ANALYSIS OF MARKET DRIVEN STRATEGIES TO INCREASE CAPABILITIES AND PERFORMANCES ADVANTAGES IN BUSINESS

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Abstract

Considerable progress has been made in identifying market-driven businesses, understanding what they do, and measuring the bottom-line consequences of their orientation to their markets. The next challenge is to understand how this organizational orientation can be achieved and sustained. Market Orientation is a business culture which enlist the participation of all employee for the purpose of creating superior value for its customers and superior performance for itself. A substantial body of research finds a positive relationship between a business' magnitude of market orientation and it's performance. However, there has been no research into the competitive strategies through which a market oriented business creates customer value. This paper extends previous work by showing that market, and attempt to achieve competitive advantage both by increasing customer benefits and by reducing costs. Contrary to traditional reactive market driven approach, the proactive market driving approach pertains to influencing the market structure and the market players behavior in a direction that enhances the company competitive posture. Then companies must be market or customer oriented, think and act based on innovative knowledge, make a useful and long term relationship with their customers. This qualification is for those organizations that are able to be knowledge-based, formulate its marketing strategies and sustain its competitive advantage based on its own knowledge. Companies must consider innovative knowledge as a new input to sustain competitive advantages and to develop intelligent marketing strategy.

Keywords:* *Added Value Market Driven, Market Orientation.Marketing Strategy.

1. INTRODUCTION

In a highly competitive, fast-changing and unpredictable economic and business environment, various companies compete for customers, to achieve optimal income and in markets with various products and services to meet customers needs.

Global competitions has led to changes in technology and market trends that make customers demand the best quality product and services at lower prices. This requires an emphasis on organizational competition and competitive advantage which is believed to provide the ability to win market competition.

The market has a very dynamic structure, and can change at any time, and is difficult to predict. The actors or players to be smart in implementing the strategy. Not a few companies are halter-shelter to face market changes, on the other hand there are also companies with strong innovation power to deal with them easily.

The changes that occur need to be addressed in order to achieve and maintain their competitive advantage. The dynamics that occur in the market that have an impact on changes in competitive behavior that make it difficult to gain an advantage.

2. LITERATURE REVIEW

The fast-paced changes in the environment have caused competition in the marketing field to be very tight. Various advantages are created by companies with increasingly thin difference, easy to imitate, and finally to use. Market-driven principles are basically trying to understand the market needs and fulfill them properly is considered less durable. To respond to today's competition is quite agreeable to the needs and wants of the market.

Companies not only need to be close to their customers and their environment, but also need to finds services or products that are better and more economical than the expectations of customers and competitors.

In order to maintain a competitive advantage, organizations must be able to create, shape, and drive markets for their radical innovations and define customer expectations, propositions, and business processes to reflect changing values in the industrial environment and continue to effectively serve the needs of their target markets.

In the past, this adaption has increased the focus to become market-oriented. According to the marketing research literature dating back to the early 1990s, market orientation is considered the best option to achieve and maintain a competitive advantage in the market, which serves as an important tool in business performance.

To achieve this goal, firms must gather information from customers and competitors, disseminate information across departments and use it to satisfy market This process has become key to the management practice of many organizations, particularly in the area of marketing strategy.

New firms often enough collide their ideal products or services with reality, i.e. the market. The acceptance of new products and needs of customers might differ from what firms first have imagined. The former assumes iteration of business models after testing different business propositions with the market. To achieve sustainable value creation, firms must adapt their business models to cope with changes in the competitive environment or else they risk falling in the market (Doz and Kosonen, 2010; Achtenhagen, Melin, and Naldi, 2013). According to many authors, a business model is not static but a dynamic concept requiring shaping, adapting and renewing a firm's business model on a regular basis (e.g. Osterwalder and Pigneur, 2009; Chesbrough, 2010; Teece, 2010). Such a dynamic approach to business models means reconfiguring the business model elements in a new way and allowing interaction between resources, competencies, organization, and value propositions of the firm to capture value from a technological innovation (Chesbrough, 2010; Demil and Lecocg, 2010). Firm's orientation towards experimenting and exploiting new business opportunies is one of the critical capabilities that lead to business model changes (Achtenhagen, et.al., 2013).

