SHELTER IN THE STORM:
BUSINESS TURMOIL AND MARKETING STRATEGY
EFFECTIVENESS

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I declare that this thesis is my own account of my research and contains as its main content work, which has not previously been submitted for a degree at any tertiary education institution.

[Signature]

Aleksandra Lewandowska
“felix qui potuit rerum cognoscere causas”

“happy is the man who can read the causes of things”

Vergilius (“Georgics” 2. 490)
ABSTRACT

Numerous studies have shown a positive association between the marketing concept and performance, however, it is not clear to what degree this relationship is moderated by the business environment. It is also uncertain which dimensions of the Narver and Slater (1990) measure of market orientation explain the relationship. Research conducted in four countries (Australia, China, Singapore and The Netherlands) of 217 companies found a strong association between market orientated strategies and company performance. Further, results of the research suggest that a customer orientated strategy may be a more appropriate strategy for a company to pursue when operating in a disturbed reactive or a turbulent business environment. The societal marketing orientation, an important and morally appealing extension of the marketing concept, was found to be positively associated with company performance, and used as a ‘pre-emptive’ strategy by firms operating in a placid clustered environment. It would thus seem that a customer orientated strategy is more important in very turbulent environments, such as those after September 11th, 2001, than first thought.
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CHAPTER 1: INTRODUCTION

“Trying to predict the future is necessary but impossible”

(Gareth Chang, President of McDonald-Douglas Asia)

From the 1980’s the world economy has experienced a radical transformation. The fall of communism in East Europe and China’s entrée on the path of modernisation as well as the strengthening of the European Union with the introduction of a common currency – Euro, has resulted in the emergence and growth of new markets and an increase in the number of new competitors in the domestic and international markets. The dramatic shrinkage of geographical and cultural distances due to technological advancements in communication and transport has also reinforced the meaning of internationalisation in today’s business. Globalisation offers low-cost production, technology and capital. It increases similar national markets and provides an opportunity to apply more standardised marketing and management strategies across a number of countries.

The events of September 11th 2001 in New York resulting in the destruction of the World Trade Centre and subsequent events of US and coalition military actions in Afghanistan and Iraq have caused havoc in the oil prices, while terrorist actions from separatist groups have led to uncertainty in the global airline and tourism industry. Further, converging technology, resource shortages, rapid inflation, wide swings in business cycles, changing social values and many of other dynamic forces are vastly altering the environment and markets of various industries. Predictions of the future for businesses vary greatly, and the rapid pace of current change has stimulated many businesses to expand their long-range planning efforts.
Companies aspiring to meet the challenges of today's rapidly changing markets and increasing global competition require marketing decisions to be founded on well conceived strategies. Clearly defined strategies and plans are vital if the firm is to achieve its objectives while optimising the use of its limited resources. How well strategy is formulated, and the success of its implementation is largely dependent on careful coordination between marketing and other functional areas of the firm. Success in the market will depend on recognizing the importance of strategic planning, a process that consists of developing a system of objectives and plans as well as the allocation of resources to achieve objectives. Strategic planning involves an organisation in recognizing, anticipating, and responding to changes in the marketplace to ensure that resources are directed towards achieving the opportunities that are consistent with the firm’s capabilities (Reeder, Brierty and Reeder, 1991). The choice of strategy must fit the particular business environment in which the firm operates, yet there has been little research conducted in the important area of the fit between marketing strategy and environment.

It is thus the purpose of this research to examine the effectiveness of marketing strategies specific to business environments. The effectiveness of strategies requires environmental scanning.

Environmental scanning is defined as the seeking of information about events and relationships in a company’s external environment that assists top management in the task of charting the organisations future course of action (Aguilar, 1967). Such an activity is critical to managers since one of their primary roles is to foresee and understand changes in the environments which affect their operations, and hence, the performance of the company. However, the primary purpose of forecasting environmental change is not to obtain a highly accurate prediction. As Gareth Chang, President of McDonald-Douglas (Asia) operations stated that, ‘trying to predict the future is necessary but impossible’ (Fisher, 1990). Ultimately the future is unknown. For example, the United States Defence Department employs a team of planners and analysts who
develop defence policy with an eye towards the future. Yet, they did not foresee recent major events such as the fall of the Berlin Wall and the subsequent transformation of Eastern Europe, the current upheavals in China, or the disintegration of the former Soviet Union. The tragic event of 9/11/2001 in New York was an event that no one could foresee. The result was something that no one could imagine - the halting of global finance and trading.

If accurate prediction is not the point, then why should managers conduct environmental scans and forecast?

The answer is that perceptions of future events, some of which eventuate, become the basis upon which current strategic decisions are taken. In other words, managers take actions today which are consistent with the future they expect tomorrow. In addition, such exercises make managers more sensitive to change and flexible in their strategic approach.

Current businesses operate in a dynamic environment, one that is constantly presenting new opportunities and posing new threats. In order for a company to survive the turbulent environment within which it is operating, strategic managers, as well as marketers must keep abreast of significant changes and be prepared to adapt to, or influence them. Conventional wisdom would have it that the most successful firms in the 21st century are those which most effectively interact with their environment and can recognise and respond profitably to “unmet needs and trends” (Kotler, 1994).

A simple paradigm of strategic choice, as presented by Biggadike (1981), is as follows:

\[
\text{environment} + \text{organisation capabilities} + \text{current competitive position} = \text{strategy.}
\]
The choice of a strategy must fit the particular business environment that the firm operates in. Marketing scholars have for some time agreed that marketing, "helps strategic management at a philosophical, conceptual, and methodological level" (Biggadike, 1981, p.621). As a business discipline, marketing has made a number of conceptual, but few theoretical contributions to the environmental level of analysis. Further, marketing has contributed more to the choice of strategy than to the choice of business structure. Marketing concepts and techniques such as market segmentation, positioning, and perceptual mapping help define the environment and frame strategic choices in customer terms. Essentially, marketing sees strategic management as being market-driven, and provides the techniques for hypothesizing customer's needs and competitor's behaviour (Biggadike, 1981). In other words, the marketing concept defines, "a distinct organisational culture that put[s] the customer in the centre of the firm's thinking about strategy and operations" (Deshpande and Webster, 1989, p.3). It has been argued that the success of the firm is due to the extent to which it has embraced the marketing concept, and hence become customer focused (Houston, 1986; Wong and Saunders, 1993; Baker, Black and Hart, 1994; Hunt and Morgan, 1995). Measuring the extent to which the marketing concept has been applied within the firm has therefore attracted much attention from researchers over the last decade (Kohli and Jaworski, 1990; Narver and Slater, 1990; Kohli, Jaworski and Kumar, 1993; Slater and Narver, 1994a; 1994b).

However, there has been little research conducted in the important area of the fit between marketing strategy and the business environment. Numerous strategic management theorists (Mintzberg, 1978; Miles and Snow, 1974; Ansoff, 1980; Hambrick, 1983; Dess and Miller, 1993) have studied and empirically demonstrated that both the 'business environment' and 'strategy' have a significant effect on performance.
Previous research has considered strategy to be basically under the control of managers while environments have been viewed as constraints that in certain situations managers can proactively change (Hofer and Schendel, 1978; Pfeffer and Salanick, 1978). Thus, much of the emphasis has been placed on the relationship between strategy and performance and considered environment as a moderator of the relationship (Gale, 1972; Bass, 1974; Bass, Cattin and Wittink, 1977; Hatten and Schendel, 1978; Porter, 1979; Sharma et al, 1981; Phillips, Chang and Buzzell, 1983; Prescott, 1983; 1986; Hambrick, 1986). The studies of industrial organisational economics had concentrated on the linkage between environment and performance thus viewing environments as primary determinants of performance (Porter, 1981). Recently there have been attempts to examine the relationships among environments, strategy and performance variables (Hambrick, 1986; Hitt, Ireland and Stadter, 1982; Jauch, Osborn and Glueck, 1980).

That may well suggest that particular types of marketing strategies are suited to certain business conditions. There are numerous types of marketing strategies used widely by firms and previous literature on marketing strategies has been dominated by two approaches:

1) The product portfolio models such as the General Electric Multi-Factor Portfolio Matrix (GE), and, the Boston Consulting Group Growth Share Matrix (BCG) (Kerin et al., 1990; Kotler, 2000), and,

2) The empirical studies with PIMS (Profit Impact on Marketing Strategies) (Buzzell and Gale, 1987).

The product portfolio models have assisted managers to:

- think more futuristically and strategically,
- understand the economics of their business better,
- improve the quality of their plans,
- improve communication between business and corporate management,
identify information gaps and issues, and

eliminate weaker businesses and strengthen their investment in more promising businesses (Kotler, 1994).

The PIMS project has been instrumental in empirically identifying a large number of business principles relevant to the relationships between performance and the use of various marketing strategies. Both product portfolio models (GE and BCG) and PIMS research studies have provided an important foundation to marketing strategy and provide an assumption that the environment is uncontrollable, and marketing strategy was taken as a passive approach to the changing environment (McCarthy and Perreault, 1994).

Past marketing literature has emphasised the importance of marketing strategies as a means of achieving organisational objectives. Implementation of marketing activities such as identification and satisfaction of customer needs, marketing research for segmentation and positioning, product development and differentiation and market orientation should lead to the achievement of organisational objectives like competitive advantage and improved performance (see Narver and Slater, 1990; Kohli and Jaworski, 1990; Kimery and Rinehart, 1998; Slater and Narver, 1994a; Webb, Webster and Krepapa, 2000).

It is thus the purpose of this research study to examine the effectiveness of marketing strategies in particular business environments. There are a number of important issues, as discussed below, which this research seeks to address.
Research Problems

In the light of the previous discussion, the following research problem has been identified:

"Does the environment moderate marketing strategy effectiveness?"

Focus of the Study

Given the overall importance of the environment, the main focus of this study is:

1) To determine the significance of marketing strategies (customer orientated, competitor orientated and societal marketing orientation) on business performance.

2) To evaluate the importance of the business environment as a moderating variable on outcomes of various business strategies.

3) To determine the effectiveness of a particular marketing strategy in a specific environment.

Theoretical Justification of the Study

This research study is timely and significant for theoretical, methodological and practical reasons and has been undertaken for several reasons. With regards to theoretical significance, this study will contribute to the literature in the following ways.

First, the purpose of this research study is to present the integration of marketing strategy research with business environment and performance. According to Seth and Zinkhan (1991), marketing strategy research should attempt to be interdisciplinary and integrative. Interdisciplinary work involves comparing and contrasting different world views and interpretations. If the findings from marketing strategy research can be integrated into other areas, they may enrich, expand, and increase the relevance of the marketing field (Wind and Robertson, 1983) and make it possible for marketing to reassert its role in the strategic dialogue within the firm" (Day and Wensley, 1983, p.88). This study will therefore focus on the significance of marketing strategies - market orientation (customer orientation and competitor orientation) and societal marketing orientation
on business performance in various environments. The issue of the environment being linked to strategy has been researched by numerous scholars, sparking endless arguments and providing mixed results on the exact impact of this cue on choice of strategy, which will as a result, have an effect on the companies final performance.

There have been attempts to examine the relationship between environments, strategy, and performance variables (Jauch, Osborn and Glueck, 1980; Hitt, Ireland and Stadter, 1982; Hambrick, 1986). However, research in marketing, examining this threefold relationship, has not adequately addressed the issue of whether environments are:

1) Independently related to performance,

2) Moderators of the relationship between strategy and performance, or

3) Some combination of the two.

As a result, the role of the environment in influencing the effectiveness of marketing strategy has been rarely and not completely studied; therefore, this study will examine and attempt to provide answers to these issues.

Secondly, this study aims at providing a critical analysis of the market orientation concept and its measurement of market orientation defined by Narver and Slater (1990). Their definition of market orientation is based on three behavioural components: customer orientation, competitor orientation and interfunctional orientation, and have been used to develop measures of the degree to which a firm is market orientated. The score of market orientation is based on the sum of average across each of those dimensions, and assumes a one dimensional measurement of market orientation. It also recognises the possibility that the measurement of market orientation consists of those three dimensions, which the authors call “subscales” (Narver and Slater, 1990; Slater and Narver, 1994a). While Narver and Slater (1990) suggest that further examination of the properties of each of those subscales is warranted, what is yet to be determined is the dimensionality of the market orientation scale. Hence,
this research study will determine the number of dimensions of the market orientation scale – is it a one-dimensional scale, as implied by Narver and Slater (1990), or is it a multi-dimension scale? The possibility of Narver and Slater’s (1990) scale being multi-dimensional may suggest that the scale is a series of measurements, each representing different strategic directions that may be pursued by the firm.

The third purpose of this study is to provide a clearer understanding of the association of market orientation, contained in the measure of market orientation of Narver and Slater (1990), with business performance. Empirical evidence focusing on this association present conflicting results where some studies have shown that there is a positive association (Narver and Slater, 1990 & 1994a; Jaworski and Kohli, 1990 & 1996; Ruekert, 1992; Pulendran, Speed and Widing, 2000), while others suggest that there is a weak, or no association, (Diamantopoulos and Hart, 1993; Au and Tse, 1995; Dawes, 2000), or the association is limited to one dimension of the market orientation, for example competitor orientation (Noble, Sinha and Kumar, 2002), or that there is a moderated relationship (Hart and Diamantopoulos, 1993; Slater and Narver, 1994a; Greenly, 1995a; 1995b; Matsuno and Mentzer, 2000; Pulendran, Speed and Widing, 2000). Without a more detailed investigation of the properties of the Narver and Slater (1990) measure of market orientation it is hard to reconcile some of the differences in these studies. Thus, research in this area is necessary, as it might provide answers to questions on whether there is any association between market orientation and performance, and which dimensions of the market orientation measure of Narver and Slater (1990) are significant on firm’s performance.

Finally, this research study aims to outline the nature and effect of the societal marketing concept as an alternative marketing strategy that can be used by marketing practitioners. The literature on societal marketing remains sketchy and very much under-developed in theoretical, methodological and practical aspects. It appears that the societal marketing literature has to date made very limited contribution to
marketing theory and practice. Despite the initial emphasis in the societal marketing literature of the early 1970’s presenting a more moral and humanistic approach to marketing the underlying theoretical and practical mechanics of the concept have been ignored in academic marketing agenda. As noted by Crane and Desmond (2002), societal marketing theory, and to some extent practice, has adopted limited views of how the public interest can be assessed by marketers, and how marketing action can be regulated in order to achieve social outcomes.

This study thus aims to provide a thorough examination of the importance to and use of the societal marketing concept by marketing practitioners. This is achieved by an understanding of what the societal marketing concept is, how it can be adopted and its relevance to daily use by profit-based organisations.

**Practical Justification of the Study**

It may be argued that in the era of open markets, globalisation and turbulent socio-political and economical environments the adoption of appropriate marketing strategies by companies to improve their performance in various business environments may be uncertain. Predicting the environment is crucial in business operations and in the field of strategic management. Marketing practitioners managing a firm are at a disadvantage due to lack of concise research and theory to support their contribution to the firm. This research study provides empirical understanding of some of the types of marketing strategies firms can adopt in order to effectively manage the company in external environments and achieve distinctive advantage and significant improvement of company performance.

For firms striving to improve their performance and gain a competitive edge in turbulent environments, this research study provides them with much needed evidence as to which type of marketing strategy (marketing orientation, competitive orientation or societal marketing orientation) is best for a specific business environment in which a company is operating. Results of this study will provide a guideline for company and marketing
managers operating in a global economy characterised by a turbulent environment.

Secondly, this research study will also provide a practical approach to determining how market orientation and its dimensions, as defined by Narver and Slater (1990) should be considered as an effective measure of how firms embrace the marketing concept and become market orientated. Marketing practitioners do not have a clear understanding, due to conflicting empirical evidence, of how the market orientation concept works and its effect on performance. Are all firms practicing market orientation consciously or do they claim to exercise market orientation strategy in day-to-day operation by default? Does being market orientated really mean that it is an appropriate marketing strategy for a firm to improve its performance, and if yes, should a firm then adopt all three dimensions of the Narver and Slater (1990) behaviour components or would one, for example, competitor orientation suffice? These issues will be dealt in this study and may assist marketing and corporate managers in their strategic decision making process when devising future strategies in various business environments.

Thirdly, this study will benefit the emerging practitioners of societal marketing orientation strategy. Reactions to increases in globalisation have included the emergence of protest movements in the area of environmental protection and fair trade. Opposition to genetically modified foods by consumers in Europe, and a reluctance to stock those products by retailers shows that marketers need also consider the effect of their actions on the wider community, and the political and social environment. This has led to the development of sustainable business practices, or in marketing, the application of the societal marketing concept in marketing. There is however, a significant lack of empirical research in the area of societal marketing, and there is no measurement of the degree of acceptance of this concept, as there is with other marketing concepts. Thus, this study will provide a practical understanding of what the societal
marketing concept is, and whether it is an alternative marketing strategy for a company seeking improvement in business performance.

