The learning process is a key source of dynamic capability and according to this perspective, Liao et al. (2003) delineate the response starting from the elements of the absorptive capability of the organization. The authors found an association between absorptive capacity and organizational responsiveness in growth-oriented SMEs. The dimensions of external knowledge acquisition and internal knowledge dissemination behaved as strong and positive predictors of responsiveness. The output of the firm’s market learning capability guides the...
resource reconfiguration decision. This process is aligned the market orientation line of research and absorptive capability literature (Morgan, 2012; Liao et al., 2003)

Resource reconfiguration and capability enhancement are related to adaptative capabilities. Research has incorporated elements of adaptive capability into the concept of responsiveness. Zhou and Li (2010) found positive relationships between strategic orientation and the adaptive capability of a company to changes in the environment. Thongsodsang and Ussahawanitchakit (2011) consider market orientation and strategic flexibility as marketing dynamic capabilities, and have associated the definition of responsiveness with adaptive capability and strategic flexibility. The definition of strategic flexibility is linked to the organizational capacity to identify major changes in the external environment, and the commitment of resources in support of effective actions in response to these changes. The authors emphasized that like market orientation, strategic flexibility has a decisive role in the company's response to changes in the environment, with positive effects on marketing outcome and marketing growth.

From the perspective of dynamic capabilities, organizational responsiveness assumes the role of adaptive capacity, which is reflected in the company's ability to reconfigure its resources and coordinate processes according to the fast-changing environment. Although some recent research has been carried out into the responsiveness of firms from the perspective of dynamic capabilities (Thongsodsang and Ussahawanitchakit, 2011, Liao et al, 2003), these investigations are still in their early stages and require more consistent results. What can be observed is that the perspective of dynamic capabilities is a versatile integrated theoretical approach both to the broader theories of management, such as RBV, and the more specific approaches to marketing, as in the case of market orientation (Morgan et al., 2009).

The company's strategic orientation drives the adaptive capacity of the company. Accordingly, market orientation and organizational responsiveness are approaches that complement each other, since market orientation is a kind of strategic orientation which results in choices that the company makes in relation to its interaction with the external environment. The more market-oriented it is, the greater the company's ability to respond to changes in the environment, which can be reflected both in growth and in superior market performance. Zhou and Li (2010) and Thongsodsang Ussahawanitchakit (2011) consider market orientation and strategic flexibility as marketing dynamic capabilities relevant to the company's growth.

Aligned with the adoption of the theory of dynamic capabilities is a recent development in research on responsiveness, Morgan (2012) highlights the need for a better understanding of limits and operating modes of dynamic capabilities in research related to marketing strategy, because this type of research would broaden the understanding of the role of marketing in growth and performance in dynamic environments.

Theories previously mentioned adopted the organizational level of analysis to investigate responsiveness; other research on the topic has included individual perceptions of events as determinants of the actions that occur at the organization level (Hough & White, 2004). In this sense, responsiveness is understood to be a result of the evaluation and interpretation of a market situation by certain managers. What the authors attempt to demonstrate is that the time an organization takes to respond to the changes in the environment also depends on how managers interpret the range of possible responses to a perceived threat or opportunity (White et al., 2003). This argument emphasizes the proactive role of managers in monitoring,
interpreting and responding to environmental changes; modifying organizational strategies and processes to fit the company according to those changes. Summarizing the discussion, Figure I lists the definitions of organizational responsiveness, according to theoretical perspective.

