

# Market and Innovation Orientation: A Typology of Public Housing Companies in Sweden

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**Abstract**—The purpose of this paper is to develop a typology based on market orientation (MO) and innovation orientation (IO), and to illustrate to what extent housing companies in Sweden fit within this framework. A qualitative study on 11 public housing companies in the central part of Sweden has been conducted by the help of open and semi-structured questions for data collection. Four public housing company types' i.e. reactive prospector, proactive prospector, reactive defender and proactive defender have been identified by the combination of MO-IO dimensions. Future research can include other dimensions like entrepreneurship and network to observe how it particularly affects MO. An empirical study can compare public and private housing companies on the basis of MO and IO dimensions. One major contribution of the paper is the proposition of typology which can be used to describe public housing companies and deciding their future course of actions.

**Keywords**—Customer-led, economy, innovativeness, market orientation.

## I. INTRODUCTION

MARKET orientation is central to a firm's ability to compete and gain superior business rewards in markets [1]. Since the end of '80s, a lot of studies have been conducted to observe the relationship between MO and performance. The works of [2], [3] have dominated the MO research. The former dealt with the mechanism for collecting, disseminating and responding to market intelligence on customers need while the later focused on developing culture for customer satisfaction by providing superior value to the customers.

Although there is critique on the measurement of performance, their research have influenced much other works in different directions including moderators' influence on MO and performance toward network [4], [5], Corporate Social Responsibility [6], [7], [8] and internationalization [9]. Surprisingly, a very few studies have examined [2] proposition how economic factors as moderators affect the relationship between MO and performance. However, resource-based scholars treat resources and their combinations as the major antecedents for gaining better performance and

competitive advantage [10], [11]. It also means that firms with inferior resources have less possibility to meet the market's demand and therefore need superior resources to fully implement marketing concept, i.e. market orientation.

Housing firms in Sweden face challenges to be market oriented because of the fund which needs to be generated by profits. This situation is particularly true for public housing companies which have so far run for other purposes than the economic and market targets. In several housing areas, the need of renovating has been neglected and therefore a restoration of those houses has become impending. Traditionally, public housing operated without clear requirements for profit but from 1st January 2011, the economic requirements have been reinforced by a new law. Although the earlier management had an economic criterion, the new law requires that each project shall bear its own costs following principles of return on investment. The new situation has led to a complex reality. On one hand, the houses in poor condition need to be restored to meet market demands of living and also the investment must go with profit. Being public housing firms, they must handle social and economic consequences, on the other hand. These firms need, according to [2] to be efficient in collecting, disseminating and be responsive to the market to meet customer needs and also to continuously work for maintaining a culture [3] for taking social responsibility. As public housing companies, they need proper MO strategy to reconsider present and future customer needs and to take care of technical, social and economic requirements to generate profit. The later function can relate to demolishing, renovating, maintaining and building houses which needs firms to be innovative. We argue that it is not enough that firms are market oriented, they must be innovation oriented at the same time [12] which include acting in social responsible way. The challenge for the firms is to proceed from the present economy by focusing on the short term goals and to initiate market and innovation oriented strategy seeking long-term goals.

Several housing companies have now initiated projects to understand the depth of the problem and to concentrate on their new roles as marketers and innovators to offer superior value to the customers. But these firms have different resource conditions and therefore face diverse opportunities and challenges. By following Narver & Slater and Kohli & Jaworski's discussion, this study develops a typology for describing public housing firms in Sweden. The purpose of this paper is to develop a typology based on market orientation (MO) and innovation orientation (IO), and to

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illustrate to what extent public housing companies in Sweden fit within this framework.

## II. LITERATURE REVIEW

### *A Market Orientation - The Antecedents*

Undoubtedly [2], [3] systemized investigations of market orientation has attained major impact on the MO concept in respect with its innovative implications and relationship to organizational performance. Reference [13] suggest that these two antecedent concepts could be used as complementary rather than two alternative approaches. Together the concepts have brought major changes of businesses attitudes toward a proactive customer orientation based on market information knowledge transformed as organization intelligence [2] and integrated by inter-functional coordination into core activities as a business consumer oriented culture [3].