**Outline of the Research Study**

Recognising the significant theoretical and practical importance of the effect of environment on the choice of strategy (customer orientated, competitor orientated or societal marketing orientated) and business performance the remainder of this thesis will attempt to demonstrate the steps taken in this direction.

Chapter 2 presents an analysis of previous studies and deals with the issues of this thesis (customer orientated strategy, competitor orientated strategy, societal marketing orientated strategy, environment and performance) identifying the strengths and weaknesses of past studies. On that basis, hypotheses will be developed for this research study. Preliminary research encompassing the research instrument, sample, and data collection method will discussed in Chapter 3 and contain insights into the operationalisation of variables and data analysis methods employed in this study. The results of this study were divided into two chapters where the first part, Chapter 4 – Results Part 1, deals with the validation of measurements using confirmatory factor analysis (CFA). The second part, Chapter 5 – Results Part 2, provides an overview of the testing of the hypothesis of this study. A detailed discussion of results of the study is the basis of Chapter 6 underlining the general implications of the results, the theoretical and practical implications of this study, together with assumptions, and limitations and suggestions for further research.
CHAPTER SUMMARY

This chapter lays the foundations for the research study. It provides an introduction to the research problem and focus of the study presenting the overall importance and significance of:

1) Marketing strategies (marketing orientation, competitive orientation and societal orientation) on performance,

2) Effect of business environment as a moderating variable on outcomes of various business strategies, and

3) The effectiveness of a particular strategy in a specific business environment.
CHAPTER 2: LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESES

Introduction

Since the adoption of the marketing concept, with its primary emphasis placed on the physical movement and distribution of products, a significant amount of research has been devoted to the study of the philosophical base of marketing, and the operationalisation of the marketing concept into business practices. The strategic orientations of a firm are the principle factor that influences a firm’s marketing and strategy-making activities. They represent the elements of the organisation’s culture that defines the company’s interaction with both its customers and competitors. Previous research has focused primarily on maintaining a market orientation; the adoption and implementation of the marketing concept. However, a market orientation is not the only viable strategic orientation. The central tenet of the marketing concept and the market orientation concept – that is a strong focus on market needs is related to business performance – has sometimes misguided marketing practitioners to conclude that adopting and implementing a market orientation strategy in the day-to-day operations of their firm is the only possible strategy to improve performance. However, market orientation should be considered as one business orientation among many.

Alternative orientations such as production orientation, product orientation and sales (or selling) orientation have been extensively described in past marketing literature (Keith, 1960; Kotler, 2000; Lamb, Hair and McDaniel, 2000) and successfully adopted by firms. Many successful firms have followed the production orientation, based on the belief that production efficiencies, cost minimisation and mass distribution can be used effectively to deliver quality goods and services to the consumer at attractive prices. For example, Henry Ford, the pioneer of the production orientation philosophy in the automobile market, offered customers cars
that were widely available and low in cost. The *production orientation* approach, however, focuses on developing and manufacturing high quality, innovative and superior performance products. Electronics manufacturer *Philips* is considered to be an example of a company that has adopted successfully the product orientation.

Another alternative orientation, a *selling orientation*, is based on the view that consumers will purchase more goods and services if aggressive sales and advertising methods are employed. Examples of firms adopting such an orientation can be found in the financial advisory, for example Merrill Lynch, and insurance broker sector. That approach emphasises short-term sales maximisation over long-term relationship building.

However, over the last decade an increase of academic and practitioner interest in market orientation as a business philosophy had developed. Two closely related frameworks have been the foundation for much of the market orientation research. Narver and Slater (1990) define market orientation in terms of three behavioural components (customer orientation, competitor orientation, and interfunctional orientation) and two decision-making criteria a long-term strategic approach and a profit focus. Kohli and Jaworski (1990) have suggested a more process-driven model that considers the stages of generating, disseminating, and responding to market intelligence as the essence of market orientation.

Research into the market orientation concept has grown in maturity with the conceptual underpinnings of market orientation now well established. The two frameworks share many underlying concepts and activities such as, the understanding of customer wants, cross-functional integration within the firm, and the importance of decisive action in response to market opportunities. (e.g. Narver and Slater, 1990; Kohli and Jaworski, 1990).

Furthermore, with a clearer understanding of what it means to be market orientated, several scholars have created measuring instruments to capture the form of market orientation within organisations (e.g. Narver and Slater, 1990; Ruekert, 1992; Jaworski and Kohli, 1993; Deng and
Dart, 1994; Gray et al., 1998; Cadogan, Diamantopoulos and de Mortanges, 1999). Within market orientation research, certain empirical studies have indicated that a business which increases its market orientation will improve its market performance (Levitt, 1960; Kotler, 1987; Webster 1988; Narver and Slater, 1990). The fundamental assumption that firms exhibiting greater market orientation will have better financial and market performance has had mixed support in research. Nevertheless, numerous studies (Narver and Slater, 1990; Jaworski and Kohli, 1990 and 1993; Ruekert, 1992; Deshpande et al., 1993; Diamantopoulos and Hart, 1993; Slater and Narver, 1994a; Greenley, 1995b; Au and Tse, 1995; Pelham and Wilson, 1996; Atuahene-Gima, 1996; Pitt et al., 1996; Balakrishnan, 1996; Aivlonitis and Gounaris, 1997; Deshpande and Farley, 1998a, 1998b; Appiah-Adu, 1998; Mavondo and Farrell, 2000; Akimova, 2000; Chelariu, Ouattarra and Dadzie, 2002; Noble, Sinha and Kumar, 2002; Hooley et al., 2003) have shown evidence of a positive relationship between market orientation and performance. Consequently, for the purpose of this study the Narver and Slater’s (1990) framework has been chosen to operationalize, as that approach is better suited to the data source and has been widely used among researchers.

Although the merits of maintaining a market orientation have been extensively researched and discussed in past literature, it is important to note the absence of alternative orientations mentioned in the marketing literature, as the societal marketing orientation concept. Societal marketing emerged in the early 1970’s promising a more socially responsible and ethical model for marketing. Societal marketing can be defined as “marketing with a social dimension, or marketing that includes non-economic criteria” (Handleman and Arnold, 1999, p.33), or as, ‘concerns for society’s long term interests’ (Elliot, 1990).

While the literature on the societal marketing concept has remained underdeveloped, societal marketing is clearly an extension of the marketing concept, rather than a fundamental reconstruction of marketing
theory (Crane and Desmond, 2002). However, with the increasing adverse reactions towards globalisation, opposition towards genetically modified foods, mounting criticism of consumers and health authorities towards fast food and its increasing effect on the rise of obesity among consumers has lead to the development of sustainable business practices among firms. This has led to companies successfully applying the societal marketing concept and orientation in their operations. Despite the fact that many businesses still resist the societal marketing concept because it does not yield immediate profit, while consequently demanding some change in the conduct of a firm’s marketing operations, more and more organisations are starting to consider their long-run interests in satisfying consumer’s interests while meeting organisational objectives. Since the societal marketing concept is relatively new and somewhat in its infancy, there are signs in the industry that the concept, and subsequently the orientation, is being adopted by firms. Some studies have reported a positive relationship between corporate social responsibility (a related area) and business performance (Abott and Monsen, 1979; Bragdon and Marlin, 1979; Spencer and Taylor, 1987; Wokutch and Spencer, 1987; Prothero; 1990; Collins, 1993; Graves and Waddock, 1994), while others do not report any significant relationship (Aupperle, Carroll and Hatfield, 1985; McGuire, Sundgren and Schneeweis, 1988; and Davidson and Worrell, 1990). Possible reasons for conflicting results, as suggested by Maignan and Ferrell (2001) include questionable measures of social performance, and the presence of other factors, such as the nature of the business environment, which may moderate the relationship.

On the basis of the above discussion, Figure 1 represents a conceptual schema that forms the framework of this study. The use of a market orientation strategy, customer orientated and competitor orientated, together with societal marketing orientation strategy, make up the independent variables. The effectiveness of the marketing orientation strategy on the firm’s performance will be moderated by the perceived characteristics of the environment. Although not all strategies are
effective in all environments or particular business climates, the research will also examine the role of the environment in moderating the effectiveness of marketing strategies and will also seek to determine what type of business strategy is most effective in a particular environmental situation (e.g. in a turbulent business environment) and has an effect on performance. This will be discussed in the chapter where the conceptual schema model is consistent with the extant literature, and will be used to guide the discussion and the development of hypotheses for this study.

Figure 1:
The Conceptual Research Model

Independent Variables

Moderating Variable

Dependent Variable

Environment
Emery & Trist
(1965)

Market Orientation
(customer focus)
Narver & Slater
(1990)

Market Orientation
(competitor focus)
Narver & Slater
(1990)

Market Orientation
(interfunctional
coordinational focus)
Narver & Slater (1990)

Societal Marketing Orientation

Performance ($)

18
INDEPENDENT VARIABLES OF THIS STUDY

1. Market Orientation

The marketing concept, and the related construct of market orientation, have been important components of marketing theory and practice for several decades. Due to the fundamental importance attributed to these concepts, numerous research studies have attempted to define the constructs and explore their application and implementation in business. Since the marketing concept is regarded as the philosophical foundation of market orientation, being the implementation of the marketing concept, it is impossible to discuss the two notions without first examining the nature of both. This section of the Literature Review provides an overview of the scholarly work on the marketing concept and market orientation in order to provide a framework in which to establish the exact nature of what the concept of market orientation encompasses.

The Marketing Concept

The earliest proponent of the marketing concept was Peter Drucker (1954), who argued that creating a satisfied customer was the only valued definition of business purpose, where marketing is the whole business seen from the customer’s point of view. Earlier authors, Converse (1930) and Alderson (1957), stressed the need for marketers to become customer centred, while subsequent authors McKitterick (1958), Felton (1959), and Keith (1960) described what the marketing concept is and its benefits. There is evidence that in the 1930’s and 1940’s the elements of the marketing concept were being discussed (McKitterick, 1958).

A review of the literature reveals diverse definitions of the marketing concept. Felton (1959, p.55) defines the marketing concept as, “a corporate state of mind that insists on the integration and coordination of all the marketing functions which, in turn, are melded with all other corporate functions, for the basic purpose of producing maximum long-range corporate profits”. In contrast, McNamara (1972, p.51) takes a broader view and defines the notion as, “a philosophy of business
management, based upon a companywide acceptance of the need for customer orientation, profit orientation, and recognition of the important role of marketing in communicating the needs of the market to all major corporate departments". Authors such as Levitt (1960), Lavidge (1970), Konopa and Calabro (1971), Barksdale and Darden (1971), Bell and Emory (1971), Kotler (1977), Peters and Waterman (1982), Houston (1986), Olson (1987), Shapiro (1988), Webster (1988) Deshpande and Webster (1989), Narver and Slater (1990), Kohli and Jaworski (1990) and Webster (1992) provided their variant definitions of the marketing concept and articulated their views on the implementation of the marketing concept.

It is now generally accepted that the marketing concept consists of three elements (Houston, 1986; Cravens, 1987; Cravens, Hills and Woodruff, 1987; Lusch and Laczniak, 1987; Dalrymple and Parsons, 1990; McCarthy and Perrault, 1994):

1. Customer philosophy – the attention to identifying and satisfying exchange partners' wants and needs.

2. Goal attainment – the focus on the means by which an organisation can achieve its goals most efficiently while satisfying customer needs.

3. Integrated marketing organisation – the integration of effort by all areas of the organisation to satisfy corporate goals by satisfying customer needs and wants (Wrenn 1997).

According to Wrenn (1997) the marketing concept should be thought of as a philosophy of doing business that is the central ingredient of successful organisational culture (Houston 1986; Lusch and Laczniak, 1987; Peterson, 1989; Wong and Saunders 1993; Baker et al., 1994; Hunt and Morgan, 1995; Narver and Slater, 1994). "In other words, the marketing concept defines a distinct organisational culture that put[s] the customer in the centre of the firm's thinking about strategy and operations" (Deshpande and Webster, 1989, p.3).
Over time, the marketing concept has been referred to as arguably the most accepted general "paradigm" in the field of marketing (Arndt, 1985), and as "the most enduring tenet in the teaching of marketing" (Dickinson, Herbst, and O'Shaughnessy, 1986). For some, the emergence and acceptance of the marketing concept had the single greatest impact on marketing management during the twenty-five year period from 1952-1977 (Myers, Massy, and Greyser, 1980). The importance of the concept to marketing may be best illustrated in its dominance, to marketing theorists, proposing the use of marketing principles for companies in industries where the application of marketing is relatively new. That is, health care organisations, education institutions, government departments, where marketing as a functional unit did not exist 20 years ago.

The marketing concept and the related construct of market orientation have become important components of marketing theory and practice. Due to the fundamental importance of these concepts, research projects have attempted to define the construct and explore its application and implementation in business (Hise, 1965; Lavidge, 1970; Levitt, 1969; Konopa and Calabro, 1971; Barksdale and Darden, 1971; McNamara, 1972; Kotler, 1977; Lawton and Parasuraman, 1980; Arndt, 1985; Houston, 1986; Olson, 1987; Shapiro, 1988; Webster, 1988; Deshpande and Webster, 1989; Narver and Slater, 1990; Kohli and Jaworski, 1990; Day, 1992; Webster, 1992; Jaworski and Kohli, 1993; Siguaw et al., 1994; Slater and Narver, 1994a; 1994b). However, during the 1990's two operational definitions of market orientation came to dominate the marketing and management literature. The concept of market orientation was developed by Narver and Slater (1990) and Kohli and Jaworski (1990) which built on the earlier theoretical and empirical works of Houston (1986), Shapiro (1988), Day and Wensley (1988), and Deshpande and Webster (1989). Two significant approaches of defining and measuring the market orientation concept emerged, and a substantial body of marketing and management literature and research has been developed since.
Marketing Orientation vs. Market Orientation

Examining past literature which focused on the implementation of the marketing concept indicates that both the terms “marketing” orientation and “market orientation” have been used interchangeably by researchers in their writings prior to the publications of Shapiro (1988), Narver and Slater (1990) and Kohli and Jaworski (1990). However, various authors have taken the view that there is a difference between “marketing orientation and “market” orientation (see Shapiro, 1988; Narver and Slater, 1990; Kohli and Jaworski, 1990; Chan and Ellis, 1998). While there has been some differentiation in the literature on the use of marketing orientation versus market orientation, the term marketing orientation was initially adopted to refer to the implementation of the marketing concept as defined by McCarthy and Perreault (1994). The traditional emphasis of marketing orientation was customer orientated, focusing on consumer needs and making profits by creating customer satisfaction (Kotler and Armstrong, 1994). Hence, to be orientated towards the function or practice of marketing was to be marketing orientated.

Market orientation is the more recent used term for instituting the marketing concept (Lafferty and Hult, 2001). Kohli and Jaworski (1990) emphasise their preference for that label by suggesting that it removes the construct from the province of the marketing department and makes it the responsibility of all functional departments in the organisation. Hence, to have a corporate culture focused towards customers, competitors and the organisational links that disseminate information is to be market orientated. In general, the term market orientation implies an expanded focus and attention to both customers and competitors by some researchers (Narver and Slater, 1990; Kohli and Jaworski, 1990; Kotler and Armstrong, 1994), while still remaining predominantly customer orientated (Shapiro, 1988; Ruekert, 1992; Deshpande et al., 1993) believe that firms should be predominantly customer orientated. However, there is a general consensus that market orientation reflects the needs for an organisation to be market orientated or market driven (Deng and Dart,

Currently, most academics (Kohli and Jaworski, 1990; Ruekert, 1992; Lafferty and Hult, 2001) advance their theoretical studies on the conceptualisation of market orientation while past literature clearly indicates that there is a consensus among researchers that the nature of the concept lies in the marketing concept. With the marketing concept being the cornerstone of marketing discipline, and market orientation deemed to be the implementation of the marketing concept, it is important to provide a general overview of the contemporary conceptualisation of the market orientation concept.

**Contemporary Conceptualisation of Market Orientation**

The concept of market orientation is one of the most discussed concepts in contemporary marketing literature (Shapiro, 1988; Henderson, 1998). Scholars have debated the nature of the underlying theoretical domain of the concept as a philosophy (Cadogan and Diamantopoulos, 1995), a business culture (Narver and Slater, 1998), or a set of behaviours/activities (Deshpande and Farley, 1998a; 1998b). Research suggests that the most influential definitions are those of Narver and Slater (1990) and that of Kohli and Jaworski (1990). Five perspectives have been advanced in the marketing and management literature, each taking a different approach to the concept of market orientation:

1) The decision-making perspective

2) The market intelligence perspective

3) The culturally based behavioural perspective

4) The strategic perspective; and

5) The customer orientation perspective.

The first market orientation perspective, identified in the literature is the *decision-making perspective*, was proposed by Shapiro (1988). This author conceptualises market orientation as an organisational decision-making process where at the heart of the process there is a strong
commitment by management to share information interdepartmentally, and to practice open decision making between functional and divisional personnel.