Market orientation is a firm's ability to understand and make use of the knowledge it holds about its customers, competitors and markets (Hakala, 2010). Market oriented firms analyzed and react to changes in the behavior of both customers and competitors in the market (Hakala, 2010). Down the road, knowledge about the market is turned into actions and exploiting new market opportunities (Hakala, 2010; Narver and Slater, 1990).

Market oriented companies tend to listen carefully to their customers, there is a danger that these companies may fail to develop new markets and very different offerings and may in the long run jeopardize their competitive advantage an survival.

Thus, learning what the customer wants, the installation process delivering what the customer wants and adapting the process to market changes are important characteristics.

Understanding of market orientation through the difference between two complementary approaches, namely: the first approach which is characterized as market-driven, describes market orientation as a reactive concept, where the company intends to maintain the status quo by focusing mainly on existing customers and their current needs. The second approach is market driving, a more proactive understanding of the concept, in which the form of the company focuses not only on customers but also on the behavior of other market participants and/or market structures in a direction that improves the company's competitive position.

Market-oriented behavioral approach is defined in terms of organizational behavior, namely information gathering, information dissemination, and response to information. A concept that combines both perspectives and defines market orientation as the implementation of the marketing concept, which is reflected in the values, believes, activities, and behaviors in organizations.

Market driven and market driving strategy, both are consistent with the two fundamental components of the marketing philosophy because of their focus on customer needs and wants. However the interpretation of market orientation has largely tended to be in terms of market driven strategies based on the firm's reaction to market changes. On the other hand, market driven is about the proactive change of some elements in the market.

The market driven concept is based on dynamic changes in the business environment, no longer relying on its capabilities, but must see the shifting demands of customers and the capabilities of its competitors and observe the rapid and uncertain changes in the business environment.

The strategic step that must be taken by company managers is to identify the business environment first, before determining the strategy that will be used by the company.

2.1 Defining and Identifying Capabilities

The concept of capabilities is not new. An emphasis on building distinctive capabilities or competencies can be found in Selznick (1957) and Penrose (1959) and is featured in the strengths and weaknesses component of the early business policy frameworks (Learned, et.al., 1969). Although these early frameworks provide useful insights, the lack of a through theoretical understanding of capabilities meant that in practice firms did little more than compile lengthy and indiscriminate lists of strengths and weaknesses. As noted previously, capabilities are complex bundles of skills and accumulated knowledge, exercised through organizational processes, that enable firms to coordinate activities and make use of their assets.

Capabilities and organizational processes are closely entwined, because it is the capability that enables the activities in a business process to be carried out. The business will have as many processes as are necessary to carry out the natural business activities defined by the stage in the value chain and the key success factors in the market. Thus, the necessary business processes of a life insurance company will be different from the processes found in a microprocessor fabricator. Each of the processes has a beginning and end state that facilitates identification and implies all the work that gets done in between. Thus, the new product development proceeds from concept screening to market launch, and the order fulfillment process extends from the receipt of the order to payment. Because capabilities are deeply embedded within the fabric of the organization, they can be hard for the management to identify. One way to overcome this problem is to create detailed maps of the sets of process activities in which these maps usually show that capabilities and their defining processes span several functions and several organizational levels and involve extensive communication. Capabilities are further obscured because much of their knowledge component is tacit and dispersed.

This knowledge is distributed along four separate dimensions. First are the accumulated employee knowledge and skills that come from technical knowledge, training, and long experience with the process. The second dimension is the knowledge embedded in technical systems, comprising the information linked databases, the formal procedures and established "routines" for dealing with given problems or transactions and the computer systems themselves. Third and fourth are the management systems and the values and norms that define the content and interpretation of the knowledge, transcend individual capabilities, and unify these capabilities into a cohesive whole. The management systems represent the formal and informal ways of creating and controlling knowledge. The values and norms that dictate what information is to be collected, what types are most important, who gets access to the information, how it is to be uses, and so forth are a part of the overal culture.