Reference [2] framework provides important insights on MO implementation and the need of company-wide acceptance based on intelligence generation, intelligence dissemination and the responsiveness of an organization. Their arguments originate from marketing assumptions that organizations collect information about consumer needs, desires and demands and other relevant environmental circumstances. MO organizations transform this market knowledge into business operations by implementing it as a mindset in all functions of the organization. Responsiveness to market information gives signals about the company's propensity to act based on how it responds to this knowledge [2]. However, market turbulence, high competitive environment and weak general economy are contingencies, or moderators, that provide strong relationship between MO and performance (profitability, sales growth, new product success) while technological turbulence is proposed to weaken this relationship as MO becomes less important.

Reference [3] especially point to the importance of adopting a long-run perspective of MO giving attention to how cultural aspects need to be involved to create superior values for the customers. Their arguments originates from the premises that customers often lack insight into what they really want to have in the future, which implies that their needs cannot be articulated and followed [14]. If companies are too customer-led in business operations and listen to customers' expressed needs they may become too reactive and experience difficulties in how to operate prospectively [15]. Accordingly, MO companies need to develop a long term commitment to understand customer latent needs which enable them to proactively create superior value and innovative solutions, based on this learning. MO companies "continuously create superior customer value by sharing the knowledge broadly throughout the organization and by acting in a coordinated manner" [15].

Reference [16] criticizes these arguments arguing that companies cannot separate between being customer-led or market-led. Instead, [16] suggests that companies have to find a balance between present and future in strategic choices. This

discussion follows that it is difficult to separate if performances are coming from short term or long term actions. Later [15] definition of MO companies was modified to 'market-oriented business seeking to understand customers' expressed and latent needs, and develop superior solutions to those needs [14]. This implies that companies not only direct attention towards the future but also what happen in day-to-day activities. Slater and Narver observe that MO could be seen as 'one of degree, on a continuum, rather than as being either present or absent.

Reference [15] shows discussions of problems associated with how to develop valid measures of costumer satisfactions have both theoretical and practical implications. Implicitly, the argument that customers have difficult to articulate latent needs also implies that marketing information gathering, as discussed by [2], as the basis for company-wide MO implementation, could provide invalid knowledge for the organization as well as for research. Criticism to the constructs commonly concern research implications associated with measurements. There are problems related to identifying differences between MO and customer-led, lifetime of business and its importance, ability to compare performance indicators, missing companies that have not survived and finally, how to measure market turbulence [17]. Reference [18] finds that situational characteristics such as scales, contextual characteristics and character of the sample make it difficult to measure the relationship. Hence, the positive relationship between MO and performance is not manifested. Research reviewing the relationship between MO and performance shows that 'there is no unequivocal evidence as to if and when market orientation has a positive impact on business performance' [19]. Reference [20] have however found that only 4 (2 no significant relationship, 2 weak relationship) of 38 articles have found positive MO relationship with performance.

Besides problems associated with measurement, there also exists ambiguity regarding moderating and mediating effects on MO and performance relationship. Reference [2] discuss the problems associated with environmental variables or contingencies (i.e. competition, technological turbulence), moderators (external capacity), which could have both positive and negative effects on the MO and performance relationship. Reference [20] have identified that mediating effects are related to how companies work (i.e. innovation, human resource, implementation issues) to improve performance (internal capacity). They have also noticed that performance is a multi-dimensional construct which make it difficult to identify what performance really are.

### *B. Market Orientation and Innovation*

MO research differentiates between innovation and innovativeness. Innovation is commonly related to new product development while innovativeness is discussed in terms of an organizations' entrepreneurial and culture orientation [20]. Innovativeness is the process to attain innovation which may occur along a continuum from a simple

willingness to either try a new product line or experiment with a new advertising venue, or to a passionate commitment to master the latest in new products or technological services [21]. This means that innovativeness and innovation are interrelated and they together constitute an organization's innovation orientation (IO). In addition to technology, innovativeness can also deal with product-market with an emphasis on product design, market research, advertising and promotion [22]. We can therefore argue that all activities including CSR, which can develop a company's market demand and competitiveness be regarded as innovativeness.

