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Research paper

# Uncovering institutional orientation as a new strategic orientation in industrial marketing

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ABSTRACT

The environment of industrial markets is highly institutionalized, and research has documented different types of institutional work conducted by firms. However, the way in which individuals within organizations perceive and conduct such work is not well-understood. In this paper, we adopt the "inhabited institutions" approach to study how business-to-business managers experience the institutional work conducted by their companies as a strategic orientation. In-depth interviews with 34 managers reveal that institutional orientation is composed of three dimensions: the key institutional customers concept, institutional embeddedness, and market legitimacy. In addition, our study uncovers the relationships among these dimensions. The article concludes with the theoretical implications of the research as well as with a discussion regarding how a culture of institutional work, i.e., institutional orientation, can be instrumental in enhancing the performance of BtoB firms.

## 1. Introduction

An important body of research suggests that business-to-business markets have become increasingly institutionalized and complex (Auh & Menguc, 2009; Bello, Lohtia, & Sangtani, 2004; Nyström, Ramstrom, & Tornroos, 2017; Yang & Su, 2014). Keillor, Pettijohn, and Bashaw (2000) demonstrate that industrial firms experience higher levels of politically-based barriers in their global operations than business-to-consumer firms do. The institutional environment refers to political institutions such as the structure of policy making and regulation, economic institutions such as the structure of markets and the terms of access to these markets and socio-cultural institutions such as informal norms (Henisz & Delios, 2002). For instance, Bengtson, Pahlberg, and Pourmand (2009) show the importance of interactions with political actors for small European firms. In the same vein, Li, Li, and Cai (2014) demonstrate the moderating effect of a firm's home-country's institutional culture in the relationship between a firm's early marketing entry and other firms' behaviors and performance.

From the institutional perspective, markets are supported by three institutional pillars: a cognitive pillar, a normative pillar and a regulatory pillar (Scott, 2013). To thrive in this environment, organizations must embrace a broader marketing strategy that integrates these different institutions and thus includes all of the actors who can influence the way in which a market evolves (Kotler, 1986; Yang & Wang, 2013). In institutional theory, this expanded marketing refers to institutional work, i.e., the intentional actions of individual and collective actors in the creation, maintenance and change of institutions (Lawrence & Suddaby, 2006). The industrial marketing literature has already shown that B2B firms conduct institutional work (Palmer, Medway, & Warnaby, 2017; Palmer, Simmons, Robinson, & Fearne, 2015; Vanharanta, Chakrabarti, & Wong, 2014; Vargo, Wieland, & Akaka, 2015). However, this literature adopts a contextualized view of institutional work. Accordingly, companies perform institutional work punctually when market conditions require it, but they do not develop a specific culture of institutional work. In this article, we take the opposite stance, and we argue that companies, through their managers, develop an institutional work culture that we term an institutional orientation. Such view does not suggest that firms perform institutional work constantly, but rather that the culture of institutional work is permanently anchored within the company. We thus conceptualize institutional orientation as the belief that institutional work leads to greater performance as well as the processes that guide this belief (Homburg & Pflesser, 2000; Ramani & Kumar, 2008).

The marketing strategy literature recognizes that understanding firms' strategic orientation is critical (Day, 1994), however, there is no established comprehensive construct that captures the key elements of an institutional orientation. Indeed, while market orientation is customer and competitor-driven (Kohli & Jaworski, 1990; Narver & Slater,

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1990), institutional orientation requires focusing on the institutional structures of markets, which involves a much broader set of actors. An institutionally oriented company has thus developed a culture that enables a marketing strategy geared toward the institutional actors that can affect its activity. In addition, while market orientation implies to study the environment, its goal is not to act on the environment, but rather to understand it to adapt the offer made to customers. In contrast, institutional orientation means not only understanding the environment but also changing it through institutional work.

More precisely, we adopt the "inhabited institutions" approach (Haedicke & Hallett, 2016; Scully & Creed, 1997) to study how managers of BtoB firms experience the institutional work conducted by their companies. Indeed, Hallett and Ventresca (2006) explain that institutional work studies have neglected the micro level, ignoring what individuals think and do within institutions. Focusing on interpretation at the individual level (Bechky, 2011), the "inhabited institutions" approach suggests that it is necessary to focus on individuals because they are the ones who "live" institutions. Based on this approach, we argue that when a firm develops a specific culture of institutional work, managers within the organization perceive it as a particular strategic orientation. By studying the institutional orientation of business-to-business firms, we echo Handelman and Arnold's (1999, p. 45) claim that research "must focus on the further theoretical and empirical development of an institutional orientation".

To characterize the institutional orientation of industrial firms, we conduct a qualitative study through 34 in-depth interviews with managers from varying organizations. While most of the literature on institutional work looks outside the organization (e.g., Chaney & Ben Slimane, 2014), we extend the literature by investigating how managers within firms consider institutional work as a strategic orientation in its own right. Our results reveal that institutional orientation is a multidimensional construct that captures the key institutional customers concept, institutional embeddedness and market legitimacy. The findings also highlight the relationships among these dimensions. This article proceeds as follows. We begin by presenting the theoretical background of the research. Then, we expose the methodology of the study and the results. Finally, we discuss our findings and conclude with the study's contributions and directions for future research.