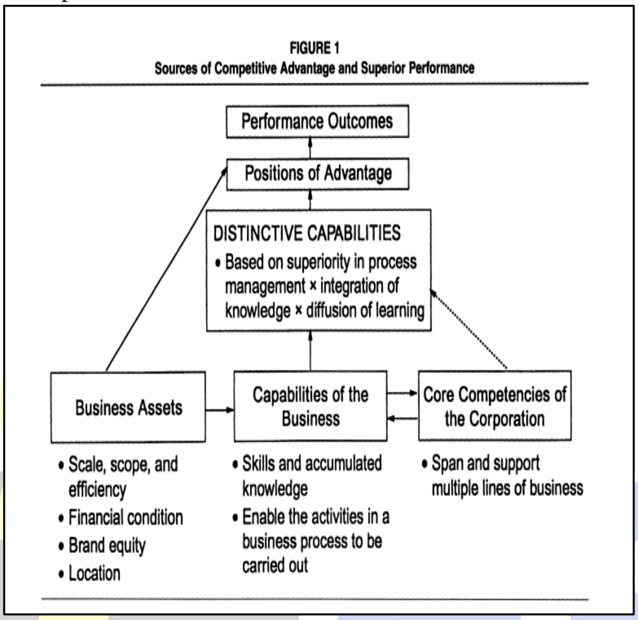

Figure 1
Sources of Competitive Advantage and Superior Performances

Capability that shaped the moves into new markets. The capabilities of a corporation that span and support multiple lines of business, such as those that Honda has deployed, are commonly called core competencies. Each of the separate business units draws on these corporate-wide resources to quickly and effectively develop some or all of the distinctive capabilities it needs to attain a superior competitive position in its served markets. These core competencies are also different from both business and corporate assets.

The purpose of these outside-in capabilities is to connect the processes that define the other organizational capabilities to the external environment and enable the business to compete by anticipating market requirements ahead of competitors and creating durable relationships with customers, channel members, and suppliers. Finally, spanning capabilities are needed to integrate the inside-out and outside-in capabilities. Strategy development, price setting, purchasing, and customer order fulfillment are critical activities that must be informed by both external (outside-in) and internal (inside-out) analyses. Market-driven organization have superior market sensing, customer linking, and channel bonding capabilities. The processes underlying their superior capabilities are well understood and effectively managed and deliver superior insights that inform and guide both spanning and inside-out capabilities. The effect is to shift the span of all processes further toward the external end of the orientation dimension. Consider what happens when human resources are managed by the belief that customer satisfaction is both a cause and a consequence of employee satisfaction. Key policies become market oriented: Reward are based on measurable improvements in customer problem-solving skills, and so forth.

2.2 Capabilities in Market Driven

It is not possible to enumerate all possible capabilities, because every business develops its own configuration of capabilities that is rooted in the realities of its competitive market, past commitments, and anticipated requirements. Nonetheless, certain types of capabilities can be recognized in all businesses, corresponding to the core processes for creating economic value.

Some capabilities are easier to identify that others, usually because their activities are contained within the organization.

Capabilities can be usefully sorted into three categories, depending on the orientation and focus of the defining processes (see Figure 2). At one end of the spectrum are those that are deployed from inside out and activated by market requirements, competitive challenges, and external opportunities.