Shapiro (1988) believed that there are three characteristics that make a company market orientated. They are:

1) Information on all important buying influences permeates every corporate function (p. 120)

2) Strategic and tactical decisions are made interfunctionally and interdivisionally (p. 121)

3) Divisions and functions make well-coordinated decisions and execute them with a sense of commitment (p. 122).

In regards to the first characteristic reflecting market orientation, Shapiro (1988) argues that the company needs to understand its markets and customers and to allow this customer information to “permeate every corporate function” (p. 120). This information would be generated through extensive market research reports, taped customer responses, industry sales and analyses, and trade shows.

The second characteristic proposed by Shapiro (1988) suggests that a market orientated company must possess the ability to make strategic and tactical decisions interfunctionally regardless of potentially conflicting objectives that mirror the differences in modes of operation. Here functions and divisions must listen and express their ideas honestly and openly.

Lastly, the third characteristic proposed by Shapiro (1988) stresses that a company should make well-coordinated decisions among the divisions and functions, and execute them with a sense of commitment. The sharing of ideas, and discussing alternative solutions, allows the market orientated company leverage its strengths.

The second market orientation perspective, market intelligence perspective, was proposed by Kohli and Jaworski (1990) who suggest that:
“market orientation is the organisation wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organisation wide responsiveness to it” (p. 6).

Kohli and Jaworski’s (1990) formal definition for market orientation is based on three elements:

1) Intelligence generation,

2) Intelligence dissemination; and

3) Responsiveness, where all three elements are crucial in facilitating the ease of operationalizing the marketing concept (e.g. Jaworski and Kohli, 1993; 1996; Kohli et al., 1993; Maltz and Kohli, 1996; Selnes et al, 1996).

A more detailed analysis of Kohli and Jaworski’s (1990) approach to the market orientation concept will be discussed later in the chapter.

The *culturally based behavioural perspective*, proposed by Narver and Slater (1990), presents a very different approach to the market orientation construct. Narver and Slater (1990) believe that the market orientation is defined as:

“the organisational culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers, and, thus, continues superior performance for the business” (p. 21).

Narver and Slater (1990) state that market orientation consists of three behavioural components:

1) Customer orientation,

2) Competitor orientation, and

3) Inter-functional coordination – based on long-term focus and profitability.

Narver and Slater’s (1990) conceptualisation of market orientation has a clear behavioural emphasis (e.g. Narver and Slater, 1998; Narver et al., 1998; Slater, 1997; Slater and Narver, 1992; 1994a; 1994b; 1995; 1999;
An in-depth overview of the Narver and Slater (1990) behavioural perspective of the market orientation will be presented later in the chapter.

The fourth perspective, the *strategic perspective*, has been proposed by Ruekert (1992) where the author defines the market orientation construct as:

“the level of market orientation in a business unit is the degree to which the business unit obtains and uses information from customers, develops a strategy which will meet customer needs; and implements that strategy by being responsive to customer needs and wants” (p. 228).

The Ruekert (1992) approach borrowed aspects from the definition of market orientation proposed by Kohli and Jaworski (1990), and Narver and Slater (1990), and focussed on the business unit rather than the corporate or individual market as the unit of analysis. The strategic perspective of market orientation allows managers to collect and interpret information from the external environment in order to set goals and objectives and to allocate resources to programs in the business unit. According to Ruekert (1992), the most critical environmental factor in developing a market orientation is the customer.

The second dimension of this measure of market orientation is the development of a plan of action or a customer focused strategy. This dimension considers the degree to which the strategic planning process considers customer needs and wants and develops specific strategies to satisfy them (Ruekert, 1992).

The third dimension covers how or to what extent the customer orientated strategy is implemented and executed by organisational responsiveness to the needs and wants of the marketplace. This follows some of Walker and Ruekert's (1987) earlier works in this area.
The final perspective used to conceptualise the market orientation construct is that adopted by Deshpandé *et al.* (1993), which states that:

> "customer orientation is the set of beliefs that puts the customer’s interest first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise" (p. 27).

In this instance, Deshpandé *et al.* (1993) proposed a more divergent view of market orientation suggesting that it is synonymous with customer orientation. It is interesting to note that Deshpandé *et al.* (1993) have excluded the competitor focus from the market orientation concept since the authors argue that a competitor orientation can be almost in opposition to a customer orientation (Deshpandé and Farley, 1998a; 1998b; Deshpandé and Webster, 1989; Webster, 1981; 1992).

The above definitions have one underlining element that is relevant to all. That is, all definitions entail an external focus with the customer as a focal point. All, with exception of the definition by Deshpande *et al.* (1993), have a clear action component, that is, being responsive to customers. Additionally all definitions, except for Ruekert (1992) suggest that market orientation involves more than just a focus on customers. As noted by van Raaij (2001), the major differences lie in the organisational element that is emphasised in each definition: Shapiro (1988) emphasised the decision making process, Kohli and Jaworski (1990) the information processing activities, Narver and Slater (1990) the organisation members’ orientations, Ruekert (1992) the organisational strategy process, Deshpande *et al.* (1993) the business culture as set of beliefs, and Day emphasised skills and organisational capabilities.

While market orientation still remains the most discussed concept in contemporary marketing and management literature, the last decade has seen research into the market orientation concept grow to maturity. The conceptual underpinnings of market orientation are now established, with most researchers agreeing that, fundamental to a market orientation, is the co-ordinated generation, and dissemination of and responsiveness to, market information (Kohli and Jaworski, 1990; Narver and Slater, 1990).
Researchers such as Diamantopoulos and Hart (1993), Cadogan and Diamantopoulos (1995), Greenley (1995a; 1995b), Siguaw and Diamantopoulos (1995), Gray et al. (1998) have tested, developed and refined the early market orientation scales to create useful tools for measuring the degree of market orientation of organisations. This has enabled researchers to examine empirically the linkage between market orientation and business performance. The majority of studies have demonstrated that market orientation has a positive relationship with various indicators of business success (Narver and Slater, 1990; Jaworski and Kohli, 1993; Ruekert, 1992; Slater and Narver, 1994a; Pelham and Wilson, 1996), leading some to claim that a high level of market orientation is something that all businesses should strive for (Slater and Narver, 1994a; 1994b).

Empirical research investigating different aspects of the marketing concept using different operationalisations of the market orientation construct has been also conducted over the last 30 years. These aspects are summarised in Table 1 on page 29. The concept continues to receive increased attention from practitioners as it is considered to provide the guideline for implementing the marketing concept.
<table>
<thead>
<tr>
<th>Researcher(s)/Author(s)</th>
<th>Construct</th>
<th>Focus of Measure</th>
<th>Object of Measurement</th>
<th>Measures (Scale)</th>
<th>Empirical Setting</th>
<th>Findings</th>
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</thead>
<tbody>
<tr>
<td>Munsinger (1964)</td>
<td>Marketing Concept</td>
<td>Attitudes &amp; Behaviours</td>
<td>Subjects</td>
<td>Categorical and Open-ended</td>
<td>Industrial Organisations</td>
<td>High adoption and implementation of marketing concepts.</td>
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<td>Behaviours</td>
<td>Subjects</td>
<td>Categorical</td>
<td>Manufacturing Firms</td>
<td>High adoption of marketing concept.</td>
</tr>
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<td>Barksdale &amp; Darden (1972)</td>
<td>Marketing Concept</td>
<td>Attitudes</td>
<td>Subjects</td>
<td>Likert</td>
<td>Business Executives and marketing educators</td>
<td>High belief in concept but low implementation.</td>
</tr>
<tr>
<td>McNamara (1972)</td>
<td>Marketing Concept</td>
<td>Behaviours</td>
<td>Construct &amp; Subject</td>
<td>Categorical for subjects; arbitrary scaling for construct (Thurstone-type)</td>
<td>Consumer &amp; industrial companies</td>
<td>High adoption and implementation by consumer goods firms.</td>
</tr>
<tr>
<td>Lusch, Udell &amp; Lacznia (1976)</td>
<td>Marketing Concept</td>
<td>Attitudes</td>
<td>Subjects</td>
<td>7-pt. Likert type</td>
<td>Business Executives</td>
<td>Marketing concept expected to be important in the future.</td>
</tr>
<tr>
<td>Researcher(s)/Author(s)</td>
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<td>Focus of Measure</td>
<td>Object of Measurement</td>
<td>Measures (Scale)</td>
<td>Empirical Setting</td>
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<td>Lawton &amp; Parasuraman</td>
<td>Marketing Concept</td>
<td>Attitudes &amp;</td>
<td>Subjects</td>
<td>Likert, categorical</td>
<td>Manufacturing firms</td>
<td>Adoption of marketing concept does not influence new product planning.</td>
</tr>
<tr>
<td>(1980)</td>
<td></td>
<td>Behaviours</td>
<td></td>
<td></td>
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<tr>
<td>Lusch &amp; Laczniaik</td>
<td>Marketing Concept</td>
<td>Attitudes</td>
<td>Construct and Subjects</td>
<td>Likert</td>
<td>Manufacturing firms</td>
<td>Marketing and stakeholder concepts are inseparable philosophies</td>
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<tr>
<td>(1987)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Peterson (1989)</td>
<td>Marketing Concept</td>
<td>Attitudes</td>
<td>Subjects</td>
<td>Categorical</td>
<td>Small businesses</td>
<td>The marketing concept is part of operating philosophy of small business managers.</td>
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<tr>
<td>Narver &amp; Slater</td>
<td>Market Orientation</td>
<td>Behaviours</td>
<td>Subjects and</td>
<td>7-pt. Likert-type</td>
<td>140 forest products</td>
<td>For non-commodity businesses, relationship between market orientation and profitability is monotonic.</td>
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<tr>
<td>(1990)</td>
<td></td>
<td></td>
<td>Constructs</td>
<td></td>
<td>SBU's of a US corporation</td>
<td></td>
</tr>
<tr>
<td>Meziou (1991)</td>
<td>Marketing Concept</td>
<td>Behaviours</td>
<td>Subjects</td>
<td>Itemised responses</td>
<td>Manufacturing firms</td>
<td>Marketing concept has been adopted by small firms.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(1=poor, 4= excellent)</td>
<td></td>
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</tr>
</tbody>
</table>

30
<table>
<thead>
<tr>
<th>Researcher(s)/Author(s)</th>
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<th>Object of Measurement</th>
<th>Measures (Scale)</th>
<th>Empirical Setting</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
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<td>Kohli, Jaworski &amp; Kumar (1993)</td>
<td>Market Orientation</td>
<td>Behaviours</td>
<td>Constructs</td>
<td>Likert</td>
<td>MSI member companies and largest 1000 firms in US.</td>
<td>Development and testing of a scale to measure market orientation.</td>
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</table>
Table 1 (cont.):  
Studies Measuring the Marketing Concept and Market Orientation

<table>
<thead>
<tr>
<th>Researcher(s)/Author(s)</th>
<th>Construct</th>
<th>Focus of Measure</th>
<th>Object of Measurement</th>
<th>Measures (Scale)</th>
<th>Empirical Setting</th>
<th>Findings</th>
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</thead>
<tbody>
<tr>
<td>Greenley (1995)</td>
<td>Market Orientation</td>
<td>Attitudes &amp; Behaviours</td>
<td>Subjects</td>
<td>7-pt. Likert-type bipolar (1=not at all, 7=to an extreme degree</td>
<td>1000 companies in the United Kingdom</td>
<td>Five different forms of market orientation were identified.</td>
</tr>
</tbody>
</table>

The Narver and Slater (1990) Construct of Market Orientation

In this research, the Narver and Slater (1990) framework of market orientation is used because it is a widely accepted measure of market orientation and has a behavioural emphasis. Narver and Slater (1990) define market orientation as:

“the necessary behaviour of the creation of superior value for buyers and thus continuous superior performance for the business,” (p. 21).

The desire to achieve market orientation drives an organisation to create and maintain a culture that will produce the necessary market orientated behaviour from employees (Narver and Slater, 1990).

Market orientation has been defined by Slater and Narver (1995) as the culture that:

- Places the highest priority on the profitable creation and maintenance of superior customer value while considering the interests of other key/stakeholders; and,

- Provides norms for behaviour regarding the organisational development of and responsiveness to market information.

In defining the conceptual domain of market orientation, Narver and Slater (1990) operationalised market orientation by incorporating three behavioural components:

1) Customer orientation, which involves the sufficient understanding of target buyers in order to create superior value for them continuously;

2) Competitor orientation, which entails acquiring information on existing and potential competitors, understanding the short-term strengths and weaknesses and long-term capabilities of both current and potential competitors; and
3) Inter-functional coordination, which is the coordinated use of company resources for creating superior value for target customers.

The Narver and Slater (1990) market orientation measure consists of a series of sub-scales where each sub-scale may be used as a different business strategy. These are discussed in more detail next.

**Customer Orientation Strategy**

A customer orientation is defined as actions designed to understand target buyers so as to create superior value for them continuously (Narver and Slater, 1990). A customer orientation requires that a seller understands a buyer’s entire value chain (Day and Wensley, 1988), not as it is now but also as it evolves over time in response to internal and market dynamics. It encompasses customer analysis and customer responsiveness. Customer analysis consists of the analysis of customer needs, and the wider forces that shape those needs (Kohli and Jaworski, 1990). Customer responsiveness includes actions taken in response to information about customer needs or market dynamics (Kohli and Jaworski, 1990). The customer orientation component of a market orientation, specifically customer analysis, would help the firm to construct offerings that appeal to buyers (Narver and Slater, 1990). An emphasis on being responsive to information on customer needs and wants would help to ensure action was actually taken (Kohli and Jaworski, 1990). Hence, if a firm has greater understanding of customer preferences it can then construct products or services that will appeal to customers and which will also be financially attractive for the firm. As a result, it is expected that both customer analysis and customer responsiveness will be positively associated with profitability.

The concept of customer orientation is central to any discussion of market orientation since it involves the engagement of behaviours that focus on increasing long-term customer satisfaction (Panayides, 2004). This aspect has been extensively discussed throughout literature (Hooley, Lynch and Shepherd, 1990; Narver and Slater, 1990) particularly with
respect to its interpretation among particular corporate functions (Saxe and Weitz, 1982; Michaels and Day, 1985). Customer orientation is essentially about managing customer expectations (Berry and Parasuraman, 1991) and hence delivering high quality services by an organisation. Customer orientation can also assist in creating customer value, which the marketing and strategy literature links to competitive advantage (Aaker, 1989).

**Competitor Orientation Strategy**

Narver and Slater’s (1990) definition of competitor orientation as including all the marketing activities where a seller understands the short-term strengths and weaknesses, and long-term capabilities and strategies of both the key current and the key potential competitors (Porter, 1980; 1985; Day and Wensley, 1988; Aaker, 1992), as well as being responsive to the activities of competitors (Balakrishnan, 1996). The analysis of principal current and potential competitors must include the entire set of technologies capable of satisfying the current and expected needs of the seller’s target buyers (Levitt, 1960). Understanding the capability of competitors operating and serving in the same market, and being market driven, entails both market and competitive orientations (Day, 1990; 1994). Competitive effects can play an important role in the strategy of firms (Porter, 1980; 1985) and in their performance, and influence a company’s profitability (Gatignon and Robertson, 1993).

There are several reasons why a competitor orientation might assist company performance. First, the organisation must not only consider how well its products suit customer needs, but how well they perform relative to competitors’ products (e.g. Ohmae, 1982, p. 91–98). Second, competitors may sometimes be a source of ideas for new products. Third, understanding competitor strengths or strategies might help the organisation to know which product markets, or parts of those markets, to enter or avoid (Porter, 1979). Finally, the actions of competitors may adversely affect the organisation, and a focus on trying to understand their strengths, weaknesses and strategies may allow the organisation to
prepare for competitor activity and as a result minimise its adverse effects (e.g. Dickson, 1996, p. 209). All these rationales might be expected to help company profitability. In summary, the research proposition is that a competitor orientation will have a positive association with profitability.

**Interfunctional Coordination Strategy**

The third behavioural component of market orientation is inter-functional co-ordination which is defined as the coordinated utilisation of company resources in creating superior value for target customers (Narver and Slater, 1990). Any point in the buyer’s value chain provides an opportunity for the seller to create value for the buyer firm. Therefore, an individual in any function in a seller’s firm can potentially contribute to the creation of value for buyers (Porter, 1980). A seller must draw upon all of the firm’s resources and integrate them effectively, as well as adapt where necessary, the firm’s entire human and other capital resources in a continuous effort to create superior value for buyers. Hence, the effort is the proper focus of the entire business and not merely of a single department within it (e.g. Webster, 1988).