## 2. Theoretical background

### 2.1. Institutional theory and institutional work

Institutional theory is originally an organizational theory that focuses on the social structures in which organizations are embedded. While other organizational theories (such as the resource-based view or contingency theory) and strategic approaches (including market orientation) seek to explain the variety of organizations and their heterogeneity, institutional theory tries to explain their homogeneity (DiMaggio & Powell, 1983). Beyond the logic of competition and differentiation, companies also face common social and cultural demands. Hence, they adopt the myths and values that are prevalent in their environment to obtain acceptance by the other actors (Meyer & Rowan, 1977). As a consequence, many decisions made by organizations result from a social pressure to adopt the norms diffused in the environment. For example, Fligstein (1985) describes the diffusion of the multidivisional form in US firms through the role of consulting firms and universities that have constructed the dominant view that a multidivisional form increases performance.

These norms are analogous to institutions, i.e., the rules of the game that firms must respect in a given market (Scott, 2013). Institutions are based on three pillars: the cognitive pillar, the normative pillar, and the regulatory pillar (Scott, 2013; Suchman, 1995). The cognitive pillar refers to common conceptions rooted in the mental schemata of individuals that become taken for granted. The normative pillar influences behavior by defining what is appropriate in a given social situation (Wicks, 2001). Training organizations, consultants, critics or specialized media strongly influence what is or is not appropriate and, as such, are able to standardize behaviors. Finally, the regulatory pillar refers to the authority of some actors, notably state and regulatory bodies, to formally constrain behavior with laws and rules. An organization is able to persist on its market and succeed only if its activity is supported by the three pillars, that is, if it is accepted, understood and anchored in the mental schematas (cognitive pillar), if it is supported by the actors who have prescriptive power (normative pillar) and if it adopts existing laws and regulations (regulatory pillar).

It is because companies within the same organizational field are confronted with the same institutions that they tend to resemble one another. However, while the early works on institutional theory were very deterministic, arguing that organizations must comply with environmental standards to survive (DiMaggio & Powell, 1983), the theory later took a strategic shift by focusing on agency (DiMaggio, 1988). Accordingly, organizations can act on institutions (Phillips & Lawrence, 2012), thus performing "institutional work" (Lawrence, Leca, & Zilber, 2013). Lawrence and Suddaby (2006) define institutional work as the intentional actions of individual and collective actors in the creation, maintenance and change of institutions. This definition highlights three main aspects. First, it suggests that the organizational field can have three different states (Maguire, Hardy, & Lawrence, 2004). Emerging fields are in the process of being structured, and in this case, firms work at creating institutions. Mature fields are established and stable, and firms work to maintain a situation that favors their interests. For instance, Palmer et al. (2015) investigate the institutional maintenance work performed during an industrial workshop where the retailer reaffirmed its market dominance by subtly providing information about the size of its network and quantity purchased. Disruptive fields are fields that are subject to institutional wars because new entrants seek to change the institutions. Second, this definition describes actors as goal-oriented and reflexive (Lawrence et al., 2013). Third, it depicts actors' actions as the center of institutional dynamics (Battilana, Leca, & Boxenbaum, 2009). On the basis of these aspects, the literature has identified a series of institutional types of work performed by companies depending on the pillar toward which the work is directed. For instance, Hargadon and Douglas (2001) document how Edison used mimicry to create the cognitive pillar of the emerging electric light field. Edison reassured the actors of the field by using existing practices and technologies that eased the cognitive adoption of the electric light. Hargadon and Douglas (2001, p. 479) explain that "[b]y designing the incandescent light around many of the concrete features of the already-familiar gas system, Edison drew on the public's preexisting understandings of the technology, its value, and its uses". Although electric light had many benefits, "[Edison] deliberately designed his electric lighting to be all but indistinguishable from the existing system, lessening rather than emphasizing the gaps between the old institutions and his new innovation" (Hargadon & Douglas, 2001, p. 489).

### 2.2. Inhabited institutions and institutional orientation

The concept of institutional work offers a broader view of markets and marketing strategy (Humphreys, 2010; Kotler, 1986). It is no longer a matter of addressing only the final customer but rather of developing an expanded marketing strategy that targets all of the actors who intervene in the way a market develops through the pillars of institutions. By adopting an institutional approach to marketing strategy, institutional actors will then accept and endorse the means and purposes of the organization, providing support to the firm (Handelman & Arnold, 1999). To date, the literature has adopted a contextualized view of institutional work, suggesting that firms engage in it only occasionally. Although we agree that firms perform institutional work punctually (i.e., when circumstances require it), our approach focuses on institutional work as a manifestation of the institutional orientation that is experienced by managers and represents a culture pervading the organization. Indeed, institutional theory has thus far neglected how individuals within the organization experience institutions. As Hallett and Ventresca (2006), p. 215), "ironically, in the effort to 'bring society back in' via macro 'logics' […], institutionalism became a-social at the micro level. Thus institutionalism finds itself grappling with an important question: 'What should we do about people?'" Institutions and institutional work are not inert containers of meaning; they are "inhabited" by people and their actions (Scully & Creed, 1997). We therefore adopt the "inhabited institutions" perspective to focus on how individuals perceive institutional work and the extent to which it can be considered to be a strategic direction in the conduct of their activity (Gatignon & Xuereb, 1997).

The "inhabited institutions" approach draws on interactionist perspectives to bring individual actions back into institutional theory (Haedicke & Hallett, 2016). This approach suggests that "focusing on interpretation and action at work grounds theory and uncovers fundamental mechanisms in organizations' relationships to environments" (Bechky (2011, p. 1158). For instance, Binder (2007) shows how the directors of a transitional-housing program responded to environmental pressures. Furthermore, when an organization performs institutional work, it does not do so in a disembodied way. This work is inhabited by individuals within the organization (Scully & Creed, 1997). Through their behaviors, managers experience and embody the actions of the firm directed at the institutional environment. When institutional work performed by individuals is embedded in the organization's values, artifacts, and behaviors (Homburg & Pflesser, 2000), then it becomes part of the organizational culture. Since this institutional work culture helps individuals understand organizational functioning and provides them norms for behavior in the organization (Deshpande & Webster Jr, 1989), institutional orientation then becomes a strategic direction in its own right, i.e. an orientation that guides the individuals in the organization in achieving better performance.