**Figure I – Theoretical Framework and Definitions of Organizational Responsiveness**

<table>
<thead>
<tr>
<th>Theoretical Perspective</th>
<th>Definition</th>
<th>References</th>
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<tbody>
<tr>
<td><strong>MARKET ORIENTATION</strong></td>
<td>Action in response to the intelligence generated and shared by the organization. The company’s response to consumers and competitors is focused on organizational culture shared by the organization. The ability to respond in a timely and speedy manner to customer's need and competitor's actions, is a result of the interaction of two subsystems within the organization, the information based system and the organizational culture.</td>
<td>Kohli, Jaworski and Kumar (1993) Narver and Slater (1990) Homburg, Grozdanovic and Klarmann (2007)</td>
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<td>Market Orientation</td>
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<td>Market orientation and Open Systems theory</td>
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<tr>
<td>RESOURCE-BASED VIEW</td>
<td>Speed of response to signs of change in the environment. Strategic action towards the use of the market information system as a resource in response to changes in the market. The company’s responsiveness reflects its capacity to act based on the use of information as a resource.</td>
<td>Zaheer and Zaheer (1997) Hult, Ketchen and Slater (2005) Wei and Wang (2011)</td>
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<td>Supported by the austrian economic school, network and RBV</td>
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<td>Founded on RBV and market orientation approach</td>
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<td>Sensemaking perspective integrated with RBV</td>
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<tr>
<td>DYNAMIC CAPABILITIES</td>
<td>Response in the form of dynamic ability, which contributes to the success of the company in dynamic environments. The definition of organizational response is associated with ability of the firm to respond to external market changes efficiently and promptly. Organizational response is linked to performance and reflects the speed and coordination with which the actions are implemented and periodically revised. Responsiveness can be construed as organizational flexibility. It is through this dynamic capability that the company can respond quickly to market opportunities and continually adapt to the uncertainties of the environment.</td>
<td>Zhou and Li (2010) Thongsodsang and Ussahawanitchakit (2011) Liao, Welsh and Stoica (2003) Grewal and Tnasuhaj (2009)</td>
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<td>Dynamic Capabilities</td>
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<tr>
<td>Integration of RBV, dynamic ability and contingency theory</td>
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<tr>
<td>Absorptive capacity and organizational learning theory</td>
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<tr>
<td>RBV, dynamic capabilities perspective and contingency theory</td>
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<tr>
<td>OTHERS PERSPECTIVES</td>
<td>The extent of the response is the tendency to commit more or less resources based on the assessment and interpretation of the market situation. The extent (or scale) of the response depends on how managers choose to interpret and respond to the particular market situation. The organizational response is a result of the search for, sharing and interpretation of information regarding the environment.</td>
<td>White, Varadarajan and Dacin (2003) Hough and White (2004)</td>
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<tr>
<td>Cognitive Evaluation theory (cognitive style and organizational culture)</td>
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<tr>
<td>Social Cognition Perspective, Information Processing Perspective and the reconciliation of the two.</td>
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Source: elaborated by the authors
3. Determinants of Organizational Responsiveness

A better understanding of the role of these variable determinants requires an analysis of the construct starting from its theoretical underpinnings, since theoretical diversity influences both the manner in which organizational responsiveness is defined and the selection of variables determinants of the construct. Each theory has its own rationale and terminology. This leads to the idea that there are multiple variable determinants, such as: information (Kohli et al., 1993; Liao et al., 2003), organizational culture (Homburg et al., 2007) and managerial cognitive style (White et al., 2003).

From the perspective of market orientation, the determinants of an organizational responsiveness depend on the characteristics of the organizational culture (Narver & Slater, 1990; Möller et al., 2009) and information processing activities (Kohli & Jaworski, 1990). Initially, the models evaluated each of these variables in isolation as a component of the market orientation dimension. More recently, research has integrated these variables to assess corporate performance (Hult et al., 2005). Homburg et al., (2007) consider culture and information as antecedents of responsiveness to customers and competitors. The authors observed that cultural characteristics have the greatest impact on customer responsiveness, while information processing system has a more significant impact on competitor responsiveness.

The relationship between information processing and responsiveness was also examined in studies grounded in RBV. In this case, market information is understood as the resource determinant to action in response to environmental changes (Wei & Wang, 2011; Hult et al., 2005). Studies investigating responsiveness in the light of RBV highlighted the positive impact of the strategic use of information in the organizational responsiveness (Hult, et al., 2005), with positive effects on the competitive advantage of company marketing (Wei & Wang, 2011).