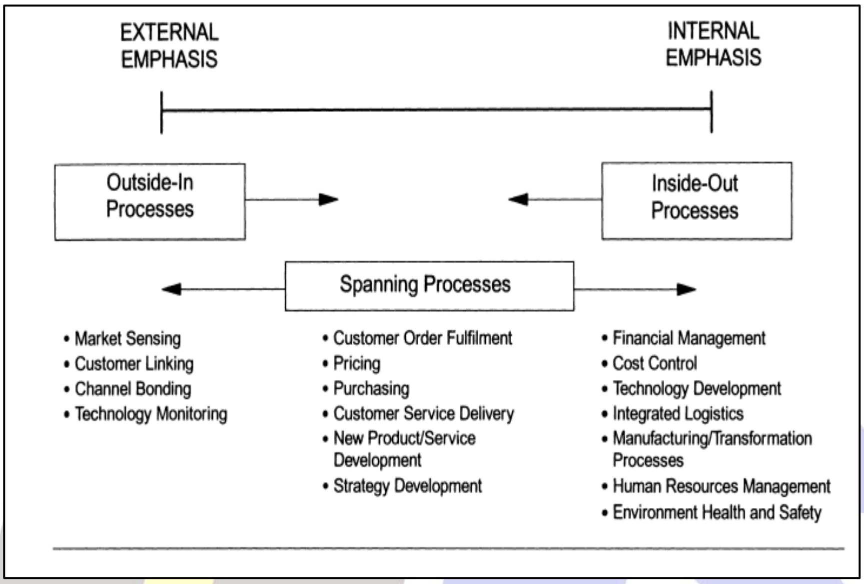

Figure 2
Classifying Capabilities

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3. METHOD

The method used in this article is a literature study which is a survey and discussion of literature in a particular field of a research, by peeling, comparing, summarizing, and collecting literature and then making a conclusion.

4. RESULT AND DISCUSSION

Viewing business strategy as the match a business makes between its internal resources and skills and the opportunities and risks created by its external environment, they developed the SWOT framework. Strengths, Weakness, Opportunities, and Threats. In this framework, the main task of corporate-level strategy is identifying business in which the firm.

Alternative strategies for the firm are developed through an appraisal of the opportunities and threats it faces in various markets, that is, external factors, and an evaluation of its strengths and weakness, that is, internal factors. Good strategies, under the SWOT framework, are those that are explicit (for effective implementation) and effect a good match or “fit”. Such strategies avoid environmental threats, circumvent internal weaknesses, and exploit opportunities through the strengths or distinctive competence of the firm. Since the work of Andrews and his colleagues, research on strategy has centered on four approaches: industry-based strategy, resource-based strategy, competence-based strategy, and knowledge-based strategy, competence-based strategy, and knowledge-based strategy.

This part contains clear result explanation and description of research/community service/critical literature review, and its discussion including trusted analytical process and sufficient support of relevant information.

To explore how start-ups engage the market in developing their business models in more details, we rely on the concepts of market orientation and customer involvement. We use the term “market engagement” to capture the activities related to both the market and the customers. In this way we integrated two separate literature streams to capture an inclusive view on how firms engage the market and use customer and competitor information in developing their business model.

Market driven companies are trying not only to meet the expected product needs of consumers, but more than that they are trying to fulfill augmented products and even potential products from consumer. The literature states that products can be categorized into 4 (four) levels, namely: (i) Generic products, namely products that only meet the core benefits of consumer. (ii) Expected products, namely products that provide benefits that have never been considered by consumers, namely needs (latent needs) of consumers, namely needs that have not been realized of have not been voiced by consumers. (iv) Potential products, namely products that provide benefits that can attract or retain consumers.

So, it can be concluded that a market driven company is a company that is committed to understanding consumer needs, both expressed (current needs) and hidden (expressed and latent needs) (future needs), sharing this understanding with all components of the company, and coordinate all company business activities to produce superior customer value. The consequence is that the responsibility to become a market driven company cannot only be carried out by the Marketing Department alone, on the contrary it must be the responsibility of all departments or components within the company.

Difference between Market Drive and Product Drive

An important element for implementing a market driven and customer driven strategy is to pay attention to several important factors that need to be considered when implementing this strategy, namely:

1. Target the right market

One of the benefits of a customer-centrist marketing strategy is that customers can form a strong emotional connection with their brand. This, of course, is very beneficial for brands because they can benefit from marketing strategies that are supported by customers.

Customers who are satisfied with the brand’s products and services will remain loyal to the brand and are willing to support it. Customers are willing to use word of mouth as if it weren’t enough, this has also proven to be effective. They always recommend products to their family and friends from brands they like.

In this way, with so many loyal customers, the brand becomes more famous and creates a more positive images.