## 3. Method

In line with the inhabited institutions approach, we employed a qualitative study at the individual level to capture institutional orientation as experienced by individuals. More precisely, we conducted 34 in-depth semi-structured interviews with senior executives and managers from industrial firms during a six-month period. We used convenience, snowball and purposive sampling, as each led to further contacts, which helped us refine the questions and focus on the key aspect of the research (Patton, 2002). Four "grand tour questions" (McCracken, 1988) were asked during the interviews: (1) "What are the key success factors of an organization in a given market?" (2) "What are the obstacles that you must overcome to enter and stay in a market?" (3) "How would you define the institutional environment of your company and its importance in your performance"? and (4) "What kind of institutional actions do you conduct and for which purpose?" In accordance with the principles of in-depth qualitative research, the participants were free to guide the flow of the discussion. However, we systematically asked them to reformulate and to detail all ideas related to institutional work: when was the institutional work conducted? In what context? For what purpose? What was done concretely? What was the final result? The data collection stopped after saturation was reached, i.e., when no new themes emerged from the interviews. The final sample is composed of a diverse group of participants in terms of size of organization and industry (see Table 1).

The interviews lasted approximately 40 min and were recorded and transcribed. They accounted for more than 22 h of conversation. We manually analyzed the data using an iterative process between the data and the emerging theory to identify the main themes (Miles & Huberman, 1994). Three levels of coding were used (Glaser & Strauss, 1967) (see Fig. 1). First, an open coding helps to capture all of the first-order concepts in the narratives. Themes such as reputation, image, market penetration, business referrals, legislators and politicians emerged at this stage. Then, an axial coding was conducted to group the first-order concepts into second-order constructs. For instance, market penetration and business referrals were grouped into the key institutional customers concept, while reputation and image were grouped into market legitimacy. Finally, a selective coding was performed to connect the second-order constructs between them. For example, key institutional customers were found to grant market legitimacy to the company, while market legitimacy reassures key institutional customers. Three researchers independently coded the data for each of the three levels. They confronted their interpretations and reached a consensus through discussion for a given level before resuming their individual coding of the next level.

We established the trustworthiness of the study by applying several criteria (Flint, Woodruff, & Gardial, 2002). Credibility, i.e., the extent to which the findings are true and accurate, was ensured by the significant duration of the interview process (six months), which showed the stability of the phenomena under study. Transferability, i.e., the extent to which the results can be applied to another context, was based on the usage of theoretical sampling insofar as our data collection was guided by the analysis of the first interviews and by the thick description of our findings. Confirmability, i.e., the extent to which the results are not biased, was reinforced through the mobilization of three researchers, all of whom independently examined the data and then confronted their interpretations during the analysis. Finally, generality, i.e., the extent to which the results capture a whole phenomenon rather than just specific aspects, was ensured by the length and openness of the interviews as well as by the representation of different viewpoints through the diversity of the industries represented.

## 4. Findings

As a result, we propose institutional orientation as a multidimensional construct that captures a firm's belief in the key institutional customers concept, an institutional embeddedness and a firm's search for legitimacy. These three dimensions are interrelated. Next, we define the three dimensions of institutional orientation as well as their relationships and connect them with the literature.

### *4.1. The institutional embeddedness -key institutional customers concept relationship*

#### *4.1.1. The institutional embeddedness provides access to key institutional customers*

In industrial markets where institutional barriers and constraints to enter and maintain a company's position within the field are often prevalent (e.g., Keillor et al., 2000; Persson & Steinby, 2006), our informants highlight the importance of identifying market gatekeepers. These gatekeepers are institutional in nature. To create conditions that are favorable to their success, companies must therefore conduct institutional work, i.e., focus on the pillars of institutions to develop an institutional embeddedness. Institutional embeddedness consists of knowledge of the institutional environment in which an industrial company wants to operate, or already operates, and an ability to influence this environment (Keillor et al., 2000). This knowledge may enable the company to identify market gatekeepers, that is, to map all of the influential actors in the environment and to assess their potential clout over the company and the conduct of its business (Ozer, 2010). This marketing manager in the textile industry implicitly recognizes a hierarchy in the institutional actors of that environment with political actors being first followed by a group of different institutional actors. He states the following:

> "For a company that wants to work for these countries [African countries], it must have strong knowledge of the politics, and the laws that exist in these countries. It's very difficult to penetrate these markets because if you do not have someone there who knows the

**Table 1**
Profiles of respondents.

| Position in the organization | Size of the company | Domain |
|---|---|---|
| 21 CEOs | 8 in medium-sized companies and 13 in small-sized companies | 5 in agriculture, 3 in IT, 3 in entertainment, 2 in chemistry, 2 in technology, 1 in healthcare, 1 in logistics, 1 in automotive, 1 in export, 1 in craft and 1 in metallurgy |
| 7 marketing managers | 3 in large-sized companies and 4 in medium-sized companies | 2 in entertainment, 2 in agriculture, 2 in IT and 1 in textile |
| 6 communication managers | 5 in large-sized companies and 1 in medium-sized companies | 3 in agriculture, 1 in financial services, 1 in entertainment and 1 in construction |

politicians first, and who knows then the experts, the lawyers, the entrepreneurs and the business people, you cannot penetrate ... It's a very difficult market. So our study must be structured mainly on the policy that exists in this country, on the evolution, on the political stability, on the vision of this country. So it's very difficult for a company to penetrate an African market ... You know, in the countries of Africa, there are always revolutions. So no one is safe in these countries ... It's not safe to succeed there unless you have people out there who can open up the market and open up opportunities for you".