Narver and Slater (1990) further argue that the coordinated integration of the business’s resources in creating superior value for buyers is closely tied to both customer and competitor orientation. Given the multidimensional nature of creating superior value for customers, marketing’s interdependencies with other business functions must be systematically incorporated in a business’s marketing strategy (Wind and Robertson, 1983). Achieving effective interfunctional coordination requires an alignment of the functional areas’ incentives and the creation of interfunctional dependency so that each area perceives an advantage in cooperating closely with the others. If a business rewards every functional area in creating superior value for customers, self-interest will lead each area to participate fully (Ruekert and Walker, 1987a; 1987b; Wind and Robertson, 1983). In developing effective interfunctional coordination, marketing or any other advocate department, must be extremely sensitive and responsive to the perceptions and needs of all
other departments in the business (Anderson, 1982). The practice of intelligence gathering, sharing and using, is the key to market orientation. As Panayides (2004) argues, “a market oriented company has to collect and disseminate market intelligence to relevant organisations and individuals across the organisation” (p. 47)

**Methodological Issues of Market Orientation**

Narver and Slater’s (1990) proposition on market orientation are reflected in the MKTOR scale. The MKTOR scale was developed by Narver and Slater (1990) as a 15-item, 7-point Likert-type scale, with all points specified. Market orientation is a one-dimensional construct, but underlying those fifteen items are the three major components of market orientation; customer orientation, competitor orientation, and inter-functional coordination. A business’s market orientation score is the simple average of the scores of the three components (Narver and Slater 1990, p. 24). Thus, Narver and Slater’s (1990) model of market orientation consists of three conceptually related, and equally important, behavioural constituents. Narver and Slater (1990) also suggested that further research into the three behavioural components is of equal importance as is the role that each dimension plays in achieving business performance. However, little research has followed that lead (Noble, Sinha and Kumar, 2002).

The dimensionality of the Narver and Slater (1990) market orientation model and veracity of the scale itself, has been questioned by Siguaw and Dimantopoulos (1995), who did not find an adequate data fit for either a one factor model (representing a uni-dimensional formulation) or a three-factor model (representing a multidimensional specification), while Kohli, Jaworski and Kumar (1993) contend that the Narver and Slater (1990) scale places greater emphasis on the role of customers and competition. Despite this, the Narver and Slater (1990) model is a robust measure of market orientation in terms of its application by other researchers (Mavondo and Farrell, 2000; Pulendran, Speed and Widing, 2000; Uncles, 2000). Additionally, MKTOR has been regarded as
conceptually and operationally appealing as it encapsulates the main aspects of the Kohli and Jaworski (1993) intelligence gathering, dissemination and responsiveness constructs while at the same time assessing cultural factors (Desphande et al., 1993; Hunt and Morgan, 1995; Hooley et al., 2003).

Analysing closely both the Narver and Slater (1990) and Kohli and Jaworski (1990), definitions of market orientation, one notices that there are obvious similarities and differences between these two definitions. With regards to similarities, both definitions focus on the central role of the customer. Secondly, both entail an external orientation. Thirdly, both schools of thought recognise the importance of being responsive to customers at an organisational level, and finally, both statements recognise the interests of stakeholders, and/or other forces, that shape the needs and expectations of customers.

Closely related to both these definitions is the idea of organisations being “market driven”. An organisation is described as being market driven if it pursues a customer value centred strategy, supported by a market orientation (Day, 1992; Deshpande, Farley and Webster, 1993).

However, despite these similarities, the differences between the two definitions must be examined. First, Kohli and Jaworski (1990) in their explanation of market orientation emphasise the ongoing behaviour and activities that underlie the generation and dissemination of market intelligence and the associated response of the functional departments within the firm. In contrast, Narver and Slater (1990) consider these behavioural elements, and also include a cultural perspective in their definition. Second, generating information can be considered a *sine qua non* for competitor orientation and customer orientation, but it is not an orientation *per se*. Finally, Narver and Slater (1990) define market orientation as, “organisational culture that effectively and efficiently creates behaviours” (p. 21), thereby lifting the discussion of market orientation to a more strategic level, while Kohli and Jaworski (1990) place it at an operational or tactical level.
In general, both these approaches stress the importance of customer focus and interdepartmental cooperation around this strategic dimension. Kohli and Jaworski (1990), attach a greater importance to further environmental scanning while Narver and Slater (1990) include a measure of competitor orientation. The essence of both streams of research is the degree of customer orientation and inter-functional cooperation required to achieve those ends. However, for the purpose of this study the Narver and Slater (1990) definition of market orientation and the MKTOR measurement scale will be used as it has been widely used by numerous researchers (Deshpande, Farley and Webster, 1993; Deng and Dart, 1994; Greenley, 1995a; 1995b; Gray, Matear, Boshoff and Mateson, 1998; Deshpande and Farley, 1998a; 1998b; Hooley et al., 2003). The model has been tested and found to have acceptable measurement properties. The MKTOR model has been found to be an applicable measure of market orientation (Mavondo and Farrell, 2000). Additionally, MKTOR has been regarded as conceptually and operationally appealing as it encapsulates the main aspects of the Kohli et al. (1993) intelligence gathering, dissemination and responsiveness constructs while at the same time assessing cultural factors that drive performance (Desphande et al., 1993; Hunt and Morgan, 1995; Hooley et al., 2003).

**Market Orientation and Performance**

Market orientation research has followed three themes:

1) Developing an instrument for measuring market orientation;

2) Testing the instrument;

3) Investigating the main effects of market orientation on performance, and investigating external moderation of the market orientation/performance association.

The central belief of the marketing concept and the market orientation concept; that a strong focus on market needs is related to business performance, can be misleading. Investing and/or adopting a market
orientation is not the only possible strategic option to improve company performance. Hence, market orientation should be considered as one business orientation among many; such as, production orientation, product orientation and sales (selling) orientation (Keith, 1960; Kotler, 1994; Van Raaij, 2001).

The benefits of market orientation have been disputed in the literature (Greenley, 1995a; 1995b; Slater and Narver, 1996). Numerous studies throughout the 1990’s have focused on the relationship between market orientation and business performance (Narver and Slater, 1990; Jaworski and Kohli, 1990 & 1993; Esslemont and Lewis, 1991; Ruekert, 1992; Deshpande et al., 1993; Diamantopoulos and Hart, 1993; Deng and Dart, 1994; Slater and Narver, 1994a; 1994b; Greenley, 1995b; Au and Tse, 1995; Pelham and Wilson, 1996; Pitt et al., 1996; Balakrishnan, 1996; Avlonitis and Gounaris, 1997; Deshpande and Farley, 1998; Appiah-Adu, 1998; Han et al., 1998; Tse, 1998; Caruana and Pitt, 1999). Results of these studies have provided empirical evidence and some credibility that market orientation is a success factor. Studies from the US have generally suggested positive relationships between market orientation and several measures of performance (Narver and Slater, 1990; Jaworski and Kohli, 1990 and 1993; Ruekert, 1992; Deshpande et al., 1993; Slater and Narver, 1994a; Pelham and Wilson, 1996; Atuahene-Gima, 1996; Balakrishnan, 1996, Deshpande and Farley, 1998;), while European, Asian and other studies have produced inconsistent results (Esslemont and Lewis, 1991; Diamantopoulos and Hart, 1993; Greenley, 1995b; Au and Tse, 1995; Pitt et al., 1996; Avlonitis and Gounaris, 1997; Deshpande and Farley, 1998; Tse, 1998; Appiah-Adu, 1998; Mavondo and Farrell, 2000; Akimova, 2000; Chelariu, Ouattarra and Dadzie, 2002; Noble, Sinha and Kumar, 2002; Hooley et al., 2003).

Although few companies are market-driven, managers are beginning to view market orientation as a crucial ‘orientation’ in securing and maintaining market leadership. As described by Cravens et al. (1998), the airline carrier, Virgin, focused on adopting a market orientation strategy
which has significantly contributed in the company’s success and improved its business performance. *Virgin* recognises the value of adapting its structures, roles and processes to the changing market requirements. Further, Cravens *et al.* (1998) argued that being market orientated creates an environment for listening, understanding and responding to the market and the competition. That is how customer satisfaction and strong competition barriers are managed and built.

Evidence of a positive relationship has been found between market orientation and profitability (Cole *et al.*, 1993), profitability relative to largest competitor (Deshpande *et al.*, 1993; Balakrishnan, 1996), satisfaction with profit (Balakrishnan, 1996), operating profits, profit-sales ratio, cash flow, return on investment (Pelham and Wilson, 1996), return on assets relative to competitors (Slater and Narver, 1994a; Pelham and Wilson, 1996), long run financial performance (Ruekert, 1992), product innovation (Atuahene-Gima, 1996) and new product success (Slater and Narver, 1994a; Atuahene-Gima, 1996). The general relationship between market orientation and performance has been found to be moderated by the environmental situation (Jaworski and Kohli, 1993; Slater and Narver 1994a, Greenley, 1995b, Appiah-Adu, 1998; Gray *et al.*, 1998). However, research examining the strength of this relationship in varying environmental conditions has produced mixed results. Therefore, to provide further insight into the debated strength of the relationship between market orientation and business performance in varied environmental conditions, this study is based in an environment removed from the US and UK, and focuses on companies based in Europe, Australia and Asia.

Empirical evidence about the association of market orientation, contained in part by either of measures of market orientation of Narver and Slater (1990), with performance (Kohli and Jaworski, 1990), is summarised in Table 2 on page 43. The results show conflicting evidence. In some studies (Kohli and Jaworski, 1990; Ruekert, 1992; Jaworski and Kohli, 1993; Narver and Slater, 1990 & 1994; and Pulendran, Speed and
Widing, 2000), there is a positive association, in others there is a weak or no association (Au and Tse, 1995; Dawes, 2000; Diamantopoulos and Hart, 1993), or the association is limited to one dimension of the market orientation, for example competitor orientation (Noble, Shin and Kumar, 2002). A number of studies also report a moderated relationship (Diamantopoulos and Hart, 1993; Slater and Narver, 1994a; Greenley, 1995b; Matsuno and Mentzer, 2000; Pulendran, Speed and Widing, 2000).
<table>
<thead>
<tr>
<th>Study</th>
<th>Country</th>
<th>Sample</th>
<th>Performance Measure</th>
<th>Market Orientation/Performance Association</th>
<th>Moderator Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Narver &amp; Slater (1990)</td>
<td>US</td>
<td>140 SBU's in one company</td>
<td>Subjective</td>
<td>Positive</td>
<td>None identified</td>
</tr>
<tr>
<td>Kohli &amp; Jaworski (1990)</td>
<td>US</td>
<td>Sample 1:220 firms</td>
<td>Subjective and objective</td>
<td>Positive association for subjective but not for objective measures</td>
<td>None identified</td>
</tr>
<tr>
<td>Esslemont &amp; Lewis (1991)</td>
<td>New Zealand</td>
<td>3 surveys each using cross-industry NZ samples</td>
<td>Objective</td>
<td>No association</td>
<td>Not investigated</td>
</tr>
<tr>
<td>Ruekert (1992)</td>
<td>US</td>
<td>5 SBU's in one company</td>
<td>Objective</td>
<td>Positive</td>
<td>Not investigated</td>
</tr>
<tr>
<td>Jaworski &amp; Kohli (1993)</td>
<td>US</td>
<td>Sample 2:230 firms</td>
<td>Subjective and objective</td>
<td>Positive association for subjective but not for objective measures</td>
<td>None identified</td>
</tr>
<tr>
<td>Diamantopoulos &amp; Hart (1993)</td>
<td>UK</td>
<td>87 companies</td>
<td>Objective</td>
<td>Weak association</td>
<td>Effects identified.</td>
</tr>
<tr>
<td>Deshpande et al. (1993)</td>
<td>Japan</td>
<td>50 Japanese firms – cross industry</td>
<td>Subjective</td>
<td>Positive</td>
<td>Not investigated</td>
</tr>
<tr>
<td>Deng &amp; Dart (1994)</td>
<td>US</td>
<td>Sample of 248 firms across industries</td>
<td>Subjective</td>
<td>Positive</td>
<td>None identified</td>
</tr>
<tr>
<td>Slater &amp; Narver (1994a)</td>
<td>US</td>
<td>2 firms; 107 SBU's</td>
<td>Subjective</td>
<td>Positive</td>
<td>Effects identified</td>
</tr>
<tr>
<td>Greenley (1995b)</td>
<td>UK</td>
<td>240 companies</td>
<td>Subjective</td>
<td>Moderated/ No direct association</td>
<td>Effects identified</td>
</tr>
<tr>
<td>Au &amp; Tse (1995)</td>
<td>Hong Kong (China)</td>
<td>69 Hong Kong New Zealand</td>
<td>Objective</td>
<td>Weak</td>
<td>Not investigated</td>
</tr>
<tr>
<td>Pitt et al. (1996)</td>
<td>UK &amp; Malta</td>
<td>1,000 firms across industries</td>
<td>Subjective</td>
<td>Positive</td>
<td>Not investigated</td>
</tr>
<tr>
<td>Study</td>
<td>Country</td>
<td>Sample</td>
<td>Performance Measure</td>
<td>Market Orientation/Performance Association</td>
<td>Moderator Effect</td>
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<tr>
<td>Balakrishnan (1996)</td>
<td>US</td>
<td>139 firms in single industry study</td>
<td>Subjective</td>
<td>Positive</td>
<td>Not investigated</td>
</tr>
<tr>
<td>Avlonitis &amp; Gounaris  (1997)</td>
<td>Greece</td>
<td>444 Greek firms across industries</td>
<td>Subjective</td>
<td>Positive</td>
<td>Not investigated</td>
</tr>
<tr>
<td>Deshpande &amp; Farley (1998)</td>
<td>Europe and US</td>
<td>82 managers in European and US companies</td>
<td>Subjective</td>
<td>Positive</td>
<td>Not investigated</td>
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<tr>
<td>Ayiah-Adu (1998)</td>
<td>Ghana</td>
<td>74 Ghanaian firms across industries</td>
<td>Subjective</td>
<td>Positive associated but moderated by environment</td>
<td>Effects identified</td>
</tr>
<tr>
<td>Tse (1998)</td>
<td>Hong Kong</td>
<td>13 Hong Kong property developers</td>
<td>Objective</td>
<td>No association</td>
<td>Not investigated</td>
</tr>
<tr>
<td>Akimova (2000)</td>
<td>Ukraine</td>
<td>221 managers of Ukrainian enterprises</td>
<td>Subjective</td>
<td>Positive</td>
<td>Not investigated</td>
</tr>
<tr>
<td>Hooley et al. (2000)</td>
<td>Hungary, Poland and Slovenia</td>
<td>346 service companies in three countries</td>
<td>Subjective</td>
<td>Positive</td>
<td>Effects identified (association moderated by environment)</td>
</tr>
<tr>
<td>Pulendran, Speed &amp; Widing (2000)</td>
<td>Australia</td>
<td>157</td>
<td>Subjective</td>
<td>Strong</td>
<td>Effects identified</td>
</tr>
<tr>
<td>Dawes (2000)</td>
<td>Australia</td>
<td>123 over 2 years</td>
<td>Objective</td>
<td>No association</td>
<td>Not investigated</td>
</tr>
<tr>
<td>Matsuno &amp; Mentzer (2000)</td>
<td>US</td>
<td>364</td>
<td>Subjective</td>
<td>Moderated</td>
<td>Effects identified</td>
</tr>
<tr>
<td>Noble, Sinha &amp; Kumar (2002)</td>
<td>US</td>
<td>36 over 10 years</td>
<td>Objective</td>
<td>Association only with competitor orientation</td>
<td>Not investigated</td>
</tr>
<tr>
<td>Hooley et al. (2003)</td>
<td>Hungary, Poland and Slovenia</td>
<td>205 business to business services companies</td>
<td>Subjective</td>
<td>Positive</td>
<td>Effects identified (association moderated by environment)</td>
</tr>
</tbody>
</table>

There is clearly some ambiguity in those results. The main effects of market orientation on performance were found in all of the US studies, except Noble et al. (2002), who in a 10-year study of corporate and financial reports, found that only the Narver and Slater (1990) dimension of competitor orientation was related to performance. The same can not be said for all international research (Diamantopoulos and Hart, 1993; Au and Tse, 1995; Dawes, 2000), where evidence is clearly mixed. Without a more detailed investigation of the properties of the Narver and Slater (1990) measure of market orientation, and its degree of factorial invariance, it is hard to reconcile some of the differences in those studies. For example, outside the U.S., the measurements have the same number of accepted dimensions or merely one dimension?

However, Jaworski and Kohli (1993) did not find any external moderation of the association, and concluded that the linkage between market orientation and performance appears to be robust across contexts characterised by varying level of external environmental change. Although Slater and Narver (1994a) identified the main effects of market orientation on performance, unlike Jaworski and Kohli (1993), they identified some external moderation effects. Still, despite those results they concluded that there is little support for the proposition that the competitive environment has an effect on the strength and nature of the market orientation/performance relationship. In the UK study conducted by Greenley (1995b) the main effects were not identified. However, external moderation effects were identified, which suggest that the influence of market orientation on performance is dependent on external environment variables, and that market orientation may only be advantageous in certain types of external environments. Similarly, in the study by Diamantopoulos and Hart (1993) external moderator effects were also identified, with only a very weak main effect.