2. Know what customers really need

This strategy focuses on meeting customer needs. So, of course it takes extra effort to find what they really want. There are several ways to determine customer needs, such as face-to-face interviews and surveys.

These result can be used as a reference in making products that can meet customer expectations. However, don't forget to always listen to customer feedback. Always monitor the use of the product. It makes sense to improve the quality of products and **services for customers.**

3. Strengthen customer service

A customer-centered marketing strategy is a customer-focused strategy. Therefore, it is important for companies to strengthen the customer service area.

The bridge between the customer and the company is customer service. If a customer has a problem or complaint, customer service is the first thing to know. To maintain good relations with customers, customer service must be able to provide the best service. So, there is nothing wrong with companies starting to invest heavily in improving customer service.

4. Use a customer-driven marketing strategy

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In market driven company, the creation of superior customer value is the goal of strategy formulation and implementation. To do this, a differentiation strategy based on customer value will drive the firm's market research efforts, target market selection, product development processes, and market communication programs.

Due to the complementary role of market driven companies gathering information, analyzing, and disseminating, as well as responsive play in supporting differentiation strategies, market driven companies will develop processes that enable company to:

- Finding and understanding the wants and needs of current and potential customers;
- Monitor and react to the actions of current and potential competitors; and
- Focus on the firm's knowledge and resources to take advantage of opportunities discovered and solving problems that arise as a result of these processes (Day, 1994; Hunt and Morgan, 2018).

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From a different view on market orientation, Uncles (2000) defines market orientation as a set of organizational characteristic, namely:

- Market-driven organizations have a through understanding of customers and potential customers, including their changing wants and needs.

- A major activity in a market-driven organization is gathering information. Market-driven organizations continuously collect data across all sectors of the competitive environment, culture, politics, economy, technology, human resources, physical resource, and consumers.

- The concept of market driven is a managerial concept. Close attention should be paid to business processes and activities. Emphasis should be placed on the organization's ability to respond to environmental changes.

- The concept of market driven is a cross-functional concept and influences organizational decision making, organizational learning, and review of internal competencies. All aspects of the organization must be aware of and take into account the changing environment.

- The impact of market orientation on emphasizing the issue of business performance measurement. Organizations should asses current processes and activities against current business performance. Continuous improvement processes are mandatory for market driven organizations.

According to Day (2018) market driven companies are distinguished by the ability to sense (sense) events and trends in their market in relation to their competitors. They can anticipate more accurately responses to actions designed to retain or attract customers, improve channel relationships, or thwart competitors.

Businesses have the ability to learn quickly about their markets and to act on the best position information to achieve competitive advantage (Day, 1993, 1994; Slater and Narver, 1994, 1995; Yuominen, et.al., 1997).

Day (2018) states that market driven represents a "superior ability to understand, attract, and retain valuable customers". a problem with Day's (1999) definition is that it ignores other elements of the market (eg: competitors, shareholders, company employees, and regulator).

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This strategy defines how the goals will be achieved. Organizational culture must support the values and behaviors for the the sustainability of the strategy. The structure must also be designed to support goals and strategies, and reward appropriate behavior in putting the customer first.

The three elements of market driven success are how market driven organizations achieve their superior ability to understand, attract, and retain customers who expect and consistently win in the marketplace.

A decade of research and dissection of the best practice days that have dispelled the myth of the simple answer, reality is found in a combination of defining elements consisting of the following three elements:

1. Elements of the role of culture

An externally oriented culture with dominant beliefs, values, and behavior that emphasize superior customer value and the ongoing search for new sources of profit.

This is evident in Jan Carlson, CEO of Scandinavian Airlines System, who dubbed “millions of moments of truth”, which define the collective experience of customers as they interact with cabin staff, ticket agents, baggage and ticket registrar. Whether the people on the front line really deliver superior customer value depends on having the right initiatives, tools, and organizational framework in place.

When they are part of a culture that insists on putting the customer first, quality becomes a collective dedication rather than a forced decision of a high authority. “Customer retention” is a meaningful motivation rather than a mechanical metric “cross-functional team”, and mechanisms for improvement rather than indulgence are time-consuming.