For this manager, it is therefore essential to develop an institutional embeddedness to penetrate the African industrial markets because they can be politicized and therefore blocked. In other words, the institutional embeddedness provides access to the targeted customers. This CEO in the French art industry stressed the following:

"In our activity there is a strong political dimension. With local authorities first. But also community work, with associations of water protection, association for the protection of nature, etc. So a strong institutional dimension. It is important to know this environment, to know who is who, who does what and above all who can do what for us. Without this knowledge of the field and of the environment, you have every chance to miss the customer even if you have the best offer in the world".

The environmental factors that may affect a firm's ability to serve customers in the best conditions are social, cultural, regulatory and cognitive. The most typical example is protected markets—that is, markets in which the established actors have made entry difficult for other companies, obstructing full access to customers (Kotler, 1986). These barriers to entry may take the form of laws, political patronage, competitive agreements or a refusal to cooperate in distribution channels. One of our participants is the director of a company providing sound equipment for concert halls and festivals in the region of Geneva, Switzerland. He had to address this type of barrier to meet the needs of his final customers, stating as follows:

"I think that we offer excellent sound quality because we use very innovative techniques. But before being able to show the final consumers what we can do in terms of sound quality, we already had to get a place among the established suppliers that had just closed the market. So we got closer to some political actors who had close relationships with the halls and festivals in the region. It has opened the market and given us access to these final customers".

As this quote suggests, to be able to reach these customers, this manager performed an institutional work of advocacy that consists of mobilizing political support (Lawrence & Suddaby, 2006). In the same vein, other informants mentioned work directed at professional associations or legislators. In the managers' perceptions of an institutional orientation, the common point to all of these types of work is the institutional embeddedness that leads to the integration of a wide range of actors who can facilitate access to the targeted customers.

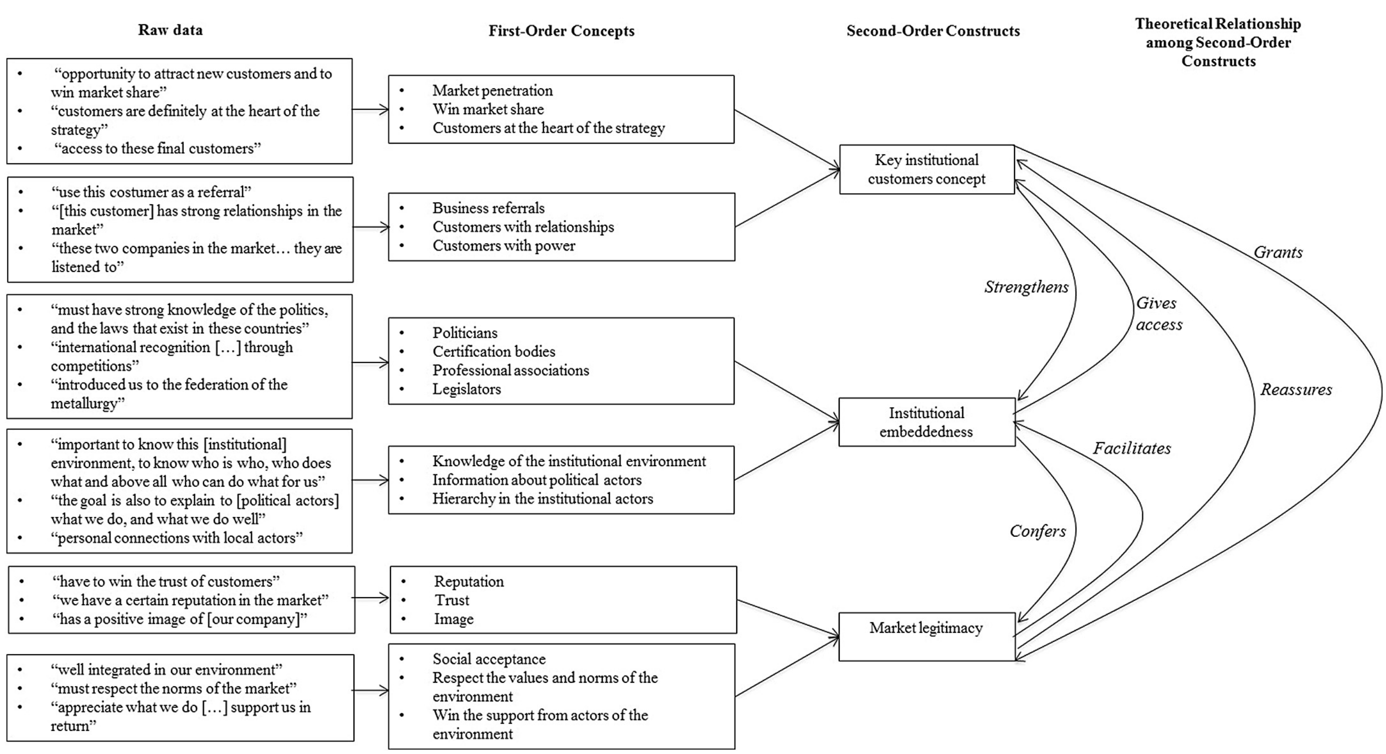


**Fig. 1.** The coding process leading to the conceptualization of the institutional orientation of industrial firms.

#### *4.1.2. Key institutional customers strengthen the institutional embeddedness*

Even if the political, legal or normative actors have an important place in the institutional work carried out by the managers of industrial firms, our results nevertheless show that the final customer is still strongly considered when carrying out an institutional orientation. The CEO of a small IT firm based in Paris confirmed the following:

> "Our first mission is to make our products available and accessible to the widest possible audience. Our first consideration is the customer. We try to develop a smart marketing strategy. Marketing is rules that are known to be efficient and that we have to apply. But we avoid applying them in an ignorant way, always keeping in mind our customers. We think about and make decisions according to the objectives that we set for our customers, and we try to serve them in the best possible way".