In the development of their measure of market orientation, Narver and Slater (1990), found evidence via factor analysis and alpha reliabilities, for a number of dimensions of marketing orientation, market, competitor,
inter-functional co-operation and a more problematic dimension of long
term focus and profit emphasis. Given the low alpha reliabilities of these
last two dimensions of market orientation (long-term horizon averaged
across the two samples with a score of .44, while profit emphasis
averaged with a score of .07), Narver and Slater (1990) developed their
measures based on the three dimensions of customer orientation,
interfunctional coordination and competitor orientation. The score of
market orientation being based on the sum of averages across each of
these dimensions (Narver and Slater, 1990 and Slater and Narver,
1994a). This approach assumes a one dimensional measurement of
market orientation, yet also recognises the possibility that the
measurement of market orientation consists of three dimensions, which
the authors' call "subscales". While Narver and Slater (1990) suggest that
further examination of the properties of each of these subscales is
warranted, what is yet to be determined is the dimensionality of the
market orientation scale and whether the factorial structure of the scale is
invariant across different countries. Narver and Slater (1990) have
suggested that further research should be conducted in order to
determine which components of the MKTOR scale contribute to
performance. Further, the literature review on the Narver and Slater
(1990) scale has indicated that there are mixed results regarding the
dimensionality of their measure.

Although there seems to be some confusion and lack of concise results
as to the precise degree of effect of market orientation on performance,
scholars have agreed on one issue, and that is, that an increase in
market orientation can be expected to result in better company
performance. This is due to the fact that market orientation facilitates
clarity and focus and vision in an organisation's strategy and because it
generates pride in belonging to an organisation, resulting in higher
employee morale and greater organisational commitment. A third
consequence is customer satisfaction, which increases repeat purchase
and draws new customers to the business (Raju, Lonial and Gupta,
1995).
Performance Measure

Marketers have long assumed that there is a positive association between being ‘market orientated’ and good company performance (Dawes, 1999). There have been a considerable number of studies examining the relationship between market orientation and company performance; however, majority of these studies on this relationship have used widely subjective performance measures (Narver and Slater, 1990; Jaworski and Kohli, 1990, 1993; Deshpande et al., 1993, Slater and Narver, 1994a; Deng and Dart, 1994; Greenley, 1995b; Pelham and Wilson, 1996, Balakrishnan, 1996; Avlonitis and Gounaris, 1997; Deshpande and Farley, 1998, Appiah-Adu, 1998, Gray et al., 1998; Mavondo and Farrell, 2000; Akimova, 2000; Chelariu, Ouattarra and Dadzie, 2002; Noble, Sinha and Kumar, 2002; Hooley et al., 2003). Only a small number of studies have examined the link between market orientation and performance using objective performance measures (Kohli and Jaworski, 1990; Jaworski and Kohli, 1993; Esslemont and Lewis, 1991; Ruekert, 1992; Diamantopoulos and Hart, 1993, Au and Tse, 1995; Tse, 1998, Noble, Sinha and Kumar, 2002).

While market orientation can be measured using multidimensional instruments, research studies that focus on measuring the association between organisational variables and business performance have often utilised two main approaches - subjective and objective measures of performance.

First, is the objective approach. Researchers have used the absolute measures and values of quantitative performance measured by profitability and sales growth (Cronin and Page, 1988). Performance measure is however a multidimensional construct (Chakravarthy, 1986; Walker and Ruekert, 1987). The second method is measuring performance in a subjective manner which is primarily concerned with performance of firms relative to that of their competitors (Golden, 1992a; 1992b; Verhage and Waarts, 1988). Jaworski and Kohli (1993) utilised both methods and obtained reliable responses for only their judgemental
(subjective) dimensions. Slater and Narver (1994a) adopted the subjective method by examining business performance over the previous three-year period, relative to the main competition, using new product success rate, sales growth and ROI. One such study produced mixed results, indicating that market orientation had a significant impact on the judgmental performance measure but no impact on objective performance. Market orientation might have a lagged effect on objective performance measures, a phenomenon that might not be captured in cross-sectional studies. This suggests that judgemental measures of performance may be more appropriate than objective performance measures for cross-sectional studies. In addition, past studies (Kohli and Jaworski, 1990; Jaworski and Kohli, 1993; Gray et al., 1998) that include both objective and subjective performance measures appear to produce stronger and valid results. Therefore, researchers should gather data on market orientation, and both objective and subjective performance data, as they can then test for associations using both types of performance data (Dawes, 1999).

Based on the reviewed studies, as outlined in Table 2 on page 43, it is reasonable to conclude that market orientation has a significant effect on performance, at least as indicated by subjective measures of performance. Drawing further upon theories from the marketing, strategy and general management literature it has been reported that there is a direct positive relationship between the degree of market orientation and performance. This claim is based on the argument that market orientation provides a united focus for the efforts of a firm's employees and a sustainable competitive advantage (Day and Wensley, 1988; Aaker, 1989) through the ability to develop long-term superior value for its customers. The notion of sustainable competitive advantage presents a basis for the expectation that market orientation can provide a firm with the potential to outperform its competitors. Moreover, another premise for this expectation lies in the strong culture theory (Denison, 1984; Weick, 1993). It was argued that a strong culture can provide cohesiveness and focus in plans and activities. In spite of arguments that the strong culture
theory is too simplistic (Saffold, 1988), there is evidence to support the assertion that a culture that is externally orientated has a stronger association with performance than a culture, which is internally focused. For instance, Deshpande et al. (1993) found that market culture, characterised by its focus on competitive advantage and market superiority was associated with higher levels of performance than were adhocracy, clan and hierarchical culture types.

Empirical evidence of the link between market orientation and profitability using subjective performance data (return on assets and return on investment) has been presented by Narver and Slater (1990) and Slater and Narver (1994a). They found that market orientation, after controlling the marketing environment, significantly impacts on return on assets. Similar results were reported by Chang and Chen (1994) and Caruana et al. (1995) in studies of Taiwanese and Maltese firms respectively. Furthermore, a comparative investigation into the market orientation performance relationship in the U.K. and Malta, Pitt et al. (1996) concluded that the hypothesised positive association between market orientation and profitability holds, regardless of cultural context and the level of economic development. Finally, Pelham and Wilson's (1996) study established similar findings among a sample of small firms in the U.S.

In general, several empirical studies have found a strong positive relationship between market orientation and performance (both subjective and objective). There is however a small body of evidence (Esslemont and Lewis, 1991; Au and Tse, 1995; and Tse, 1998) that does not support a strong positive relationship between market orientation and business performance, while other research examines alternative forms of market orientation and their impact on performance (Oczkowski and Farrell, 1998a & 1998b).

As a result of the above discussion and by adopting the Narver and Slater (1990) definition of market orientation and the MKTOR scale, the following hypothesis will be tested:
**H1:** Customer orientation has a positive impact on business performance.

**H2:** Competitor orientation has a positive impact on business performance.

**H3:** Interfunctional coordination has a positive impact on business performance.

A better appreciation of environmental conditions by market orientated businesses should also enable such firms to reduce the incidence of new product failures (Cooper, 1984). In Slater and Narver's (1994a) study of a forest products organisation's SBU's, it was established that market orientation had a significant impact upon new product success rate. That supports earlier empirical evidence by Roberts (1990) which indicates that, although entrepreneurial businesses commence with product orientation, most progress toward market orientation by allocating additional resources and time, generates customer understanding. A greater understanding of customers and competitors by firm result's in a more effective decision-making, leading to higher sales growth (Pelham and Wilson, 1996). The tracking of customer satisfaction by a market orientated firm and its timely response to the information generated, results in higher customer retention, and positively influences sales growth. Moreover, a positive relationship between market orientation and sales growth, after controlling the marketing environment, has been reported by Slater and Narver (1994a). A similar link was established by both Pitt *et al.* (1996) and Caruana *et al.* (1995) who both treated sales growth as one component of their three performance measures.

A review of the market orientation literature reveals that only a few empirical studies have investigated the direct and moderating effects of environmental variables on company performance. Past research has found that the relationship between market orientation and performance may be stronger in case of high market turbulence and high technological
turbulence when managers need to be more sensitive to market changes (Slater and Narver, 1994a; Greenley, 1995b; Doyle and Wong, 1996; Cadogan, 1997). Conversely, managers may be less sensitive to customers’ needs and competitors’ actions when markets experience strong demand (Slater and Narver, 1994; Doyle and Wong, 1996), when customers have relatively low buying power or restricted choice (Greenley, 1995b; Doyle and Wong, 1996), and/or when entry barriers are high enough to restrict the number of competitors. Competitor hostility may also moderate the market orientation-performance relationship (Diamantopoulos and Hart, 1993; Doyle and Wong, 1996; Cadogan, 1997).

Scholars have suggested that a competitive environment could play a moderating role in the relationship between market orientation and performance (Jaworski and Kohli, 1993). The Jaworski and Kohli (1993) study did not lend support to the hypothesised moderating effects for any of the three moderator variables. The authors concluded that the relationship between market orientation and business performance appeared to be consistent across situations characterised by varying levels of market turbulence, competitive intensity and technological turbulence.

Greenley (1995b) conversely found that:

1) Market turbulence weakens the relationship between market orientation and business performance; and

2) Technological turbulence weakens the relationship between market orientation and performance, when performance is assessed using new product success.

Slater and Narver (1994a) also examined how the competitive environment influences the form and effectiveness of an organisation’s market orientation. The results provide limited support for a moderator role for the competitive environment and its effect on the market orientation-performance relationship. There is some evidence of
moderation and market orientation, which is important, although the moderation effect is not strong. They concluded that the benefits of market orientation are long term, even though transient environmental conditions could have limited, short-term moderating effect. Hence, Slater and Narver (1994a) state that being market-orientated is cost effective in spite of the possible short term moderating effects of the environment.

On the basis of the above discussion, the aim of this study is to pursue the following research propositions:

**H4:** The relationship between customer orientation and performance will be moderated by the environment.

**H5:** The relationship between competitor orientation and performance will be moderated by the environment.

**H6:** The relationship between inter-functional coordination and performance will be moderated by the environment.
2. Societal Marketing Orientation

Reactions to increases in globalisation have included the emergence of protest movements in the areas of environmental protection, and fair trade. Opposition to genetically modified foods by consumers in Europe and reluctance to stock such products by retailers indicates that marketers need also consider the effect of their actions on the wider community and political and social environment. Further, the alleged negligence of James Hardie's executives resulting in a government inquiry into fraud and the company's cover up for not taking any measures to protect workers and the public from the deadly effects of asbestos and asbestos products, has forced James Hardie to restructure itself and subsequently establish a compensation fund worth millions of dollars to be used to pay out to its victims (Australian Financial Review, 26th October 2004). The above cases are clear examples of the lack of the societal marketing concept in a firm's day-to-day operations, which subsequently led to a significant decline in company performance. This has led to the development of sustainable business practices, or in marketing, the application of the societal marketing concept. There is however, no measurement of the degree of implementation of that concept, as there is with the marketing concept.

The societal marketing concept is similar to the marketing concept, except that it also takes into account society's well being. The concept was developed at a time where society began to question if the marketing concept was adequate in the face of worldwide environmental problems, resource shortages, and other social problems. Therefore, the concept holds that the organisation should concentrate on determining the needs and wants of their target customers, and then delivering those desired satisfactions more effectively and efficiently than competitors, in a way that maintains, or improves, consumers' and society's well-being.

There is clearly a need for a measure of societal marketing orientation to be developed, especially given its importance to current business practices and the controversy regarding its impact on business
performance. This research study outlines the development of such a measure and its validation by confirmatory factor analysis (CFA) across the four countries: Australia, The Netherlands, Singapore and China. It is hypothesised that this measure is one dimensional and consists of the subscales of business concern for social responsibility, involvement with industry associations, lobbying government and providing community aid or charity, as part of a charter of social responsibility (Narver and Slater, 1990, p. 34). This is represented in Figure 2.

Figure 2
Societal Marketing Orientation Dimension

Industry Association  Lobby Government

FIRM

Charity  Social Responsibility

Definition and Evolution of the Societal Marketing Concept

Societal marketing can be defined as "marketing with a social dimension, or marketing that includes non-economic criteria" Handleman and Arnold (1999, p. 33), or "concerns for society’s long term interests" (Elliott, 1990). Examples include the ‘enlightened capitalism’ of The Body Shop and the No Sweat labelling of clothing, a campaign by retailers to promote the sale of apparel from suppliers who have provided acceptable conditions of employment. Societal marketing practices may also include areas such as social responsibility, cause-related marketing (CRM), where a firm donates money to a cause in return for purchasing its products and services, or the inclusion of environmental concerns in a business strategy (Shultz and Holbrook, 1999).
The use of societal marketing, as suggested, may be altruistic. Firms may believe that they are acting in a social interest of encouraging collective welfare, or as Shultz and Holbrook (1999), term it *Gemeinschaftsgefühl*. Other reasons may be self-interest and may include the avoidance of regulation or the encouragement of positive political intervention by the development of public support. Or as mentioned, cause-related marketing, where the societal marketing practices directly benefit the performance of the firm.

Societal marketing emerged in the early 1970’s promising a more socially responsible and ethical model for marketing, while in the 1960’s marketing scholars such as Lazer (1969) still advocated growth through consumption. Marketing was then viewed as an instrument of social control, designed to convert society from a producer to a consumer culture. By changing norms and values in favour of greater consumption, society would be more able to adapt to the requirements of an abundant economy. Kotler and Levy (1971) and Dawson (1969) became increasingly critical of the emphasis on material consumption without the consideration of societal benefits. Some writers saw the main problem in the vagueness of the term ‘customer satisfaction’ (Bell and Emory, 1971; Kotler, 1972). The inadequacies of the marketing concept thus centred around its short-run operational focus on profit, with the satisfaction of the consumer not a goal *per se*, but merely a means to that end; its emphasis on material consumption without consideration of the long-run societal or environmental impact of this policy; its narrow stress on the individual and the gratification of immediate and selfish wants without concern for long-run consumer interests.

While the societal marketing concept has attracted its share of advocates and critics, the literature on societal marketing appears underdeveloped. However, despite the variety of viewpoints, one notion has been agreed upon, and that is the societal concept is clearly an extension of the marketing concept, rather than a fundamental reconstruction of marketing theory (Narver and Slater, 1990; Crane and Desmond, 2002).
The terms ‘social marketing’ and ‘societal marketing’ are frequently used interchangeably by both practitioners and academics in the marketing field. It is important to note that the terms refer to very different aspects of marketing. Social marketing refers to the extension of marketing along its technological dimension, that is, the further application of the marketing techniques to become a generic function applicable to both business and non-business institutions. Societal marketing refers to the extension of marketing along its substantive dimension, that is, the widening of the areas of concerns in business marketing (Abratt and Sacks, 1988). The definition is successfully explained by Fine (1981a) who points out that each concept consists of different definitional criteria. Social marketing is defined with reference to the product while societal marketing with reference to the audience. If the product being marketed is not a tangible good or service, but an idea or viewpoint, then the marketing activity is defined as social marketing. If the marketing activity focuses on society rather than the individual consumer as its audience, it is defined as societal marketing.

In the light of the above discussion several definitions of the societal marketing concept have emerged. In order to be able to put these definitions in perspective, it is important to consider a wider set of definitions.

Schwartz (1971) views the societal marketing concept in the following manner:

“like the marketing concept, the societal concept of marketing recognises profits as a major business motive and counsels firms to market good and services that will satisfy consumers under circumstances that are fair to consumers and that enable them to make intelligent purchase decisions, and counsels firms to avoid marketing practices that have deleterious consequences for society” (p. 32).

Many businesses resist the societal marketing concept because it doesn’t yield immediate profits and demands substantial changes in the conduct of marketing operations. The real amendments to the original concept lie
in the addition of the objective of attaining long-run consumer welfare, which is consistent with the long-term goal of profitability (Kotler, 1972).

Dawson’s (1969) conception of societal marketing differed considerably from that of Schwartz (1971) and Kotler (1972). Dawson’s (1969) ‘human concept’ entails a widening of business concerns on three levels:

- The internal environment (human resources within the organisation);
- The proximate environment (consumers, competitors, suppliers and distributors); and,
- The ultimate environment (society) in general.

With regard to the third level, Dawson (1969) emphasises the achievement of a genuine external social purpose by contributing to the identification and fulfilment of real human needs such as security, dignity and spiritual solace. Dawson (1969) requires from business a commitment to the solution of the social problems of the world and argues that if profits are viewed in sufficiently long-run and indirect terms, then the human concept can be said to have contributed to business survival and profitability. For like Kotler (1972), Dawson (1969) has implicit faith in the theory that what is good in the long-run for society is good for business. However, in the short-run any conflict between societal welfare and profitability must be resolved by the rationalisation of profitability (Feldman, 1971). Other aspects of the societal marketing concept are its emphasis on communication between the business and its environment in the form of feedback mechanisms, consultations and negotiations between competitors, consumers and government agencies (Bell and Emory, 1971; Stidsen and Schutte, 1972).