More recently, studies that attempt to explain how and why certain firms achieve a competitive advantage in dynamic markets have begun to analyze responsiveness from the perspective of dynamic capabilities. According to this perspective, dynamic capabilities can be linked to mechanisms of change, innovation and organizational learning (Smith, Lyles and Peteraf, 2009).

With regard to organizational learning mechanisms, the absorptive capability excels as a process that stimulates the company’s ability to assimilate and utilize the combination of external and internal knowledge to respond to environmental changes (Wang and Ahmed, 2007). In their work, Liao et al. (2003) considered the dimensions of absorptive capability as antecedents of organizational responsiveness. The authors define absorptive capability as a multi-dimensional construct involving the ability to acquire, assimilate and exploit information and knowledge. Their results showed that the responsiveness of growth-oriented SMEs increases if organizations invest in absorptive capabilities, such as external knowledge acquisition and knowledge dissemination.

In dynamic and complex environments, organizational responsiveness presents itself as the adaptive capability of the company. Organizations can anticipate unexpected changes and uncertainties more rapidly when this pattern fits their strategic direction. Zhou and Li (2010) underline this point when point to strategic orientation as an important driver of the adaptive capacity of a company. According to the authors, strategic orientation influences the way...
businesses interact with customers, competitors and technology, and the environmental conditions interfere with effective strategic orientation. As the environment becomes increasingly uncertain, technological orientation has a strong impact on the adaptive capability of the company, while customer orientation does not bring the same positive effects. In situations where market competition intensifies, both competitive and technological orientation have a positive effect on the firm’s adaptive capability.

Focusing more specifically on the field of marketing strategy, Fang and Zou (2009) couple responsiveness with the concept of marketing dynamic capabilities (MDCs) in the same way that they conceptualize MDCs as a specific and idiosyncratic cross-functional process design to create and deliver superior value in response to environmental changes. They point out that the key concept behind dynamic capabilities is a company’s ability to respond to environmental change.

Two mechanisms contribute to the development of marketing dynamic capabilities, resource selection and capability building. With regard to the mechanism of resource selection, the managers collect information and conduct analyses to better choose which and how many resources should be invested to achieve superior market performance. Capability building involves the design and construction of organizational contexts and processes, such as organizational structure and culture that encourage responsiveness through the integration, combination, reconfiguration and use of resources in accordance with environmental changes Fang and Zou (2009).

According to this view, Thongsodsang and Ussahawanitchakit (2011), focused on two dimensions of marketing dynamic capabilities, market orientation and strategic flexibility. The intention is to provide a clearer understanding of the relationship between these capabilities and marketing growth. In their results, both dimensions have a significant positive effect on marketing outcome and marketing growth. Tansuhaj and Grewal (2001) also evaluated these two dimensions of organizational capabilities in response to changing environmental conditions triggered by economic crises. The results showed that in situations of high uncertainty in terms of demand and technology, market orientation proved to be very relevant to the company, whereas in times of intense competition strategic flexibility was seen to be more significant.

Other theoretical perspectives such as cognitive theory, investigate how managers adjust the information they receive to fit cognitive structures in order to assess the environment as a threat or opportunity. Both their perception of organizational culture within a company and their cognitive style influence the way managers interpret and respond to a particular market situation and therefore can be understood as antecedents of the scale of the response (White et al., 2003; Hough & White, 2004).

Based on a previous examination of the literature review, three determinants of the organizational responsiveness construct were identified: the organizational information process (Kohli & Jaworski, 1990; Homburg et. al, 2007) strategic orientation (Narver & Slater, 1990; Zhou & Li, 2010) and the decision-making process (White et al, 2003; Hough & White, 2004).