However, our informants reveal that the institutional orientation of business-to-business firms does not imply the targeting of all customers indiscriminately but only the clients that are powerful in the environment, i.e., what we term the "key institutional customers concept". More precisely, the key institutional customers concept refers to customers with significant power to shape the institutional dimensions of the environment. As a consequence, when the company is able to identify a key institutional customer, it will try to serve it under the best possible conditions because this customer can improve the effectiveness of the institutional embeddedness. The CEO of a medium-sized company in metallurgy explains as follows:

> "In 2007, while we were still relatively small in the market, we managed to win a contract with [X]. A big client. And a really big contract for us at that time. Having been able to attract such a customer opened us doors because [X] introduced us to the federation of the metallurgy. And they have a huge power in the market. Basically, they rule the roost. You cannot succeed if you do not work very closely with them. We might have been able to approach them by ourselves but it would have taken much more time. There, because we were knighted by [X] who promoted our services, we saved a lot of time".

As this quote illustrates, this "big client" about which this CEO speaks can be considered to be a key institutional customer because it has a certain power over the institutional environment; here, a very important professional federation in the metallurgy industry. By targeting and conquering this key institutional customer, the company gained access to a very important and influential player in the field. The institutional embeddedness was thus consolidated.

### *4.2. The market legitimacy- institutional embeddedness relationship*

#### *4.2.1. The institutional embeddedness confers market legitimacy*

Being oriented toward the major political and institutional actors of the environment, as well as the institutional work carried out toward them, legitimizes the company. Market legitimacy is a generalized perception by the different actors of a market that the actions of an organization are desirable, proper and appropriate with respect to a system of norms, values and beliefs (Suchman, 1995). Indeed, in the institutional approach, to operate successfully firms must develop market legitimacy in order to gain the support of external stakeholders (DiMaggio & Powell, 1983; Humphreys, 2010; Suchman, 1995).

The institutional embeddedness involves identifying and knowing all stakeholders that can affect the way in which a market is going to develop. These actors can then be reached through institutional work including lobbying, education, deterrence or public relations (Chaney & Ben Slimane, 2014; Lawrence & Suddaby, 2006). For instance, Mobley and Elkins (1990) show that in the highly regulated field of healthcare, the adoption of an institutional embeddedness is necessary because success in this market is determined by the implementation of actions not only toward doctors but also toward hospitals, insurance companies and health authorities that must be coordinated. This view is supported by this communication manager of the construction sector who is constantly in touch with the key institutional actors:

> "I try to have regular contact with institutional and political partners. It is important to maintain the link, to show how we move forward, the projects we have in mind and how they can contribute to these projects. The tools to be in touch may be different but for sure public relations must be in our DNA. The goal is also to explain to them what we do, and what we do well especially to ensure we have their support".

Behind the desire to show political and institutional actors what the festival "does well", this communication manager wants to improve the image and reputation of the organization, i.e., its market legitimacy. The adoption of socially appropriate practices provides a reservoir of support (Tost, 2011). If organizations make decisions that are congruent with social norms, they will be perceived to be legitimate by all the actors in the market (Chaney, Lunardo, & Bressolles, 2016). The environment of the organization is thus more stable, and the survival chances are improved (Meyer & Rowan, 1977). Conversely, a lack of legitimacy implies a lack of social support from stakeholders (Scott, 2013). One of our informants working in the communication department of a big firm in the agriculture sector explains as follows:

> "As of today, we are well established and known in the region. Because we've worked hard for it. People recognize us without problem: customers, sponsors, suppliers. And political actors also of course. They recognize the work we do every day. So they are people we can count on. We know they will support us and whatever happens, they will defend our record".

For some informants, market legitimacy is gained through official and recognized rankings and competitions, i.e., organizations that have a normative authority to rule on the legitimacy of a company. This CEO of an oil producer recognizes the importance of product competition to be legitimate in his environment, stating the following:

> "We are published in a guide of the best oils in the world since 2014. This year is the 3$^{rd}$ year. It is published in English and Italian. So our efforts begin to pay [...] We have tried to create our image through international recognition. It is not a question of saying 'we produce a good oil', it is the final customer who must say 'this is a good oil'. That is why we began by passing competitions and since then to be more and more known. And with this year's gold medal, I hope we will be even more recognized".

By obtaining a quality label or winning a competition, a company implicitly demonstrates its quality. Therefore, a company that is strongly oriented toward these certification bodies will acquire legitimacy in its market.

#### *4.2.2. Market legitimacy facilitates the institutional embeddedness*

For institutional theory, a non-legitimate company is destined to disappear because it will not be able to sustainably find the support necessary for its development. Conversely, being perceived as legitimate facilitates the institutional embeddedness because actors will more easily support a legitimate enterprise rather than a non-legitimate enterprise (Chaney et al., 2016; Suchman, 1995), as this marketing manager in the entertainment industry exemplified:

> "In general, I think that we are well integrated [in our institutional environment]. When we approach a new sponsor, a sponsor that will associate its name with our event, it is clear that the fact that we are supported by all local policy makers is a big added bonus. It opens doors. They say: 'OK, if they are supported by this or that institution, we can trust it'".