According to [20] many studies have identified a positive relationship between MO and innovation. Despite this, [23] argue that the link between MOs on innovation and performance is far from complete why they also pay attention to the moderating effects of competitive strength and environmental conditions. They suggest that MO and innovation could be conceived as two different orientations. To be MO is no guarantee that the organizations are IO or the other way around. Corporate examples show, they claim, that IO efforts can fail because of weak MO as well as MO can fail because of limitations in organizations' IO. Reference [23] concludes that 'this points to innovativeness as a distinct fact of organizational life that may or may not co-exist with a market orientation.

Reference [24] discusses MO effects on product innovation and the role of prospectors which, compared with defenders, develop an ability to create technologies, are strategic orientated and successful in managing a turbulent environment. Prospectors are companies that have shown an ability to be proactive, seek opportunities, short product cycle and high responsiveness to environmental changes. By following the discussion of [24], [20], prospector companies are closely connected to organization innovativeness as a culture.

The considerable body of corporate social responsibility (CSR), research paying attention to environmental and social responsibilities and engagements, has also emerged and are evident in MO research. Some studies examine how CSR related issues could be used as a marketing tool [8]. As stakeholder' concerns are vital parts of CSR these engagements vital part of MO [6]. Reference [7] has investigated natural environmental attitudes' effects on MO and CSR related organizational innovativeness. Arguments supporting the innovative claims are that CSR requires greater concerns for environmental protection and changes, proactive respond on social and environmental concerns, to be sensitive to stakeholder needs in the long run, and to develop capabilities in the organizations (CSR implementation and stakeholder integration). As MO companies wants to stay close to customer need and changing demands, work to monitor competition and to improve innovativeness within the organizations, these companies also need to pay attention to CSR related concerns [7].

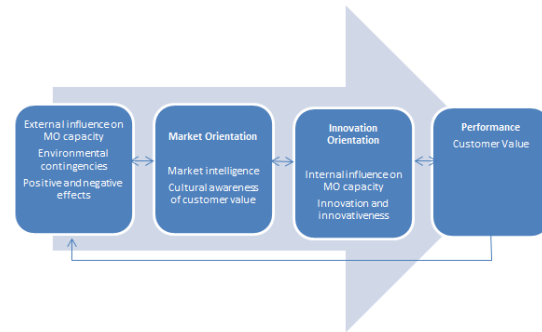


Fig. 1 Summarizing the theoretical framework

### C. MO/IO Typologies

From the theoretical discussion four types (I-IV) of typologies are identified. Each character of MO and IO is first discussed before they are paired together as a typology.

#### 1. High MO – Proactive Customer-Value Responsiveness

Companies following this strategy scan the market continuously to gather information about economic situation (ref), customer needs and to identify business-related circumstances in the environment having effect on business. Market turbulence, high competitive environment and weak general economy are moderators pressing the company to respond to customer needs [2], [25]. Strategically, the companies adopt a long term perspective of MO and engage to create superior value for customers both paying attention to present and latent needs. By proactively respond to the signals of the market the information is then spread into the organizational structure as a mindset [3], [15] integrated in companies' core activities as a customer-value culture.

#### 2. Low MO – Reactive Customer-Led Response

Low MO companies scan the market to gather information about customer needs but have difficult to convert business-related circumstances having impact on business into practical use. Low awareness, or ability to have influence on the market context and the competitive environment, makes it difficult for companies to respond to customer latent needs [2], [25]. The companies work in the short run and listen to present needs in MO customer-led strategies. They reactively respond to the signals of the environment and customer needs, which make it difficult to spread that information into the organizational structure [3], [15]. The culture is characterized as reactive customer-led response to customer needs also affecting the company culture.

#### 3. High IO – Future Oriented Prospectors

High IO type companies are represented by prospectors [24] which are companies that over time have developed internal high capacity to develop creative, new solutions (product, services) to meet customers' new needs. High IO companies are future oriented both when it comes to find technological solutions as well as to develop social responsibility capacity related to meeting customer demands.

Social responsibilities are taken in collaboration with stakeholders which improve the company's innovativeness and ability to act as customer orientated [7], [6].

#### 4. Low IO – Preservative Defenders

From the discussion of [24] this type of company is represented by defenders which are companies that preserve the traditional status in product and service development. The companies find it hard to develop internal capacity and to create new solutions (product, services) to provide new solutions to customer needs. Low IO companies meet difficulties in how to develop new technological solutions and lack insight of social capacity to meet future customer need of innovation. Social demands are considered but attention is concentrated on defending the present situation [7], [6].