Figure 2 summarizes the antecedents of organizational responsiveness according to current theory.
Figure 2 – Theoretical Support and Antecedents of Organizational Responsiveness

<table>
<thead>
<tr>
<th>Theoretical Support</th>
<th>Antecedents</th>
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<tr>
<td></td>
<td>• Market Information (Kohli and Jaworski 1993; Homburg, Grozdanovic and Klarmann, 2007)</td>
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<tr>
<td>View based Resource (RBV)</td>
<td>• Market Information System (Wei and Wang, 2011)</td>
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<tr>
<td>Dynamic Capabilities</td>
<td>• External Knowledge Acquisition and Intrafirm Knowledge Acquisition Dissemination (Liao, Welsh and Stoica, 2003)</td>
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<td></td>
<td>• Strategic Flexibility and Market Orientation (Thongsodsang and Ussahawanitchakit, 201; Grewal and Tansuhaj, 2001)</td>
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<td></td>
<td>• Strategic Orientation (Zhou and Li, 2010)</td>
</tr>
<tr>
<td>Others Perspectives</td>
<td>• Cognitive Style (White, Varadarajan and Dacin, 2003)</td>
</tr>
<tr>
<td>Cognitive Theory</td>
<td>• Perceived Culture Organizational (White, Varadarajan and Dacin, 2003)</td>
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Source: elaborated by the authors

Discussion and Conclusion

The central objective of strategic marketing is to understand the effects of marketing actions on competitive advantage and company performance. Developing this purpose is essential for both marketing academics and managers. Another challenging issue for management and marketing literature is the identification of forces that promote adaptation and organizational responsiveness to environmental changes. Researchers focused on the mechanisms of organizational adaptation and strategic change (Wernerfelt, 1984; Eisenhardt and Martin, 2000; Wang and Ahmed, 2007) attempt to identify individual, organizational and external factors that drive organizational responsiveness. Academics and practitioners attempt to understand and explain not only the differences in performance between businesses but also the important role of marketing in the heterogeneity of company results, particularly in the face of the complexity of the market, competitive pressures and changes in consumer behavior patterns.

Organizational responsiveness is a concept that permeates these management and marketing actions and therefore has an important role to play in the market performance of the company. Given its importance to marketing literature, the purpose of this article was to broaden the understanding of this construct and identify the determinants that enable the firm respond to environmental changes.

Since no one theoretical discussion can capture the range of variables and relationships that describe the organizational responsiveness construct, this essay elaborates a revision of the literature on the subject. The revision includes insights from diverse theories and perspectives, such as market orientation, RBV, and dynamic capabilities. The intention is to deepen the understanding of organizational responsiveness by exploring the concept and its variations in terms of theoretical perspectives and determinants.

There are various theoretical perspectives that support the study of organizational responsiveness in marketing. But when one examines the concept from a perspective of change, the theory of dynamic capabilities seems a more appropriate aid to understanding...
how firms adjust their resources and their internal and external competencies in response to market dynamics.

In the delineation of organizational responsiveness, the theory of dynamic capabilities excels as a versatile approach integrated with both the RBV and market orientation. The theory of dynamic capability is an extension of RBV, and the company's ability to adapt is a distinctive feature that can translate into competitive advantage. Moreover, organizational responsiveness and market orientation are approaches that complement each other. Market orientation is a strategic orientation that can help the company better deploy organizational responsiveness. The more market-oriented the company is, the better its ability to respond to the changing environment and hence the better the chances of establishing a superior market performance.

Research into the relationship between dynamic capabilities and performance has already been carried out. However the empirical contribution of this theoretical perspective in marketing literature is still in its early stages. Some theorists suggest a positive association between dynamic capabilities and performance (Morgan et al., 2009; Morgan 2012; Vorhies, Orr & Bush) but what is needed is more specific investigative research into the role of organizational responsiveness as a dynamic capacity behind company performance.

References