In the eyes of all the actors in the market, being close to political and institutional actors is necessarily a guarantee of quality. In the above quotation, being considered legitimate in the eyes of political actors allows for easier access to sponsorship resources. In the same vein, the legitimacy acquired by the company can enable it to act on the regulatory pillar of the market. The leader of a historic spirits group described how the stature and reputation of his company allowed him to change a law:

> "One day we were bothered by customs, especially in relation to the reading they had of the decree of 1988 which imposed limits of fenchone. Fenchone is the essence of fennel. The limit was so low that, overall, we had to drastically change our recipes. So if we did not change our recipes, we were illegal. I said, "We will not stop making our products because of this decree." And we do not know where these limits came from. Is there a scientific basis? So we went directly to the Ministry of Health. Since we are not just anyone and we have a certain reputation in the market, they have received us. And we have shown that, first, it was counterproductive in comparison with other European countries. So we shoot ourselves in the foot and we are less competitive. And secondly, it was not scientifically and objectively problematic. And from there, a request was made to amend the 1988 decree that was accepted".

This company manager recognizes that it is the reputation and image of his company that allowed the legislator's actions. The market legitimacy of his company thus facilitated the institutional embeddedness.

### *4.3. The key institutional customers concept-market legitimacy relationship*

#### *4.3.1. Key institutional customers grant market legitimacy*

In the way that managers perceive institutional work, obtaining key institutional customers remains a crucial goal. Conquering these key customers, providing them with a quality offer and keeping them loyal are what managers want to achieve. If the company is able to satisfy these customers, then they will grant legitimacy to the company. Indeed, since they are clients with significant institutional power, having a strong influence on the institutional actors of the environment and then getting their approval is a strong signal. As illustrated by the CEO of a logistics firm, key institutional customers establish the company as a good organization:

> "Today we have a fairly large portfolio of clients. These are clients for which we have worked very hard. And it's clear that having a portfolio like this has allowed us to establish ourselves even more. This is even truer in our markets [in BtoB] where the notions of networks, size, reputation are very strong. Indirectly and unwittingly, the customer gives us that extra weight. Each new contract that we sign strengthens our position".

Interestingly, our respondents suggest here that the key institutional customers in industrial markets play the role of a certification body, thus giving a sort of quality label to the company. That is the case for this healthcare industry firm as recognized by its CEO:

> "Actually, I feel like saying that the customer certifies us. It certifies our products. By signing up with us, the client sends a message to others, to our potential customers: "Look at this business, they are trustworthy because we work with them." Obviously, the bigger and more recognized the client, the more weight the certification will have".

Institutional theory puts great emphasis on the normative dimension of markets and therefore on the importance of certification labels, schools or rankings that define standards and good practices within the market (Scott, 2013). Beyond these insights, the certification role played by the key institutional customers is a new aspect that demonstrates their strong prescriptive role in industrial environments as business referrals (Kumar, Petersen, & Leone, 2013).

#### *4.3.2. Market legitimacy reassures key institutional customers*

For the informants, the legitimacy acquired by their company on the market in return helps to reassure the key institutional customers. Legitimacy provides confidence to customers, demonstrating to them that the company is a good company, socially integrated and accepted. This is how this CEO of a small export company explains it:

> "We all know that trust is a key issue. You have to win the trust of customers. We have to show ourselves positively, get people talking about us and our services. And be in the right networks. It's a long-term job that has not been done from one day to the next. But it's clear that if the customer has a positive image of us, that plays there much. The client says, "OK they look professional, they look clean, we'll listen to them." And here we start the relationship, we develop exchanges and things are gradually taking shape. If we do not work on all the dimensions of our image, there's no chance of winning the slightest contract".

Importantly, two types of market legitimacy are illustrated by this excerpt (Handelman & Arnold, 1999: Suchman, 1995). First, the informant refers to a pragmatic vision of legitimacy (Suchman, 1995). This form of legitimacy is utilitarian, resulting from the buyer's perception that the firm's offering is beneficial. Furthermore, the data also suggest that social legitimacy – or the belief that the organization's business will benefit society as a whole – also serves to reassure the customer. Hence, an organization's social legitimacy is based on whether it successfully demonstrates its altruism through behaviors that strengthen the welfare of others. This point is illustrated by this leader of a chemical company:

> "During the third or fourth appointment, an important client told us that when they had searched for information about us -when we were little known at the time- they had a hard time finding it precisely because we were unknown. And the only things they had managed to find out about us was what we were doing in terms of social responsibility. It seems that it has reassured them".

The two dimensions of legitimacy, namely pragmatic and social, are thus experienced by managers as a means of reassuring key institutional customers and therefore of conquering them.

## 5. Discussion

Considering that the marketing strategy literature has not specifically investigated the possibility of an orientation toward institutional actors, the goal of this article was to study the institutional orientation of industrial organizations. Our research builds on and extends the literature in the following three ways.

First, this research contributes to the BtoB literature by adopting an institutional perspective involving a broader vision of markets. According to institutional theory, markets are governed by cognitive, normative and regulatory institutional pillars (Scott, 2013). To be able to stay in a given market for the long term, a company must fit into these three pillars by practicing institutional work. The institutional work literature thus suggests that firms can influence the institutions within their market to create the cognitive, normative and regulatory conditions that will favor their interests (Battilana et al., 2009; Lawrence et al., 2013). However, while institutional theory considers institutional work as a set of intentional actions occasionally performed by firms (Lawrence & Suddaby, 2006), we suggest that some firms have developed a culture of institutional work that enables them to better understand and respond to the institutional environment. We thus study institutional orientation through the lens of the "inhabited institutions" approach (Scully & Creed, 1997). While the institutional work literature adopts a macro perspective, studying the organization field as a whole, the "inhabited institutions" approach argues that institutionalism cannot be a social theory at the micro level, and it advocates the need to understand how individuals within an organization experience institutional work (Hallett & Ventresca, 2006).