#### D. Summarizing the Four MO/IO Strategies

Fig.2 shows MO and IO characteristics paired together as four different cases in typology.

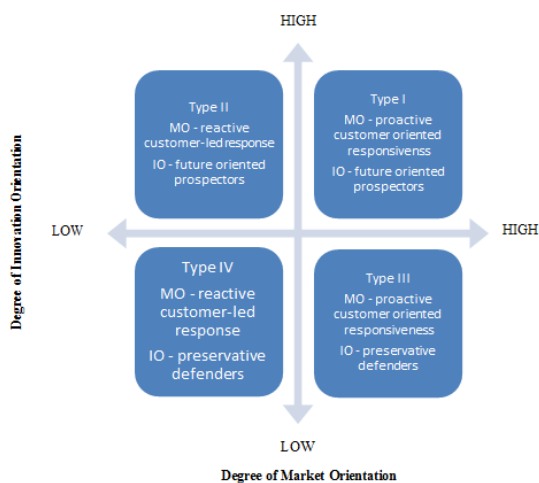


Fig. 2 Market and innovation orientation typologies

### III. METHOD

A qualitative research approach is applied for two reasons: complexity of phenomenon (i.e. the current economic and marketing situations of the companies and changing approach to meet market demands) and theory building (i.e. developing roadmaps for categorizing the firms on specific features of market and innovation orientation). Reference [26] recommends a qualitative method to study a complex process while [27] sees advantage in this method to systematically study the complex data and the relationships between different variables. It is already known that qualitative research makes a central contribution to theory building in management [26], [28]. In MO qualitative research is quite rare which implies that this research contributes to nuance how one sector companies implement MO strategy to improve performance. Further a multiple case approach is applied providing opportunity to focus on environmental contingencies within

the context and to make comparison between the cases possible. A multiple case approach is suitable for richer theory development [28].

11 public housing firms were selected from different municipalities in the central part of Sweden because of sharing common traditional features (social directed) and for their different economic and market profiles. Geographical proximity of the case companies also played important role easing data collection to get a broader picture in how the companies approach to a new market and innovation orientation strategy. The competitive aspects in relation to the larger and more complex organizations in the public housing companies further made the cases interesting for research. These plays an important role as strategic MO/IO model for the other companies having direction for them to follow. Selection of cases is an important aspect of building, or improving, theory from case studies (Eisenhardt, 1989).

The interviews were conducted mainly with CEOs and other key informants to focus on the historical (before the new law) and contemporary (after the law) issues the companies go through. Each interview lasted for 1 to 1, 5 hours and occasionally followed up with email question to clarify ambiguity. The initial contact in the research process was made with the public housing company Gavlegårdarna in Gävle, because it was known that the company had initiated a comprehensive, innovative restoration project in one central housing area. Their experiences indicated that extensive renewal projects require clear MO and IO business strategies for successful performance. This information led the platform for the further cases studied.

The interviews were recorded and transcribed. Questions focused on the interviewees' perception of the change because of the law and the underlying reasons to how each strategy is taken (wanted) toward market orientation. Although this study applied a pre-design questionnaire, it was only used to give a direction of the interviews within the area of study importance. The respondents got the opportunity to review the data. Tape recording and subsequent transcription of the data were made by one of the interviewers to reduce bias. More than one interviewer was present in each interview session.

Further to the primary data, secondary sources such as annual reports, company websites, municipality reports, Statistics Sweden statistics, and information from sector organizations' were used to collect information on historic events, background of the public housing firms societal importance and sector organization experiences of the new law. By applying different data sources, it has been possible to understand where the companies stand today in their development process, what strategic changes they see possible to adopt and how they want to act in respect with the changing market conditions and demands. Reference [29] argues that there are two criteria for secondary sources, authenticity and credibility. All sources used in this paper are original and therefore creditability of the data is ensured. The triangulation of selected data made it possible to identify typologies in relation to how the companies strategically work with

customer and competition orientation, environmental circumstances and how they approach innovation in renewal strategy.

Following [26] suggestions a cross-case analysis has been conducted. Data are analyzed and categorized into subgroups to get a richer understanding of market and innovation orientation in each case. From the theoretical typologies, the analysis showed different degrees of market orientation and innovation orientation in each case and helped to identify similarities and differences between them. Each case was scrutinized based on market orientation and innovation strategies, and specific features of the groups showed the companies fit based on the typology framework.

