

# Customer-oriented firms are environmental leaders

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Consumers are becoming increasingly interested in the environmental management practices of the firms they have relationships with and buy products from. Several studies have shown that customers are willing to pay premium prices for products manufactured in an environmentally friendly way. Other studies show that customers take a firm's socially responsible activities into account when making purchase decisions.

Firms respond by demonstrating their environmental credentials or building them to meet the expectations of their customers. But how does this work in practice?

In a new paper, "Customer orientation and organizational innovation: the case of environmental management practices", in the *Journal of Business & Industrial Marketing*, Hubert Gatignon, an Emeritus Professor of Marketing and the Claude Jansen Chaired Professor of Business Administration, Emeritus at INSEAD finds that the extent of a firm's environmental management practices depends on how customer oriented it is.

Following on from previous research in which he found customer orientation to be a crucial element of firm innovation and product performance, this paper shows that customer-oriented firms gather more critical market information, recognise new customer opportunities and satisfy customers by delivering the demanded [products](#) or services.

In a large-scale survey of 4,324 French companies with ten or more

employees, Gatignon measured customer orientation by examining the companies' commitment to quality standards, such as ISO9000, whether the firms had information-gathering systems in place to capture customer data and translate it into action and the firms' commitment to after-sale service.

In his paper, Gatignon found that the higher the firms scored on these dimensions, the higher the likelihood that the firms adopted environmental management practices, such as procedures to identify and measure environmental impacts by preparing environmental audits, setting environmental performance goals and obtaining ISO14001 environmental certification.

However, under two conditions, there was no support for the hypothesis; periods of market growth and periods of market uncertainty, which did not add significant incentives for firms to try and win customers.

"It's clear from this research that customer satisfaction is an important driver of the implementation of environmental management practices. Firms need to integrate environmental issues into their strategic marketing and environmental management practices into their operations," Gatignon said.

The study also found that whether the firms were responsive to customers or not did not have a significant impact on their environmental management practices, which Gatignon explains by the fact that a focus on only resolving current customer claims makes firms miss the needs of new customers, making them less innovative. The dimensions that mattered most were the firm's values and its information-gathering capabilities.

The [firms](#) surveyed spanned several sectors, such as food, consumer goods, cars and equipment and transport. Construction and intermediate

goods and energy were most sensitive to the adoption of environmental management practices.

"Customer-orientation not only contributes to the firm's environmental performance but also contributes to the development of long-term relationships and a firm's capacity to innovate," Gatignon said.

**More information:** Sanja Pekovic et al, Customer orientation and organizational innovation: the case of environmental management practices, *Journal of Business & Industrial Marketing* (2016). [DOI: 10.1108/JBIM-11-2015-0228](https://doi.org/10.1108/JBIM-11-2015-0228)

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