2. Capability role elements

Distinctive Capabilities in market sensing, related market, and anticipating strategic thinking. This means market driven companies are better educated about their markets and better able to form strong relationships with customer value. Their clarity of strategic thinking helps them to devise winning strategies that anticipate reactions to market threats and opportunities. In addition to culture, market-based organizations have special abilities in market sensing, market linkages, and strategic thinking. Capabilities consist of a tightly integrated set of skills, technology, and cumulative learning.

Market driven organizations have superior skills in market sensing-reading and understanding markets. It also has excellent capabilities in market linkages creating and maintaining customer relationships.

Finally, market driven organizations have capabilities in strategic thinking that allow them to align strategy to market and help anticipate market changes.

3. Configuration role elements

Configurations that enable the entire organization to continuously anticipate and respond to customer needs and changing market conditions. This includes all the other capabilities to deliver customer value from product design to order fulfillment, plus adaptive organizational design, and all human resource support systems, controls, measures, and policies.

All aspects of the configuration are aligned with a superior value proposition. This third element of a market driven organization is distinguished in the context of the culture and organizational capabilities of an embedded and activated market driven organization.

This configuration is the set of corporate culture relationships, capabilities, and processes within the corporate structure. This includes capabilities for market sensing, market linkage and strategic thinking, and other similar capabilities and business assets plus organizational structure and supporting information, controls, and reward systems. Competitive success comes when all these elements align with an attractive value proposition.

The strategy to implement market driven is as follows:

1. Market oriented

In this case, the manufacturer only focuses on the customer, what the customer needs. Making the resulting product only meet market needs. Investing in marketing research is very important to know the needs of the market. Both in terms of lifestyles, purchasing power, preferences, and others. This strategy applies to general products that are very “open” to competition.

2. Determine the distinguishing feature

The purpose of determining distinguishing and difficult to reproduce characteristics is to determine the “difference” of a product. The aim is to deal with competitive conditions and to always excel in the competition. The more market information that can be processed in determining product strategy, the more competitive it is. Has the product really been highly differentiated from competing products? So far in the field, it is still very common to find similar and similar products to one another without a clear differentiation so that in the end the producers find it difficult to market their products.

3. Customer value

Understanding customer value requires two-way communication skills and market information analysis skills. If you can combine customer value with company capabilities, accurate information about customer value is the key to winning the competition. Business is an attempt to bring together two mutually necessary needs between sellers and buyers. Therefore, the more meeting points between the needs of buyers and sellers, the more opportunities to trade.

4. Performance advantage

Ultimately, the goal of implementing a market-centered strategy is to excel in product and service performance for customers. This creates a dominant selling effect over competitors.

These things can be shared with MSME business actors, but this perception is a little too late for current developments. When everything is digital, the demand for creativity and innovation is very important. Manufacturers need the ability to create creative and unique product to create and manage markets.

A good effort must be made to reach this stage is how to process information about the market, market behavior, and trends to formulate to ensure that the market requires new products.

In the IT world, this has become a trend because business people can build good applications that were not originally needed by the community but are now needed.

There are four steps of a market-based strategy, namely:

- Be market oriented - where the customer is the focal point

In this case the manufacture only focuses on the customer, on what the customer needs. So that the product is produced solely to meet what is needed by the market. Marketing survey investment is very important in knowing what the market needs are; both regarding life style, purchasing power, preferences, and others. This strategy applies to general products that are very “open” to competition.

- **Determine superior distinctive abilities**

The purpose of defining capabilities that are distinctive and difficult to duplicate is to define product “differentiation”. the aim is to anticipate competitive conditions and to always excel in the competition. The more market information that can be processed in determining product strategy, the more competitive it is.

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- Customer value - customer value is tailored to the company's capabilities

Understanding customer value requires two-way communication skills and market information analysis skills. Accurate information about customer value is the key to success in winning the competition when we are able to mix and match customer value with the company's capabilities.