Typologies are used to classify multidimensional characteristic of importance for the studied object. The use of a typology approach plays an important role for theory development, generate an analytical tool or ideal type in order to stimulate thinking and combine a number of complex variables in simplistic way [30]. A criteria is that the complex of each variable systematically differs from each other [31] to be useful for analysis.

Most typologies are used for testing the validity of a studied phenomenon or to generate theory. This study applies to a case study approach to categorize how different public housing companies approach different types of MO/IO strategies. To analyze the strategic feature of each type, the main characteristics of the MO discourse is summarized and used as basis for type description and analysis. Four different combinations of MO/IO strategy are defined and in the analysis is discussed how the chosen strategy has influence on performance. By categorizing the cases in accordance to MO/IO typology and following the research discourse it is presumed that the cases:

- 1) Have high to low degree of MO strategy approach depending on the public housing company's a) capacity to work with market intelligence b) cultural awareness of customer needs and value c) respond to external contingencies having moderating effect on MO and d) impact on performance.
- 2) Have high to low degree of IO awareness depending on the company's capacity to respond to technological, social and environmental customer present and future demands in living.

To analyze these two focused areas attention is paid to the company's MO: 1) knowledge of consumer market condition and demands (market investigations) 2) internal ability to respond to external changes into practice (economic situation and capacity building) 3) market shares and competition (competitive strength) and IO: 4) innovative ways to respond to present and customer needs (technological, environmental and social changes).

#### IV. CASE TYPES

From the case the following typology structure is found.

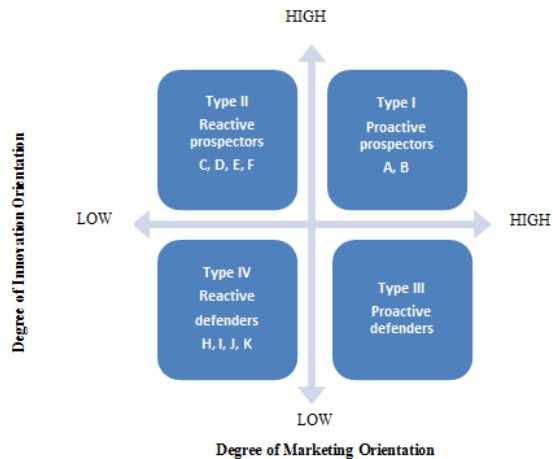


Fig. 3 Case types in the study

##### A. Type I – Proactive Prospectors

The type 1 public housing companies A and B are both situated in larger cities facing more turbulent business context pressing them to continuously gather information about customer satisfaction and needs. Both have high market shares respectively 50 (A) and 70 (B) percent of the rental apartment market which indicates that the competition is mediocre. Their market dominance, positive economic development and high customer demands of apartments because of increased population, has allowed them to create stable long-term economic development strategies to meet future customer demands. Their targeted marketing strategy is to “create safe and beautiful living environments in areas where people want to live”. In order to fulfill the strategy all employees are encouraged to contribute with knowledge and services to satisfy the tenants’ demands. A’s employment strategy is to select personnel among those in education and the company offers trainee opportunities, provides support and assistance in students’ thesis work and participate in different educational activities. Together these arrangements are part of their future oriented strategy adopted to ensure that they have skilled employees with experiences of future customer demands.

In the IO strategy both companies work proactively to build new, innovative rental apartments. Especially A experiences considerable increased demands for apartments which has made them the second largest public housing company builder in Sweden with plans to build 500 new apartments a year and prospects to build more than 2,000 homes. Along with the IO strategy their goal is to build new homes for young people (next generation) such as students. Both A’s and B’s strategy includes to improve their image as sustainability friendly companies by supporting the building of a green city and environmentally friendly places for customers to live in.

The existing houses with poorer conditions are planned to be renovated both inside and outside. The renovation strategy means that houses get additional insulation, windows are replaced and balconies enlarged, new ventilation system installed, plumbing of the property replaced and that the

bathrooms are renovated. Both A and B work proactively to do measurements to reduce energy use, are replacing chemical materials having harmful substances, engage to prevent risks of bad pollution, and to create sustainable living for the customers. Both companies are ISO 14001 certified.