**The Context of the Societal Marketing Concept**

To develop a measurement of societal marketing orientation that could be tested for construct validity, a review of the literature was first conducted
to identify the possible themes. As stated in the literature, societal marketing orientation consists of four behavioural components, which are:

1) Business concern for social responsibility,

2) Providing community aid or charity, as part of a charter of social responsibility,

3) Lobbying government, and

4) Membership of an industry association (see also Narver and Slater, 1990, p. 34).

The issue of social responsibility is perhaps the most debated and researched element of societal marketing orientation. In fact, this is seen as a prerequisite for societal marketing. Several authors have made practical suggestions as to the implementation of a societal marketing concept. Schwartz (1971) analyses each component of the marketing mix, pointing out the changes that need to be made to meet a more societal orientation. The author suggests, for example, that product promotion must avoid messages that exploit buyer emotions or take advantage of unsophisticated elements of the population.

Shuptrine and Osmanski (1975) suggest that greater attention should be paid to the type of products sold in terms of their effect on human welfare, society and the natural environment, and that this can be done by adding the ‘three considerations’, that is, consumerism, clean-up and conservation, to the four P’s of the marketing mix (Shuptrine and Osmanski, 1975). Takas (1974) argued that the only way in which societal marketing can become operational is to make it immediately profitable for business. Takas (1974), suggests that this be done by business-government co-operation to rewrite the rules of the game to help minimise risks or maximise profitability of societally desirable outcomes. This can be done not only through restrictive legislation but by the underwriting of risky but socially desirable projects, and by means of differing tax treatment for projects of differing social value, for example as is the case with carbon credits trading. Finally, El-Ansary (1974a &
1974b), like Schwartz (1971) proposes that the marketing mix be strategically redefined to include societal considerations. El-Ansary's (1974a & 1974b) basic argument is that the achievement of social responsibility is an obligation not only of the marketer but also of the consumer. El-Ansary (1974b, p. 564) states that "if behaviour of these consumers is necessary for achieving marketing's social responsibility, it becomes essential to influence their decision". The author suggests that marketers can effectively influence consumer decision through the design and implementation of a socially responsible marketing mix.

The central pillar of social responsibility is therefore to take into account society's well being. Not only should the organisation concentrate on finding out the needs and wants of their target customers, and then deliver these desired satisfactions more effectively and efficiently than competitors, it needs to do so in a way that maintains or improves the consumer's and the society's well-being. For example, Greenseas Tuna, which is dolphin-safe as fishermen do not use dredge nets in catching their fish. Similarly, the production of tissue paper from recycled materials, or the manufacturing of CFC-free spray cans. It is important to bear in mind that practising the societal marketing concept does not mean that the company sacrifices profit for the sake of saving society. Companies are in business to make a profit. Basically, taking care of society's well-being is good for business. That is the bottom line. Societal orientated marketing managers believe that consumers will respond more favourably to companies which are socially responsible. For example The Body Shop offering products with no animal testing, McDonalds for introducing their new healthy food menu and using more environmentally-friendly wrapping; while Johnson & Johnson stopping the manufacturing of feeding bottles to promote the concept of breast feeding. Or react unfavourably to companies which they feel are not socially responsible, as was the case of Exxon-Valdez for denying all involvement and responsibility for an oil spill in Alaska.
Social responsibility also requires that an organisation thinks about the long-run interests of society in satisfying consumer’s needs and wants, while meeting organisational objectives. For societal marketing practices to be effective it is suggested that the reputation of the firm, as much as its profitability, becomes important. Firms that have societal marketing practices will tend to have good relationships with stakeholders, such as governments, and provide assistance to community groups. Such firms will also need to be members of industry associations where the societal impact of economic activities could be discussed and more socially responsible business practices be advocated. It is important to note that firms may wish to engage in such activities partially or fully out of self-interest. They may want to shape community attitudes and influence government policy by presenting themselves as good corporate citizens; for example, setting up of the Tobacco Research Institute. As discussed, Takas (1974), suggests that this is the only means by which societal marketing orientation can be profitable for business. It is also possible, that firms may be motivated to pursue more socially responsible marketing practices simply for altruistic reasons.

Many firms may also provide support for worthy causes, through the practice of cause related marketing (Smith and Higgins, 2000). The researchers note that many charities also promote cause related marketing. It is therefore, increasingly difficult to determine if it is a cause related marketing decision that adds value to companies brands, or whether firms are approached by charitable organisations for support, and provide recognition of that support as part of a wider social exchange contract. Either way, it seems that the use of donations or charity either by cause related marketing or untied monetary exchange are an important precondition for the implementation of a societal marketing orientation.

Shultz and Holbrook (1999), see the use of social marketing strategies as a collective action for the greater good (the commons). They note the importance of regulation by government as part of this process, and also
the importance of increased communication amongst industry players about the wider concerns of society. Societal marketing, they believe, can only come about through a series of regulated agreements between various stakeholders, for example industry and government. Some of those regulated agreements may include not only legislation, but voluntary industry codes of practice, such as the advertising code of practice, packaging codes of practice or public relations codes of practice. Others, such as, McAlister and Ferrell (2002) have suggested that evidence of social responsibility is increasingly being presented as part of financial reports, showing the sustainability practices of the organisation (OECD, 1999). Whether companies adopt voluntary codes of practices, are regulated, or report measures of social responsibility as part of their financial statements, it appears that the needs of other stakeholders are at least being considered by management. With the government, as a major stakeholder in an industrial environment, communication (lobbying) with the government is an important part of societal marketing. Governments and their citizens it represents are also likely to respond to the collective efforts of the industry groups. Membership, and active engagement within an industry group, would seem to be another important aspect of a societal marketing orientation.

There is some evidence that consumers support organisations which adopt societal marketing practices. Maignan and Ferrell (2001) cited two studies which showed that 76% of consumers were prepared to switch brands or stores that were concerned with the community or that another which suggested around 14% of US households actively seek do-gooders, while 40% judged corporate citizenship as tie-breaking activity. Despite that evidence, they note that previous management research has found a tenuous link at best between corporate social performance and business performance. Some studies have shown a positive relationship (Abott and Monsen, 1979; Bragdon and Marlin, 1979; Spencer and Taylor, 1987; Wokutch and Spencer, 1987; Prothero, 1990; Collins, 1993; Graves and Waddock, 1994), while others report that there is no significant relationship (Aupperle, Carroll and Hatfield, 1985; McGuire,
Sundgren and Schneeweis, 1988; Davidson and Worrell, 1990). Possible reasons for those conflicting results, as suggested by Maignan and Ferrell (2001), include questionable measures of social performance, and the presence of other factors, such as the environment, which may moderate the relationship. These issues warrant further investigation and represent a further two research propositions of interest in this study:

**H7:** A societal marketing orientation will have a positive impact on business performance.

**H8:** The environment will moderate the relationship between the societal marketing orientation of the firm and performance.
MODERATING VARIABLE OF THE RESEARCH STUDY

Environment

“At one level, environment is not a very mysterious concept. It means the surroundings of an organisation; the ‘climate’ in which the organisation functions. The concept becomes challenging when we try to move from simple description of the environment to analysis of its properties”

William R. Dill (1958, p. 410)

Rapidly advancing technology, resource shortages, rising inflation, fluctuations in the business cycle and changing social values are among the dynamic forces that are changing the business environments and markets of global industries. Predictions of what is on the ‘horizon’ for businesses vary greatly, and the rapid pace of change has motivated many businesses to expand their long-range planning efforts. In addition, management scientists and futurists are among those describing an ‘age of discontinuity’ (Drucker, 1969), the coming of ‘post industrial’ society (Bell, 1973), a ‘third wave’ (Toffler, 1981), ‘societal effects of entropy’ (Rifkin, 1981) and ‘mega trends’ (Naisbitt, 1982). But beyond all the appealing terminology is the concern of how the nature of their operating environment influences business performance. Numerous organisational theorists have argued that organisations must adapt to their environment if they are to be viable. Scholars in the field of strategic management have conceptualised environment as one of the key constructs for understanding organisational behaviour and performance (Hofer and Schendel, 1978). Research literature has revealed that environments are considered as the key contingency variables for relationships between strategy and performance; however, the true nature of this relationship has not yet been resolved.

The importance of scanning the environment for information to be used in the strategic planning process has been stressed and thoroughly discussed in the theoretical literature (Ansoff, 1965; Steiner, 1969; Hofer and Schendel, 1978; Andrews, 1980). In the last 30 years much has been written about the nature and rate of environmental change, and numerous
models of environmental analysis have been developed, while little attention was paid to the character of this concept. For the first half of the century, management and organisational theorists tended to ignore the environment, or at least to hold it constant, as they sought universal principles of structure, planning and control. Economists were primarily concerned with organisational adjustments to the environment, but these concerns were treated simply as formal exercises using profit-maximizing logic. In the economic models, market forces set the price for goods and services and the entire organisation was characterised as a production function with the goal of cost minimisation. Entrepreneurial and marketing decisions were viewed as important, but little effort was made to specify the impact of these decisions on organisational structure and processes. Through the fifties and the sixties, an increasing number of elaborate models were developed representing the linkages between the environment, technology, structure and process. Unfortunately, most of these models dealt with a limited aspect of the full adjustment sequence, and most were content to describe the expected relationships without specifying how they might be achieved (Miles, Snow and Pfeffer, 1974).

In summary, traditional organisational theory conceptualised the environment as a causal variable, organisational performance was dependent upon the efficient and effective adaptation of organisational characteristics to environmental contingencies (Zeithaml and Zeithaml, 1984). That attitude was further supported by empirical researchers such as Burns and Stalker (1961); Lawrence and Lorsch (1967), Duncan (1972), and Neghandi and Reimann (1973).

By the 1970’s, many practitioners and management theorists had attempted to subdue the concept of environment. They generally adopted the open systems perspective of organisations and re-conceptualised the relationship between the organisation and the external environment, agreeing on the central importance of the external environment for management (Barnard, 1938; Dill, 1958; Emery and Trist, 1965; Katz and Kahn, 1966; Thompson, 1967; Terrebbery, 1968; Child, 1972; Anderson
and Paine 1975; Galbraith, 1977; Aldrich 1979; Miles and Snow, 1978; Kotter, 1979; Bourgeois, 1980). In a meta-analysis of this literature, Lenz and Engledow (1986) have refined research on organisational environments into five separate categories, as shown in Table 3 on page 66.

All those approaches to modelling environments vary in terms of their assumptions about the environmental structures, notions about the process, the causes of environmental change and how managers or researchers know and understand environments (Lenz and Engledow, 1986).
Table 3:
Comparison of ‘Models’: Types of ‘Models’ for Environmental Analysis

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<tr>
<td>Assumptions about environmental structure</td>
<td>The dominant environment is a pattern of industry competitive forces stemming from the actions of competitors.</td>
<td>Environmental factors and causal linkages among theses are embodied in a cognitive structure which is enacted in retrospect.</td>
<td>The environment is primarily comprised of mutually interdependent formal organisations whose relevance for a focal organisation can be characterised by a hierarchy of internally homogeneous layers.</td>
<td>The environment is a system-like context of resources, social structures, and the natural environment, which is characterised as either a multi-level hierarchy or with respect to certain dimensions.</td>
<td>Environment is a distinct pattern of social structures, institutional relationships, roles and values undergirded by a psycho culture, ideology, etc.</td>
</tr>
<tr>
<td>Origins/process of environmental change</td>
<td>Change is caused by industry and extra-industry evolutionary process that disturb the underlying industry. Change occurs at an uneven rate and is subject to the principle of equifinality.</td>
<td>Change is reflected in revisions to/ replacement of the cognitive structure as new meanings are imposed on managerial/ organisational experiences.</td>
<td>Change originates in the general environment and affects task environment phenomena.</td>
<td>Change occurs via autonomous variations in any element of the environment. Change is continuous and potentially predictable.</td>
<td>Experimentation by individuals/ formal organisations disturb an underlying psycho-culture/ ideology, social structure etc.</td>
</tr>
<tr>
<td>How to gain knowledge about the environment</td>
<td>Develop a formalised competitor analysis system that is connected to strategic planning process.</td>
<td>Encourage organisational learning via flexible, open inquiry and decision processes.</td>
<td>Design administrative structures to be consistent with environmental contingencies. Develop stakeholder management process.</td>
<td>Opportunistic surveillance. Encourage organisational learning among organisational subunits.</td>
<td>Broad-scale environmental scanning. Monitor ‘mega-trends’.</td>
</tr>
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</table>

While not all of the works listed above are considered in detail in this study, the ecological and resource dependence model, adopted by Emery and Trist (1965) will be the primary focus of this section.

The ecological and resource dependence model proposed by Emery and Trist (1965) has been characterised as an approach where the environment is a system of resources and interconnected organisations. Environmental change is continuous and occurs when there is a variation in the system that affects the resources necessary for an organisation's survival. Lenz and Engledow (1986) state that "environments are largely enacted by organisational sub-units which give rise to multiple conceptions of ‘the’ environment" (p.337). In that model two approaches have been identified to describe the structure of organisational environments:

1) An open-systems framework; and,

2) The notion of hierarchy to disaggregate the overall environment into internally homogenous levels.

The work of Emery and Trist (1965), Terreberry (1968) and Aldrich (1979) focus on the open-systems approach. In their studies, organisations are regarded as the most important part of the environment. Emery and Trist (1965) use the notion of 'causal texture' to describe the four types of environments; placid random, placid clustered, disturbed reactive and turbulent. Terreberry (1968), on the other hand, incorporates Darwin's (1859) theory of natural selection into a living systems model proposing systems-like qualities for environments. The third approach in this model is that of Aldrich (1979) who attempts to join the ideas of natural selection and resource constraints in formulating a population ecology model, which describes the environment in terms of the nature and distribution of resources (Lenz and Engledow, 1986).
Emery and Trist (1965) Organisational Environment Model

The awareness amongst marketing authors of the importance of the external environment has been traced back as far as 1916, to the writings of Shaw (Pecotich et al., 1985). To date, McCarthy’s (1994) concentric circles model, in which the outermost circle identified the relevant external environments for marketing decisions, typifies the depth of treatment of the topic. Kotler’s (1994) similar approach is indicative where he identifies the following factors as the relevant “macro-environment” of the firm:

- Demographic
- Economic
- Ecological
- Technological
- Political
- Cultural

These factors have a common basis:

“A larger context of forces which shape opportunities for, and pose threats to, the successful functioning of the company. These forces are generally uncontrollable; in the short run, the company has to adapt through judicious choice of the controllable factors, such as the markets it elects to serve and its marketing programmes. In the long run, however, the company, along with other companies, can have a formative influence on these macro-environmental forces (Kotler et al., 1994, p. 154).

The treatment of the environment in such a manner raises two issues. First, the simple listing of factors, as Glaser (1985) argues, “goes little further than saying everything ‘out there’, beyond the skin of the organisation or product is, in some way, worthy of management attention”. In addition, Elliot (1990) notes that the choice of relevant factors for more systematic study is likely to be arbitrary and may well be erroneous.

Secondly, as noted by Elliot (1990), the view that the micro-environment is capable of actively being shaped by organisations acting unilaterally, or
in concert with other organisations, obscures the distinction that Kotler (1994) draws between the microenvironment and what he defines as the "publics". Kotler's (1994) definition of publics is "any group that has an actual or potential interest or impact on an organisation's ability to achieve its objectives" (1994, p.141). This would include those aspects of the macro-environment which in the short-term are capable of being influenced by, or negotiated with, the firm. For example, the case of government legislation in Australia on cross-media ownership.

As noted by Elliot (1990) and Glaser (1985), a common failing of most marketing and managerial theorists when discussing environments is to focus on the "phenotypical" characteristics of the environment. That is, focusing on the outward manifestations or appearances (the phenotype), rather than on the "genotypical" characteristics, of the inner constitution (the genotype) of the concept. Glaser (1985, p. 60) states that:

"Observation of the phenotypical characteristics of the environment alone is potentially misleading because the phenotype may not consistently reflect the constitution of the environment. For example, the environment may show certain sets or patterns of phenotypes which stem from different constitutional, genotypical, characteristics of the environment".

In practice, this often leads companies to focus on the proximal aspects of the environment (the "controllable") to the exclusion of the distal environment that might be influenced by the marketing mix, primarily by customers or competitors. In extreme circumstances, that may result in the familiar marketing myopia, as described by Levitt (1960). As Elliot (1990) points out, analysis of the environment should focus on the genotypical characteristics that lead to defining the environment in a directly demonstrative manner, a 'causal texturing' of the environment.

The type of environment is a mixture of opportunities and threats. Hence, for the purpose of this research study the Emery and Trist (1965) environmental typology will be used, as according to Elliot (1990) and Glaser (1985), the Emery and Trist (1965) environmental model is the most logical method of dealing with adopting or changing a marketing
strategy within an organisation that finds itself in an environment that consists of a mixture of opportunities and threats.