Business is an effort to bring together two needs that need each other between sellers and buyers, so that the more meeting points between the needs of the customer and the seller, the greater the opportunity for transactions.

- Excellence in performance - produces superior performance from the company

In the end, the goal of implementing a market driven strategy is to excel in product and service performance to customers which will then create a sales effect that is more dominant that competitors.

Currently, it takes the ability of producers to create a creative and unique products in order to be able to "create" the market and be able to control the market.

In order to get to this stage, excellent Research and Development efforts are already the foundation that must be carried out. How do we process information about the market, market behavior, tendencies into a formulation to project a new product that the market will definitely need.

The idea of market orientation traces to the marketing concept, which has been considered a marketing cornerstone since its articulation and development in the 1950s and 1960s. the marketing concept maintains that (a) all areas of the firm should be customer-oriented, (b) all marketing activities should be integrated, and (c) profits, not just sales, should be the firms objective. As conventionally interpreted, the concept's customer-orientation component--that is, knowing one's customers and developing products to satisfy their needs, wants, and desires-has been considered paramount.

As previously pointed out, market-orientation strategy is a form of knowledge-based strategy. Given that the arguments are the same for both, our analysis will focus on market-orientation strategy.

The fundamental thesis of market-orientation (MO) strategy is that, to achieve competitive advantage and superior financial performance, firms should systematically (1) gather information on present and potential customers and competitors and (2) use such information in a coordinated way to guise strategy recognition, understanding, creation, selection, implementation, and modification. R-A theory permits MO strategy to succeed because premise P5 in Figure 3. assumes that the firm's information is imperfect, and premise P6 indicates that information can be a resource. That is, the (1) systematic acquisition of information about present and potential customers and competitors and the (2) coordinated use of such information to guide strategy may contribute to the firm's ability to produce efficiently and/or effectively market offerings that have value for some market segments.

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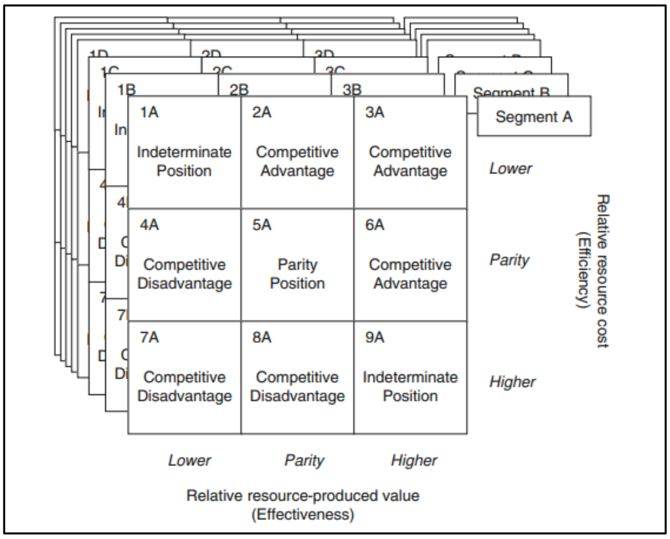

Figure 3
Competitive Position Matrix

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Initiatives to enhance market sensing and customer linking capabilities are integral to broader efforts to build a market-driven organization. The overall objective is to demonstrate a pervasive commitment to a set of processes, beliefs, and values, reflecting the philosophy that all decisions start with the customer and are guided by a deep and shared understanding of the customer's needs and behavior and competitors' capabilities and intentions, for the purpose of realizing superior performance by satisfying customer better than competitors. Many firms have aspired to become market-driven but have failed tin instill and sustain this orientation. Often these aspirants underestimate how difficult a task it is to shift an organization's focus from internal to external concerns. They apparently assume that marginal changes, a few management workshops, and proclamations of intent will do the job, when in fact a wide-ranging cultural shift is necessary. To have any chance for success, change programs will have to match the magnitude of the cultural shift.