B has joined the European Housing Network; Eurhonet which is a network of about 30 public housing companies coming from United Kingdom, France, Italy, Sweden, and Germany for exchange of experiences. The goal of the network is to discuss how to provide housing conditions that meets customer needs and lifestyles, in different price ranges and different living environments. B is also engaged in special housing projects established to ensure good living for people in need of special care or adjusted for disabled people and to improve integration of people coming from different counties. Their goal of customer orientation is working for customers to feel at home.

#### *B. Type II – Reactive Prospectors*

Although company C, D, E and F are presented as type II companies they have different degree of MO and IO strategy within the type. All companies conduct customer surveys but sporadically with the help of consultants. They all have dominant positions in the rental market in the municipality in which they operate with high market shares and mediocre competitive advantages. G for instance has 75% of the rental market. The economic situation in the municipalities is declining with decreased population, low level of new customer demands, and increased level of elder people. The economic situation in the municipality imposes high pressure on the companies adapting to present customer needs. To satisfy the needs of renovation and improvements of living standards, the rent for the apartments are raised. To attract new tenant groups' like younger people, company C has built new apartments in accordance to their demands and with discount in rent.

To improve MO the company C's employees are encouraged to always be available for chat with the tenants and to quickly assist with services. The employees are trained to respond on customer requirements and to find flexibility solutions to their needs in order to keep them in good mood in living. Because of the interrelationship between the development of public housing and the municipality, a goal of C's MO strategy is to contribute to the attractiveness of the municipality and to meet the diversity of stakeholder demands in society. All companies, except G, interact to large extent with local municipality organizations. The MO strategy for D is to provide good working service, ensure security and freedom of living choices which implies to offer a variety of accommodations including rental apartments. F's goal is to satisfy the tenants' needs in their apartments and to support long- term commitments in living.

In IO strategy the companies' proactive ambitions are to create customer commitment to long-term and ecologically sustainable living conditions. The strategy is to attract new customers by offering excellence in environmentally good

living conditions. The employees in the companies are trained in quality issues and aware of the importance to develop the municipality in an environmental friendly way. C act proactive by paying attention to the energy constructions to be efficient and built on new technology. D work with new constructions called Kombohus in which secure housing is a priority. E has developed strategies in environmental and resource saving areas in which energy efficiency is a main goal. The housing policy is aimed to fulfill the needs of young people demands.

#### *C. Type III – Proactive Defenders*

Type III was the only typology in the study that did not fit into any of the companies MO/IO strategy. Companies in this typology assumed to proactively meet both current and future customers' needs. They have developed an MO strategy that consists of listening to the market, transforming the information in the company as a culture responsive to customers' needs which appear in the performance. In order to achieve the MO strategy, companies have little interest in finding innovative solutions. They use existing capacity and technics to provide superior value for the customers. From the finding is evident that none of the companies shared this feature.

#### *D. Type IV - Reactive Defenders.*

The public housing companies H (- 1%), I (- 8%), J (- 3%) have all economic problems while company K's (16%) return on turnover is positive. All companies do occasionally market surveys but have no clear strategy in how to convert the information to meet customer needs. The situation in the companies reflects what happen in the municipality with radical demographic changes and decreased population. Because of low customer demands in the rental area, the main goal is to satisfy current customers need and to keep them in the living. The IO strategy is problematic as they need to renovate the houses with increased costs and a need to raise the rent. H, for instance, has improved the heating system which, together with other investments, caused 2-3% increase of the rent. Simultaneous they are in a position when they need to attract younger people forcing them to offer 30% discount in living. As many of the houses are worn down, H has chosen to tear down many of the houses to improve the vacancy grade and to avoid costs of renovations. In I company there is a great need of renovation but lack of economic conditions to invest make it difficult to respond to customer needs. As the apartments are worn down they have to respond to the need of secure living for elder people.