Emery and Trist (1965), in their argument, maintain that the causal texture of the environment is “the extent and manner in which the variables relevant to the constituent systems and their inner-relations are, independently of any particular system, causally related or interwoven with each other” (Emery and Trist, 1965, p. 20). These scholars characterise the causal texture of the environment in terms of the distribution and organisation of goals (“opportunities) and noxients (“threats”) for the constituent system. They distinguish four levels of environments in terms of the organisation of the goals and noxients relevant to the constituent systems.

The Emery and Trist (1965) typology consists of the following levels:

1) Placid random environment
2) Placid clustered environment
3) Disturbed reactive environment
4) Turbulent environment

The four levels of the Emery and Trist (1965) typology will be next discussed in more detail.

**Placid Random Environment**
This type of environment is the simplest form of environmental texture in which the goals and noxients are distributed randomly over space and time, and independent through the environment. Emery and Trist (1965, p. 21) maintain that the survival of an organisation in a placid random environment is a simple function “of the availability of the environmental relevancies and the approach-avoidance tactics available to the system (i.e. its response capabilities)”. While the environment preserves this
random character, it does not make much difference if there is more than one need and it is not necessary to postulate any complex organisational capacity for identifying marginal utilities or substitution. Emery and Trist (1965, p. 23) assert that the appropriate planning mode in this environment of random distribution is the lack of distinction between tactic and strategy and that, "the optimal strategy is just the simple tactic of attempting to do one's best on a purely local basis".

The placid random environment primarily exists as a theoretical ideal and the economists' classical market model of perfect competition comes close to this ideal environment. Due to the nature of the placid random environment, a realistic example of this setting within the business framework is likely to be somewhat artificial (Glaser, 1985). Emery and Trist (1965) state that, the appropriate example of this type of an environment is the marketing approach of successful traders in flea-markets, or new emerging markets with similar technologies. In those situations, the traders do not know where their next customer is coming from, and their only concern is, closing the sale to their maximum advantage without thought of subsequent consumer satisfaction. Another close marketing parallel is provided by Glaser (1985) who describes the rapid and the unpredicted growth and decline of the hula-hoop. In the placid random environment the time of introduction of a product into the market is unimportant, as well as the product life-cycle, the range of uses to which the product was put and the social demographic characteristics of the purchaser are all unanticipated, unknown and unknowable (Glaser, 1985).

With reference to the marketing concept, Elliot (1990) maintains that under the conditions of the placid random environment, it is difficult to imagine the purposeful role of marketing in such environments. That line of thought is also followed by Glaser (1985) who maintains that because the seller does not know what the potential customers want, who will buy, or even where the customers are located, the marketing system is entirely irrelevant for survival or adaptation. Therefore, the use of any of the four
strategies; customer orientated, competitor orientation, inter-functional coordination or societal marketing orientation, will not affect the performance of a firm. Thus, the following hypothesis will be tested:

**H9:** In a placid random environment there is no significant difference in performance amongst the four (customer orientated, competitor orientated, inter-functional coordination and societal marketing orientation) strategies.

**Placid Clustered Environment**
A more textured, but still essentially placid environment is that which can be characterised in terms of the clustering of goals and noxiants. Here, Emery and Trist (1965) maintain that the goals and noxiants occur together in space and time with varying probabilities that are potentially knowable for the system. The new feature of organisational response to this kind of environment is the emergence of longer-term strategy as distinct from short-term tactics. The relevant objective of the system in this type of environment is that of ‘optimal location’. Given that the environment is non-randomly arranged, some positions can be described as being potentially richer than others, and the survival probability will be certainly dependent upon successfully planning to operate in those positions. From the point of view of the business, buyers can be agglomerated or concentrated, and these concentrations are known to the business.

Given that the environment is structured that way, strategies used by organisations include knowing where the largest, (from the firm’s point of view), concentrations of potential customers are located. This is further examined by Elliot (1990) who acknowledges that survival becomes critically linked to what an organisation knows about its environment. The author maintains that this is the appropriate environment in which firms should be market orientated, that is, have a customer orientation,
competitor orientation and/or inter-functional coordination, and practice the market concept. A company’s success is linked to their knowledge of the environment, and especially their customers - income, age, geographical area. Strategies such as market segmentation should become the dominant approach of the firm’s managers.

In the light of the above discussion the following hypothesis will be tested:

**H10:** In a placid clustered environment there will be significantly higher performance by companies pursuing the customer orientated strategy.

**Disturbed Reactive Environment**
In this type of the environment there is more than one organisation of the same kind, and the existence of a number of similar organisations now becomes the dominant characteristic of the environmental field. Emery and Trist (1965) state that each organisation does not only have to take account of others when they meet at random, but also needs to consider what is known by one organisation is also known by the others. The part of the environment it wishes to move to in the long run, is also a part to which other organisations seek to move as well. Knowing that, each company will try to improve its own chances by hindering the other.

Emery et al (1974) describe this type of environment as “more than one system of the same kind, and hence the environment which is relevant for the survival of one is relevant to the survival of the other” (p. 14). Elliot (1990) states that in this type of an environment the appropriate objective changes from “the pursuit of optimal location and market share to that of developing the capacity or power to initiate, or respond, to competitive challenges” (p.24). Glaser (1985) on the other hand, parallels this conditions to the zero-sum game – “the gains made by A are at the expense of B, because A and B will be part of each other's proximal environment” (p.67). From an economic point of view, the concept of
oligopoly is equivalent and the primary concern of Porter’s (1980) model that describes competition. Kotler (1994) has tentatively explored the demand of this environment suggesting that a firm should be more market orientated paying attention to both customers and competitors.

The disturbed reactive environment calls for organisations to adopt more complex marketing tasks, as firms need to develop their marketing strategies beyond the customer, to include distribution channel arrangements, dealing with suppliers and the activities of competitors (Elliot, 1990). Glaser (1985) argues that market share and profitability would also be a goal of the marketing effort for the competing organisation. Thus, the following hypothesis will be tested:

_H11:_ In a disturbed reactive environment there will be a significantly higher performance by companies which pursue a competitor orientated strategy.

**Turbulent Environment**

According to Emery and Trist (1965) the most complex textured environments in which adaptive behaviour is possible, as distinct from pure survival tactics, are the ‘turbulent fields’. These are environments in which there are dynamic processes arising from the field itself which creates significant variances for the component system. Like the disturbed reactive, but unlike the placid random and placid clustered, “they are dynamic environments” (Emery _et al_, 1974, p.28).

In the turbulent environment, the “ground” or distal environment becomes the important source of variance. The authors postulate that unlike the disturbed reactive the dynamic properties that arise are not simply from the interaction of particular systems but from the field itself. These are forces beyond the control of the organisation or of a similar competing organisation. Thus dynamic processes arise in the distal environment and take on a life of their own, and impact on the organisation in ways which
are unpredictable. Such environments are highly connected, complex, dynamic and potentially unstable, as noted by Elliot (1990).

Emery and Trist (1965) identify four trends which have particularly contributed to the emergence of these turbulent environments:

1) The growth required to meet disturbed reactive conditions, of organisations and linked sets of organisations, is so large that their actions should be persistent enough and strong enough to induce earliest processes in the environment.

2) The deepening interdependence between the economic and other facets of the society. The growing size and relative importance of the individual units not only creates interdependence between what consumers want, and what they think can be produced, but also between the citizen as consumer, as producer, as inhabitant, and as a social and political entity. This means that economic organisations are increasingly enmeshed in legislation and public regulation.

3) The increasing reliance upon scientific research and development to achieve the power to meet competitive challenge. This has the effect not only of increasing the rate of change, but of deepening the interdependence between organisations and their environments.

4) The radical increase in the speed, scope and capacity of intra-species communication, that is, telegraph, telephone, radio, television, computers, e-mail, fax and teleconferencing.

‘Turbulent’ describes an environment of qualitatively greater complexity and dynamism than the preceding environments. Arndt’s (1977) concept of "domesticated markets", the “societal marketing” and the “stakeholder” represents the attempt of marketing theorists to arrive at an understanding of the demands of the turbulent environment. In this instance, the recommended strategies for such an environment would involve political negotiations with the firm’s multiple stakeholders,
The development of 'codes of ethics' and 'self-regulation' at this stage the main focal concern of the marketer would move from the consumer to society, although the ability of the organisation to effectively control that environment variation would be extremely difficult and uncertain.

It is doubtful whether those suggested marketing responses to turbulent environments will achieve significant penetration within generally accepted marketing practices. This is argued by Arndt (1977), who believes that the societal marketing concept is largely a creature of marketing academics. The salient environments and the appropriate level of focus for the marketing organisation can be summarised in Table 4:

Table 4:

<table>
<thead>
<tr>
<th>Environment</th>
<th>Marketing Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Placid Random</td>
<td>Capacity</td>
</tr>
<tr>
<td>Placid Clustered</td>
<td>Capacity, Customer</td>
</tr>
<tr>
<td>Disturbed Reactive</td>
<td>Capacity, Customer, Competitors</td>
</tr>
<tr>
<td>Turbulent</td>
<td>Capacity, Customer, Competitors,</td>
</tr>
<tr>
<td></td>
<td>Context</td>
</tr>
</tbody>
</table>

Table 4 indicates that the turbulent environment is the most complex of environments for the organisation because it encompasses the system-environment relations of the lower orders. In addition, it embraces the complexity and dynamism arising from the distal environment (Elliot, 1990). A clear example of organisations that operate in a turbulent environment is that of the airline, tourism and travel industry in the wake of recent global terrorism activities, such as, 11th of September 2001.

As a result of those trends, organisations are faced with a significant increase in relevant uncertainties. The consequences which flow from their actions lead off in ways that become increasingly unpredictable. Such environments are highly connected, complex, dynamic and potentially unstable. Glaser (1985) places this environment within the
business framework where the marketing system becomes closely linked with the distal environment. The marketer moves from examining the consumer to the study of society. Concept such as 'domesticated markets', 'the social marketing' and the 'stakeholders' come into play when marketing theorists attempt to comprehend the demands of the turbulent environment. An examination is made by organisations of the enhanced importance of values, as a control mechanism, regarded as a basic response in persistent areas of relevant uncertainty. In the light of the above discussion the following hypotheses will be tested:

**H12**: In a turbulent environment there will be a significantly higher performance by companies which pursue a societal marketing orientation strategy.
CHAPTER SUMMARY

In this chapter, a theoretical framework is provided to present the relationship among market strategies, business environment and firm's performance. A firm’s marketing strategy is conceptualised as having three independent dimensions using the Narver and Slater (1990) conceptual model of market orientation: customer orientated strategy, competitor orientated strategy, inter-functional coordination strategy. The fourth marketing strategy that is hypothesised is that of societal marketing orientation strategy. The four levels of the Emery and Trist (1965) environment model, against which the effectiveness of the above marketing strategies will be tested, consists of: placid random environment, placid clustered environment, disturbed reactive environment, and turbulent environment.

It is hypothesised that customer orientated strategy, competitor orientated strategy, interfunctional orientated strategy and societal marketing orientated strategy will have a direct effect on a firm's performance. Furthermore, from a contingency perspective, it is proposed that the effect of the market strategies on firm's performance are moderated by the environment, and finally, it is proposed that in a specific business environment only certain types of market strategies will be effective on firm’s performance. Table 5 on page 79 summarises the hypotheses presented in this chapter and the expected relationship between the independent variables and firms performance.
Table 5:  
Summary of Study Hypotheses

H1: Customer orientation has a positive impact on business performance.

H2: Competitor orientation has a positive impact on business performance.

H3: Inter-functional coordination has a positive impact on business performance.

H4: The relationship between customer orientation and performance will be moderated by the environment.

H5: The relationship between competitor orientation and performance will be moderated by the environment.

H6: The relationship between inter-functional coordination and performance will be moderated by the environment.

H7: A societal marketing orientation will have a positive impact on business performance.

H8: The environment will moderate the relationship between the societal marketing orientation of the firm and performance.

H9: In a placid random environment there is no significant difference in performance amongst the four (customer orientation, competitor orientation, inter-functional coordination and societal marketing orientation) strategies.

H10: In a placid clustered environment there will be significantly higher performance by companies pursuing the customer orientation strategy.

H11: In a disturbed reactive environment there will be a significantly higher performance by companies which pursue a competitor orientation strategy.

H12: In a turbulent environment there will be a significantly higher performance by companies which pursue a societal marketing orientation strategy.
CHAPTER 3: RESEARCH METHODOLOGY

Introduction

In order to satisfy the research objectives, and test the developed theoretical hypothesis, a three (3) phase methodology was conducted that involved:

1) Initial interviews
2) Pre-test (i.e. pilot test and key informant approach)
3) Survey

A survey was implemented to determine the significance of marketing strategies on performance, establish the importance of the business environment as a moderating variable on outcomes of various business strategies, and to assist in determining the effectiveness of a particular strategy in a specific business environment.

To accomplish these tasks it was necessary to identify and select the appropriate market strategies; customer orientation, competitor orientation, inter-functional coordination and societal marketing orientation that are widely used in current businesses, and identify specific business environments in which these firms operate. This chapter will describe the methodology used to provide data to investigate the stated hypotheses.

The chapter is organised around four major topics:

1) Sample,
2) Questionnaire design,
3) Measurement/instrumentation; and,
4) Data collection and procedure.
The Sample

The Cross-Sectional Field Study

Research methods should be selected on the basis of the research purpose. This study aims to present the relationship among marketing strategy, business environment and firm’s performance. The emphasis in social science research on theory construction and theory testing indicates that a field study approach is much appropriate. As Cook and Campbell (1979) argue, the external validity, the applicability, and the acceptance of results from empirical studies are enhanced when the field study approach is taken.

This research study is based on cross-sectional data because it involves a sample of small, medium and large companies in different industries from four countries (Australia, Singapore, The Netherlands and China). The advantage of the cross-sectional approach is that extensive data could be collected from a large and diverse sample at a relatively low cost. A fundamental assumption in a cross-sectional study such as this is that the relationship among the independent variables of interest is essentially homogeneous.

It could be argued that the cross-sectional approach cannot be used effectively as a basis for conclusions regarding causality. However, the advantages of this approach are obvious. First, it allows the inclusion of a large number of firms including those that are successful and those that are failing at a relatively low cost. Secondly, the study of cross-sectional relationships before attempting to validate findings via more costly time-lagged or longitudinal studies is commonly accepted for establishing causal relations (Kenny, 1979). Thirdly, a similar approach has been followed in a number of studies dealing with market orientation, business environment and performance relationship (Narver and Slater, 1990; Kohli and Jaworski, 1990; Ruekert, 1992; Diamantopoulos and Hart, 1993; Jaworski and Kohli, 1993; Slater and Narver, 1994a; Au and Tse, 1995; Greenley, 1995a; 1995b; Pulendran, Speed and Widing, 2000; Dawes, 2000; Matsuno and Mentzer, 2000; Noble, Sinha and Kumar, 2002).
Sample Frame

Data was collected by a ‘non-probability convenience' sampling method where a sample of 217 firms was collected from four countries, Australia (81 cases), Singapore (79 cases), China (16 cases) and The Netherlands (41 cases) over the period of one (1) year. Firms were sampled from a number of countries and number of industries (manufacturing and service sector) because it was believed that each country has different business environments and different industry conditions. Firms were randomly sampled from the stock exchange and published lists, similar to the Fortune 500 of both large and small companies in Australia and The Netherlands; while firms from Singapore and China were randomly selected from published lists of members of manufacturing associations obtained from various business associations and Chambers of Commerce. Random sampling the population for subjects is probably the best option for obtaining a cross section of the general populace. It is important to note that the results of this study do not reflect a variation of industry conditions of each specific country but to sample firms from a variety of business environments. Further, the combination of the sample does not represent particular economical and political environment of a specific country. Rather, such a sample has been selected to provide a range of environmental factors in a number of global industries across the world.

It was felt that that a sample containing both large and small companies would produce more generalizable results since there has been a tendency in the past to survey mainly larger firms from published lists such as Fortune 500 (Narver and Slater, 1990; Slater and Narver, 1994a; Greenley, 1995a & 1995b; Pulendran, Speed and Widing, 2000 and Noble, Shina and Kumar, 2002). Respondents were marketing executives of a major SBU within each company. For the purposes of this study, that meant that each respondent from each firm answered questions from the point of view of the core business of the firm. Respondents were not
identified in the results to reduce the possibility of response bias (Narver and Slater, 1990).

**Questionnaire Design**

In order to meet the research objectives and consequently test the developed theoretical hypotheses, a questionnaire survey was implemented to determine the importance of marketing strategy and company's performance in various business environments. The principle means of data collection for this research study was a self-administrated questionnaire survey with a structured-direct design. This standardised design of the questionnaire was selected as the method was capable of controlling response bias and increase reliability of the data (Kinnear, Taylor, Johnson and Armstrong, 1993). Further, the advantage of a questionnaire survey is that it can effectively generate large amounts of data that can be subjected to statistical analysis (Snow and Thomas, 1994). The questionnaire was developed and refined on the basis of several procedures.