Strong affirmation of the notion that market-driven organizations have superior capabilities comes form three of their findings. First, they found that formal and informal connectedness of functions facilitates the exchange of information whereas interdepartmental conflicts inhibit the communications that are necessary to effective market sensing. This confirms the desirability of managing this capability as a set of organization-spanning activities. Second, there was solid evidence that centralization was antithetical to market orientation. This mind-set appears to flourish when there is delegation of decision making authority and extensive participation in decision making. Finally, the use of market-based factors such as customer satisfaction for evaluating and rewarding managers was the single most influential determinant of market orientation. Further guidance into how to develop outside-in capabilities in the context of a broader change program comes from parallel efforts to introduce TQM and applies methodologies such as business process reengineering.

TQM

Like market orientation, TQM explicitly focuses on customer satisfaction.

A distillation of quality statements would yield a definition of TQM as "a set of concepts and tools for getting all employees focused on continuous improvement, in the eyes of the customer".

TQM faces many of the same acceptance and implementation problems as the marketing concept. Recent studies have found that lack of result has lead to the demise of as many as two-thirds of TQM programs that are less than two years old.

At the heart of TQM in the concept of an organization as an interrelated collection of processes rather than an interacting set of functional units. Although processes such as order fulfillment or service delivery may reside in one function, the sequence of activities necessary to complete the process usually crosses functional lines several times. The objective of TQM is to optimize the flow of activities to reduce cycle time, prevent defects, and enable continuous improvement. Customer or competitive orientation. Although marketers welcome this perspective, because it avoids the pitfalls of internally based definitions such as conformance to specifications, the resulting metric can be ambiguous. TQM commentators are justly concerned about whether it means satisfying current requirements or anticipating future expectations, which customers' expectations are to be met, whether expectations should be met or exceeded, and the consequences of relying on customer perceptions rather than objective facts.

5. CONCLUSION

As discussed, the fundamental strategic thesis of market segmentation is that, to achieve competitive advantage and superior financial performance, firms should (1) identify segments of industry demand, (2) target specific segments of demand, and (3) develop specific marketing "mixes" for each targeted market segment. To theoretically ground market-segmentation strategy, a positive theory of competition must meet three criteria. The theory must: (1) allow for the existence of demand heterogeneity, (2) justify why firms would choose to produce and market a variety of market offerings, and (3) explicate a mechanism by which market segmentation can lead to superior performance.

To implement an MO strategy, firms deploy tangible resources, such as information systems to store, analyze, and disseminate information about competitors and customers. In addition, firms use intangible resources to implement MO. That is, organizational policies must be in place to encourage MO action, and managers must have the knowledge and experience required to utilize customer and competitor information effectively. That is, a competence in MO will prompt proactive innovation by enabling firms to anticipate potential market segments, envision market offerings that might be attractive to such segments, and prompt the need to acquire, develop, or create the required resources to produce the offerings. Furthermore, a competence in MO will assist efforts at reactive innovation because it provides valuable information about existing competitors and customers.

The emerging capabilities approach to strategy offers a valuable new perspective on how to achieve and sustain a market orientation.

As we focused on market engagement we specifically looked at how the companies we interviewed created their ideas for businesses, how they gathered information in the process of developing their businesses, how they dealt with the feedback they got from the market, and how they changed during the business development process in various stages of development. Two major themes emerged from the analysis, one regarding engaging with the market (market engagement) and another one concerning experimentation with business models and changes made after reviewing the situation on the market (firm's responsiveness).

The change of business models seems to impact performance. Besides increasing sales, firms can get to market quicker, make their business models more efficient, and if they are quick enough in changing, they can take advantage of being the first mover in the new market space. Future research should look more closely at the performance implications of changing business models. Out assumption for future research is that certain types of behavior will lead to differences in performance this being e.g. faster time to market, success.

Two capabilities are especially important in bringing these external realities to the attention of the organization. One is the market sensing capability, which determines how well the organization is equipped to continuously sense changes in its market and to anticipate the responses to marketing actions. The second is a customer-linking capability, which comprises the skills, abilities, and processes needed to achieve collaborative customer relationships so individual customer needs are quickly apparent to all functions and well-defined procedures are in place for responding to them.

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