Even if they find it difficult to act strategically in MO/IO way these companies ambitions are to move towards a more positive situation which is expressed by future plans. J works to engage the tenants in development project such as to security issues. The intention is that tenant empowerment also contributes to make them feel more satisfied in living. The J company engages to sponsor local events to improve its brand and has formulated a long term sustainability plan. Their plan

includes to reduce costs of consumption in the company K plans to create a living center with a more attractive environment, to look over the energy use. K has started a discussion of a 30 Msek investment program with H&M to develop the shopping center to comply with customer demands, that has initiated an energy efficiency project and offer discount to attract younger people to stay in the municipality. All these companies express clear ambitions to improve the situation in the future.

|                             | Environmental contingencies                    | MO  | Competition | Relationship to the municipality | IO   |
|-----------------------------|--|---|-------------|----------------------------------|--|
| Type I<br>A, B              | Positive economic development<br>Collaboration | Positive economy<br>Market and customer surveys (continuously)<br>Evaluations<br>Training and education<br>New generation orientation | Mediocre    | High                             | Environment<br>Technical<br>Sustainability in living |
| Type II<br>C, D, E,<br>F, G | Downward economic development                  | Positive economy<br>Market and customer surveys (consultants)<br>Present costumer orientation   | Low         | High                             | Environment<br>Technical<br>Sustainability in living |
| Type III                    | No Public Housing Companies found              |   |             |                                  |  |
| Type IV<br>H, I, J,<br>K    | Negative economic development                  | Sporadic market research  | Low         | High                             | Tear down houses<br>Sell<br>Renovate                 |

Fig. 4 Summarizing the findings of type 1-4 companies

## V. DISCUSSION

Reference [2] proposition how economic factors as moderators affect the relationship between MO and performance has receive low attention in research. The relationship is also evident in the discussion of public housing companies. The cases show that it is easier for companies in a positive economic environment to respond on market changes than for smaller firms with scarce resources to work proactively and enact MO/IO strategic changes. If adding Figure 5 to the above discussion the information of profit adds interesting facts about the importance to incorporate economic circumstances in MO discussions.

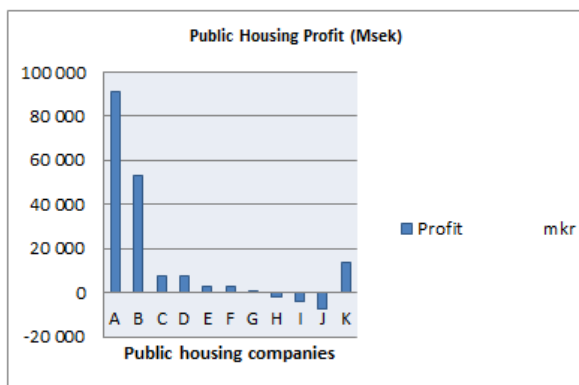


Fig. 4 Public Housing Company Performance

The figure confirms that positive relationship between MO/IO and performance exists. Type I companies are MO/IO having good knowledge of market conditions used to satisfy both current and future costumer needs and respond using

different customer oriented strategies. These companies are both costumer-led and urgent to be in the front to create superior values for the coming generation and by engaging in integration issues. This strategy indicates a positive effect on profit as a central part of performance which confirms the discussions of [3], [2].

Type II companies have positive profit and select market information by sporadically used market surveys. They respond to the situation by developing new innovative solutions to attract new customer groups' need. Many of them use sustainability arguments to ensure that they listen to customer needs. An innovation strategy built on sustainability arguments could be used to enhance values in order to create new market opportunities, attract new customer segments and seen as the preferred partner and employer of choice. For the companies, external contingencies like demographic circumstances and low economic grow in the municipality create barriers to attract customer by innovation strategy. This indicates that even if the companies approach an IO strategy they can fail to attract customers if they lack opportunities to respond on the strategy.

Type IV companies experience several difficulties to implement MO/IO strategy. External contingencies, represented by the economic situation in the municipality, together with lack of market information and weak economy in the companies imply great challenges to handle a new situation. This development is line with resource-based scholars' discussion that are emphasizing how companies with inferior resources has less opportunity to meet market demands [10], [11] and to implement an MO strategy.

The MO discourse suggests that proactive MO/IO strategies improve performance [3], [2] which here is not denied. The findings, however, show that economic circumstances play a central role on how companies respond on current and future customer needs. This paper suggests that the economic context is a key or the determinant for MO/IO strategy implementation. Factors such as the size of the market, its economic conditions and customer knowledge and ability to respond on innovative solutions, are compelling issues to consider understanding companies respond on MO in businesses.

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