This approach allows us to identify three dimensions of business-to-business firms' institutional orientation as experienced by those who "inhabit" the institutions: the key institutional customers concept, institutional embeddedness, and market legitimacy. The key institutional customers concept means that when performing any type of institutional work, managers are primarily focused on the customers with institutional power. The institutional embeddedness reveals the necessity for managers to foster institutional and political relationships to influence and control their environment. Legitimacy highlights the importance for firms to be seen as well-established in their market to more effectively perform institutional work. Therefore, a company will be considered institutionally oriented, i.e., it will have a real culture of institutional work, only if it develops these three dimensions.

Second, we add to the literature on strategic orientation by proposing the institutional orientation. Although the research has emphasized the importance of institutional factors in the development of a business in a given market (Auh & Menguc, 2009; Kirca, Bearden, & Roth, 2011; Nyström et al., 2017; Yang & Su, 2014), it has not yet conceptualized institutional orientation. While a behavioral approach would consider institutional orientation as a set of organizational behaviors (Kohli & Jaworski, 1990) and a cultural approach would define it as a cultural characteristic (Narver & Slater, 1990), we adopt an integrative perspective in accordance with Homburg and Pflesser (2000) and suggest that institutionally-oriented behaviors result from an institutional work culture. We thus develop institutional orientation not only as a belief that institutional work leads to greater performance but also as the processes that guide this belief (Homburg & Pflesser, 2000; Ramani & Kumar, 2008).

The literature suggests that a strategic orientation is implemented by a firm to create the proper behaviors for the continuous superior performance of the business (Narver & Slater, 1990; Voss & Voss, 2000). As a consequence, we argue that the three dimensions of institutional orientation are intertwined in a process whose goal is to generate superior performance for industrial companies. While the key institutional customers concept allows a company to be legitimized because it receives the approval of customers with a high institutional power, market legitimacy, in turn, reassures key customers who will then consider the company more favorably. The market legitimacy of the company also facilitates the development of an institutional embeddedness because these actors will be more likely to support a socially accepted firm. In turn, the market legitimacy of the company is also strengthened by the approval from political and institutional actors that eases its social integration. Finally, institutional embeddedness allows companies to remove certain barriers and to facilitate access to the key institutional customers, which make the institutional work performed toward political actors and institutions more effective.

Institutional orientation is markedly distinct from market orientation. Market orientation entails the implementation of the marketing concept (Kohli & Jaworski, 1990). More precisely, it describes a strategic orientation intended to develop "the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business" (Narver & Slater, 1990, p. 21). Market orientation involves putting customers at the heart of a firm's strategic thinking and trying to be differentiated from competitors as much as possible. Both market orientation and institutional orientation recognize the importance of customers; market orientation proposes to satisfy all targeted customers, whereas institutional orientation implies prioritizing customers with institutional power. Furthermore, in contrast with institutional orientation, market orientation does not encompass the full range of institutional actors. Rather, in the view of Kohli and Jaworski (1990), it only accounts for institutions inasmuch as they shape customers' needs and preferences to better generate, disseminate and respond to market intelligence. In the view of Narver and Slater (1990), in addition to a focus on customers and the mobilization of resources to satisfy them, the only part of the environment taken into account by market orientation is the competitors – at the exclusion of institutions and their actors. Therefore, market orientation does not fully account for the institutional work required to establish the condition for market success. On the other hand, institutional orientation means creating institutional conditions, i.e., acting on the cognitive, normative and regulatory pillars of institutions for the long-term success of the company, which implies interacting with a wider range of institutional actors (regulators, politicians, industry associations, certification bodies). Hence, compared with market orientation, institutional orientation better explains how BtoB firms can achieve superior performance in a highly institutionalized environment.

Third, we also add to the customer concept literature. The traditional customer concept implies the targeting of all of a company's customers (Hoekstra, Leeflang, & Wittink, 1999; Ramani & Kumar, 2008). As such, the components of the company are oriented toward customer satisfaction. In addition to this vision, we propose the key institutional customers concept. Indeed, our findings show that the institutional orientation of business-to-business firms does not necessarily entail targeting all of the customers of a market but, rather, focusing only on clients with the power to act on the institutional pillars of the environment. These key institutional customers have two main characteristics. First, they have strong prescribing power over other customers. From this point of view, they can be regarded as a specific type of business referral, i.e., clients who are used by the company as references when trying to influence prospects to become new customers (Kumar et al., 2013; Terho & Jalkala, 2017). However, while business referrals are often characterized by their size or the duration of their relationship with a firm, here, that is not necessarily the case. A key institutional customer can introduce a company to a large professional association without being a large company with a long-running contract. This brings us to the other characteristic of the key institutional customers, which is that they must have strong ties with the institutional actors of the field: politicians, legislators, professional associations, or certification bodies. Hence, from an institutional orientation perspective, the reference acts indirectly because the referral business will first facilitate access to a key actor of the institutional environment before this key actor provides access to other potential customers in the market.

While relationship marketing also suggests that not all customers are equally important, our results are different and show that an important customer does not necessarily have high financial potential or lifetime value (e.g., Gummesson, 2004). A key institutional customer is a customer with high institutional potential that can remove some institutional barriers within the market over the long term. In the same vein, the lead users literature has also highlighted that some customers have power over others through an influencing role (e.g., Schreier, Oberhauser, & Prügl, 2007). Through the concept of institutional orientation, we add a different view and suggest that key institutional customers are not only characterized by their direct impact on customers through their prescribing power (i.e., influencing buying decision) but also by their indirect impact through institutional power (i.e., gaining and maintaining access to protected markets). Thus, the adoption of an institutional orientation should enable business-to-business firms to better identify the key customers of their environment. In return, these customers will strengthen the position of the organization in the eyes of institutional actors and add legitimacy, thus contributing to its long-term maintenance in the market.

## 6. Managerial implications, limitations and directions for further research

By providing evidence for the practice of an institutional orientation, this study has several implications for industrial firms. We highlight a new strategic orientation focused on institutional actors with the power to support an organization, leading to a competitive advantage whereby managers must be aware that, in some cases, obtaining the

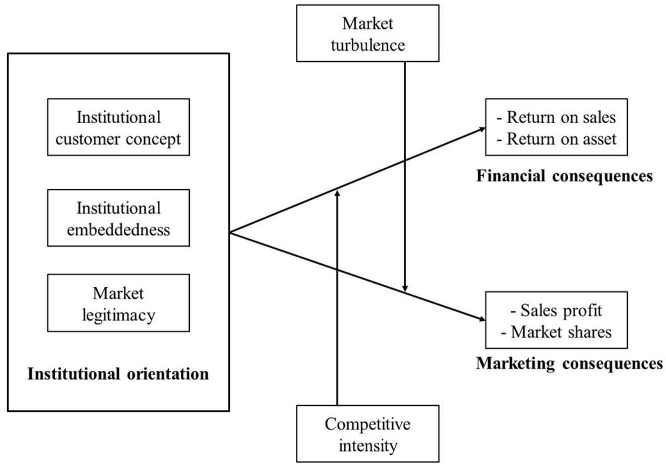


**Fig. 2.** Proposition of a model to test the impact of institutional orientation on business performance.

support of institutional actors may be more important, at least in a first step, than focusing on customers (Kotler, 1986). As such, they must identify the more powerful actors and then try to appear legitimate to obtain their support (Chaney et al., 2016). Such support can be financial, political, legislative or social.

To develop an institutional orientation, managers must focus on all the obstacles that can impede serving customers under the best conditions. Rather than trying to directly reach the customer when the market is saturated or blocked, our study shows that it is sometimes better to begin by identifying the sources of blocking and saturation: what are the brands on the market, what are the distributors, what are the barriers to entry, are there legal constraints? Managers should also try to develop an excellent knowledge of the institutional environment in their markets by building strong relationships with influential political actors. These relationships result from long-term work and are intended to facilitate access to certain markets and certain resources. Finally, institutional orientation also requires social acceptance, that is, market legitimacy in the eyes of stakeholders. The socially responsible actions of the organization and how it communicates with its stakeholders should be not only intended for customers but for all stakeholders: institutional actors, media, government, and the public.

Given that this study is among the first to investigate institutional orientation, it has several limitations that might offer areas for further research. First, the aim of this article was to explore the possibility and relevance of institutional orientation. To gain further insights, studies could develop a reliable and valid scale to measure institutional orientation based on the three dimensions identified in the present study and test its impact on organizational performance (see Fig. 2). Previous research has evaluated the consequences of adopting a range of strategic orientations in terms of aggregate business-level performance measures such as return on sales and return on assets (Noble, Sinha, & Kumar, 2002), sales profits and market shares (Voss & Voss, 2000). Hence, the development of an institutional orientation scale would allow gauging the impact of this strategic orientation on firm financial and marketing performance. Fig. 2 further illustrates possible contingency factors for the relationship between institutional orientation and business performance such as market turbulence and competitive intensity, which have been highlighted as moderators of strategic orientations in the literature (Deshpandé, Grinstein, & Ofek, 2012; Ramani & Kumar, 2008). In situations of high competitive intensity and market turbulence, firms tend to imitate each other to reduce uncertainty. The ability to differentiate themselves is reduced, and thus the financial and marketing benefits for firms are likely to decrease. However, firms that present a high level of institutional orientation are likely to find new ways to increase business. Thus, further research could test whether the greater the competitive intensity and market turbulence, the greater is the positive effect of a firm's institutional orientation on financial and marketing performance. Second, we have demonstrated that a company that is legitimate in its environment and is able to identify influential consumers from an institutional point of view and build relationships with institutional and political actors will be more efficient. Our results thus suggest the importance for a company to be socially accepted by all the actors in its environment to receive multiple forms of support: commercial, marketing, legislative or political (Chaney et al., 2016; Handelman & Arnold, 1999). One of the key benefits for firms that have achieved such market legitimacy is a better opportunity for institution-enabled brand building initiatives. Institutional legitimacy is often instrumental in enhancing the value of industrial companies by partnering with prestigious events through sponsorships (Farrelly, Quester, & Burton, 2006) or gaining access to strategic locations for their headquarters within a sought-after economic cluster (Tracey, Heide, & Bell, 2014). Further research could thus investigate how institutional orientation can contribute to the development of an institutional corporate brand. Finally, additional research might also try to put institutional orientation into perspective relative to other strategic orientations. Because prior studies have shown that these orientations are positively related to performance (Mu & Di Benedetto, 2011) and that developing multiple orientations increases performance (Grinstein, 2008; Hakala, 2011), further research should compare the performance-enhancing capacity of institutional orientation relative to market orientation or other strategic orientations. In addition, understanding the interactions among institutional orientation, market orientation, competitor orientation (i.e., the capacity of a firm to identify, analyze and respond to competitors' actions; Narver & Slater, 1990), and entrepreneurial orientation (i.e., an organization's degree of risk taking and proactiveness; Bhuian, Menguc, & Bell, 2005) is important and could bring useful and original insights to the literature on strategic orientations.

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