First, previous studies that have been conducted on market orientation, societal marketing orientation and performance formed the basis for developing the questionnaire (Narver and Slater, 1990; Kohli and Jaworski, 1990; Ruekert, 1992; Jaworski and Kohli, 1993; Diamantopoulos and Hart, 1993; Slater and Narver, 1994a; Au and Tse, 1995; Greenley, 1995b; Dawes, 2000; Pulendran, Speed and Widing, 2000; Matsuno and Mentzer, 2000; Noble, Sinha and Kumar, 2002). These studies have been reviewed in order to identify questionnaire instruments appropriate for this study.

Secondly, structured interviews were conducted with 5 marketing managers from five different companies from each country (Australia, China, the Netherlands and Singapore). The main purpose of these interviews was to extract information about the choice of market strategies and factors affecting firm's performance in various business environments; such as, placid random, placid clustered, disturbed reactive and turbulent. The questions raised during these interviews
focused on the major issues concerning marketing strategies, societal marketing concept, business performance and the influence of business environment on the firm’s day-to-day operations, which were based and derived from the extensive literature review. Consequently, analysis of each interview was undertaken by transcribing, summarising and tabulating each subject’s answer to each issue identified in the literature. As a result of those interviews, a questionnaire survey was developed were each question could be adapted to the context of the study in the four countries (Australia, Singapore, China and The Netherlands).

Thirdly, based on extensive analysis of past literature, measures were adopted for those variables that have been utilized from previous research studies under conditions that satisfied acceptable measurement quality. Variables that did not have extent measures, as was the case with societal marketing orientation, new measures were developed for the study according to the procedures suggested by Churchill (1979) and Nunnally and Bernstein (1994). Using constitutive definitions of the constructs from relevant literature, and field interviews conducted with managers of companies from various industries, a pool of items was generated for each construct. A panel of three expert judges experienced in marketing strategy research and scale development then selected items from each of the pool of items. To enhance the content validity of each scale, five CEOs and marketing managers from the participating firms evaluated the instrument for problems with content and wording in individual items prior to the administration of the research questionnaire.

Further, for the purpose of conducting the survey questionnaire in China, the original English questionnaire was first reviewed by a professor (in marketing and strategic management) and then translated into Chinese. Since the study was conducted in a cross-cultural setting in order to ensure validity the Chinese version of the questionnaire was then back-translated into English. One translator was involved, based in Beijing, China, who has a Master Degree in Chinese and English Language and Business Administration. The translator has 20 years of commercial
know-how and is experienced in both business English and Mandarin language. Further, in order to compare and detect any significant misunderstanding due to translation, the questionnaire was sent to 5 companies in Beijing, China to be further reviewed by CEOs and marketing managers. With regards to the other three countries (Australia, Singapore and The Netherlands) the questionnaire survey was presented in the English language, as in all of the three countries, the English language is either the official language or accepted as a ‘second-language’ (as was the case in The Netherlands).

Finally, it was critical for the purpose of this research study to identify the significant issues and improve the clarity and relevance of the questionnaire. In order to achieve this goal, a pre-test with CEOs and marketing managers of 5 different companies in the four countries (Australia, Singapore, China and The Netherlands) was undertaken. During the pilot testing of the survey questionnaire open-ended discussions were conducted with those managers who were encouraged to express their reactions to the survey format, content, and construct validity. A number of direct questions regarding the instructional clarity, item clarity, relevance, and time needed to complete the survey in an attempt to communicate the meanings of questions and to establish the reliability of the measures effectively have also been posed to the participant. The responses from the pre-test with CEOs and marketing managers were then carefully collected and later taken into consideration when developing the survey questionnaire. That pilot testing led to changes in the wording of some questions. The revised instrument was further reviewed using the same CEOs and marketing managers who all agreed that the wording was clear and did not require any further changes.
Measurement/Instrumentation

To address the subject matter, it was necessary for the survey to obtain information regarding the respondents. The independent variables, measures of marketing orientation and items intended to measure societal marketing, were all included in a factor analysis (Narver and Slater, 1990). The analysis explained 74% of the variance and suggested eight factor including Narver and Slater’s (1990) subscales of market orientation, competitive orientation interfunctional cooperation. Two dimensions of societal marketing were also revealed in the analysis, societal marketing and industry networking. The final two dimensions were similar to dimensions of profit emphasis and long term horizons. For the sake of brevity, only the variables pertain to the analysis are discussed, the independent variables were included in the regression analysis. The descriptive statistics and reliability results are all shown in Table 6 (p. 91).

Customer Orientation

In order to measure the degree of customer orientation, Narver and Slater’s (1990) subscale of customer orientation of the marketing orientation measure was used. Factor analysis revealed a dimensional structure containing the same four variables, as used by Narver and Slater (1990), such as understanding customer needs, customer satisfaction objectives, creating customer value and measuring customer satisfaction, as the structural equation modelling (SEM) results indicate. As shown in Table 6 (p. 91), the Cronbach’s alpha for the subscale was .87. All items in the independent variables were measured on a five point Likert scale with higher scores representing agreement with each statement. The final measure of customer orientation, as a result of SEM, shown in Table 10 (p. 105), consisted of 4 items. These items were: customer commitment (mo1), create customer value (mo2), understand customer needs (mo3) and customer satisfaction objectives (mo4). These items were summed to give a score on customer orientation. The resulting measure had a mean of 16.38 out of a possible score of 20, with
a standard deviation of 2.74, indicating a high level of customer focus amongst the respondent firms. This measure was developed by structural equation modelling, the results of which are addressed in the Results chapter of this thesis.

**Competitor Orientation**

The Narver and Slater (1990) subscale of competitive orientation of the market orientation measure was used. This measure matched those of the authors and included three items: responding to competitors actions (mo19), top management spend time discussing competitors’ strategies (mo20), and targeting opportunities for competitive advantage (mo21), as structural equation modelling (SEM) results indicate in Table 10 (p. 105). These items were summed in order to give a score on competitor orientation. As shown in Table 6 (p. 91), the mean score was 11.13 out of a possible score of 15, standard deviation 2.60 and Cronbach’s alpha for this measure was 0.86. This measure was developed by structural equation modelling (SEM) the results of which are addressed in the results chapter of this thesis.

**Interfunctional Coordination**

To measure the degree of interfunctional coordination within the firm, two subscales of interfunctional coordination were used that were adopted from the Narver and Slater (1990) market orientation measure. This measure matched those of Narver and Slater (1990) and included two items: information shared amongst functions (mo8) and functional integration of strategy (mo9), as the structural equation modelling (SEM) results indicate in Table 6 (p. 91). The mean score for interfunctional coordination was 7.03 out of a possible score of 10, with a standard deviation of 1.64 and a Cronbach’s alpha for this measure being 0.81. Table 10 (p. 105) shows the final measurement of the market orientation construct.
Societal Marketing Orientation

The measure of societal marketing orientation was developed as a result of a review of the literature and expert advice. Factor analysis of the items suggested two factors, which were similar to those of Narver and Slater’s (1990) subscales of market and competitor orientation. The first labelled “Societal Orientation” included measures such as the firm lobbying government, providing advice to government on the behalf of industry, investing in aid to the community and donating money to charity. The second smaller dimension was labelled “industry networking”, and included two items; the first being a member of an industry association, and the second, regularly sending representatives to industry conferences. The final measurement of societal marketing orientation, as result of structural equation modelling (SEM) consisted of five items which were: ‘the firm provides advice to government on behalf of the industry’, ‘the firm actively lobbies the government’, ‘the firm spends considerable money on public relations’, ‘the firm donates money to charity’, and ‘the firm actively invests resources and/or money in activities outside its business which aim to benefit the community’. Table 6 (p. 91) presents the mean score for societal marketing orientation, which was 14.13 out of a possible score of 25, while the standard deviation was 4.72 and Cronbach's alpha for the dimensions of societal marketing orientation was 0.82. This measure was developed by structural equation modelling (SEM) the details of which are addressed in the Results chapter of this thesis.

Objective Performance

This was a composite index and included measures of sales, gross and net profit, and current assets, all recorded on seven point scales from (1) less than AUD $100, 000 to (7) greater than AUD $100, 000, 000. The reported mean, standard deviation and Cronbach’s alpha for objective performance are shown in Table 6 (p. 91). The low overall mean of performance was 17.06 suggested that downturn of 9/11/2001 had
severely affected firms in the study. The standard deviation was 7.4 while the Cronbach’s alpha for objective performance was 0.94.

Subjective Performance

Subjective performance was measured by a series of five point scales, which assessed satisfaction with financial performance, being at close to breakeven point, satisfaction with return on investment, corporate liquidity, return on shareholders’ funds, and increased penetration of existing markets. These items were summed to form a composite score and are presented in Table 6 (p. 91). The mean score of 14.14 out of a possible score of 30, indicated that respondents were at best neither satisfied nor dissatisfied with performance given economic conditions at the time of the study.

Industry Factors

In order to account for differing industry types, respondents were asked what percentage of their sales came from households, businesses, manufacturing, contracting and government. These means and standard deviations have been included in Table 6 (p. 91).

The Environment

The degree of turbulence in the environment was assessed by the degree of predictability of demographic, customer, technological and production levels within each industry. These items were summed to produce a composite score, details of which are shown in Table 6 (p. 91). Each item was scored from zero, highly unpredictable to eight highly predictable. The mean score of 4.24, suggested that respondents saw their industry as reasonably predictable. This measure was adapted from research by Lacznia, Pecotich and Spadaccini (1995). This measure was developed by structural equation modelling (SEM) and was used to determine environmental typologies. The details of are addressed in the results chapter of this thesis.
The Competitive Environment

The competitive environment was measured by four items, as used in research by Laczniaek, Pecotich and Spadaccini (1995). These items assessed the degree of competition ranging from zero, not competitive at all, to eight very high level of competition. The measures included in the final composite score included competition in the areas of prices, products, technology, distribution, labour raw materials, as well as the degree of industry performance and overall growth in industry sales. Details of the measure of the competitive environment are also shown in Table 6. The mean score of 4.60 (industry growth was measured on a six point scale) suggested that most firms in the study found their industry to have a high level of competition. This was expected given the nature of economic conditions at the time of the study. This measure was developed by structural equation modelling (SEM) (see pages 111 - 114) and the details of which are addressed in the Results chapter of this thesis.
Table 6:
Descriptive Statistics of the Major Constructs: Mean, Standard Deviation and Reliability

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Performance</td>
<td>0</td>
<td>8</td>
<td>4.92</td>
<td>1.50</td>
<td></td>
</tr>
<tr>
<td>Industry Growth</td>
<td>0</td>
<td>6</td>
<td>3.31</td>
<td>1.41</td>
<td></td>
</tr>
<tr>
<td>State of the Economy</td>
<td>0</td>
<td>6</td>
<td>3.15</td>
<td>1.23</td>
<td></td>
</tr>
<tr>
<td>Percentage of Market Share</td>
<td>1</td>
<td>95</td>
<td>23.99</td>
<td>23.96</td>
<td></td>
</tr>
<tr>
<td>Percentage of Household Customers</td>
<td>0</td>
<td>100</td>
<td>30.53</td>
<td>37.63</td>
<td></td>
</tr>
<tr>
<td>Percentage of Manufacturing Customers</td>
<td>0</td>
<td>100</td>
<td>21.60</td>
<td>32.20</td>
<td></td>
</tr>
<tr>
<td>Percentage of Business Organisational Customers</td>
<td>0</td>
<td>100</td>
<td>27.89</td>
<td>31.50</td>
<td></td>
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<tr>
<td>Percentage of Government Customers</td>
<td>0</td>
<td>100</td>
<td>11.56</td>
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<tr>
<td>Percentage of Contractors</td>
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<td>90</td>
<td>7.54</td>
<td>14.94</td>
<td></td>
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<tr>
<td>Objective Performance</td>
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<td>28.00</td>
<td>17.06</td>
<td>7.40</td>
<td>.94</td>
</tr>
<tr>
<td>Subjective Performance</td>
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<td>20.00</td>
<td>14.14</td>
<td>3.94</td>
<td>.91</td>
</tr>
<tr>
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<td>20.00</td>
<td>16.38</td>
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<td>.87</td>
</tr>
<tr>
<td>Competitive Orientation</td>
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<td>15.00</td>
<td>11.13</td>
<td>2.60</td>
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</tr>
<tr>
<td>Interfunctional Coordination</td>
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<td>10.00</td>
<td>7.03</td>
<td>1.64</td>
<td>.81</td>
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<td>Societal Orientation</td>
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<td>14.13</td>
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<td>.82</td>
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<td>Industry Association</td>
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<td>4.60</td>
<td>1.41</td>
<td>.80</td>
</tr>
</tbody>
</table>
Data Collection

Retrospective Reporting and Key Informant Approach

To meet the research objectives and consequently test the developed theoretical hypotheses, a retrospective report method was used which is a common method used in marketing, strategic management and organisational behaviour research (Huber and Power, 1985; Bourgeois and Eisenhardt, 1988; Feeser and Williard, 1990). Although the method has been used extensive in numerous studies, researchers believe that there are many potential problems associated with the collection and use of the retrospective reporting method, such as, the possibility of inaccurate recall of the past and biased perceptions (Golden, 1992b; Huber and Power, 1985). However, in a study conducted by Miller, Cardinal and Glick (1997), the authors clearly show that retrospective reporting is a viable research methodology if the measures used to generate the reports are reasonably reliable and valid.

Several measurement practices were adopted for the purpose of this research study suggested by Huber and Power (1985) and Miller et al. (1997). First, free reporting rather than forced reporting was used in order to raise the accuracy of responses. By using free reports, the respondent was encouraged to skip the question that he/she was unable to answer. Secondly, questions addressed simple facts rather than past opinions or beliefs in order to reduce the complexity and ambiguous burden for judgement. Finally, in order to make sure that the respondents clearly understood the questions in the survey, and to increase the response rate, as well as motivate the respondent to provide accurate information, participants were required to first read the overall guide of the questionnaire and then were asked to fill in the questionnaire. The questionnaire also contained a covering letter, which stated a detailed explanation of the significance of the project was provided to the purpose of the research study. The respondents who were constantly assured that there were no right or wrong answers to the questions, and that the confidentiality of their responses was guaranteed.
Further, to improve the reliability and validity of the data a key informant approach was used. According to Seidler (1974) the key informant approach seeks to obtain organisational accounts through the ‘key persons’ within an organisation who are knowledgeable about the issues that are being researched, and are able and willing to communicate these issues openly. With informant bias and random error being the two main reasons for inaccurate informant reports, numerous scholars have argued that multiple key informants should be used, as researchers can then cross-check the information provided by these informants (Golden, 1992; Phillips, 1981).

Although the use of multiple informants is widely recommended, in order to avoid informant bias and random error, a single informant was used in this research study. The decision to use a single informant was based on past studies of Hambrick (1981), Phillips (1981) and Heneman (1974) and Narver and Slater (1990). First, as Hambrick (1981) indicated, a single marketing manager within a company is typically considered the most knowledgeable person regarding the firm’s marketing strategies. Secondly, the assumption for the key informant approach is that the person, by virtue of his/her position in the organisational hierarchy, is able to provide an opinion and perceptions that are valid reflections of the perceptions and opinions of other key decision-makers in the firm (Phillips, 1981). It is therefore, appropriate to use the single key informant approach when most of the informants occupy senior executive or ownership positions within the organisation. Finally, for the purpose of this study a single informant approach was used given the time and financial constraints, and the methodological soundness of single informant approach presented in past literature (Kohli and Jaworski, 1990; Ruekert, 1992; Jaworski and Kohli, 1993; Narver and Slater, 1990 & 1994; Pulendran, Speed and Widing, 2000). The respondents were also anonymous, as previous studies of Heneman (1974) and Narver and Slater (1990) have shown that subjects are more likely to give unbiased responses when their anonymity is assured.
Procedure

The sample was obtained by the use of a 'non-probability convenience' sampling method. The nature of the questionnaire was that of a structured-direct questionnaire with fixed response alternatives. This is to provide quantification of the data and ease of data processing (i.e. coding), analysis and interpretation. The data was collected in the following manner. A questionnaire, together with a cover letter and an enclosed replied paid envelope was sent out to the managing directors of the selected companies. The cover letter explained the purpose of this study, provided an overall guide to the questionnaire procedure and asked the respondents to answer each question in terms of the actual situation rather than the ideal. The presentation of the questionnaire was standardised for all four countries and presented in the English language.

In order to make sure that the respondents understood clearly the procedure, they were first asked to read the questionnaire carefully and then provide their answers. The participants had a timeframe of four weeks to fill in the questionnaire and return it by placing it in an enclosed replied paid envelope that was addressed to Murdoch University.

Once the respondents understood the research procedure, they were then asked to complete the questionnaire. The research questionnaire contained six sections where respondents were asked to: First, provide their views on the business environment within which their company operated in (Section A, Q1-Q4); Secondly, state the degree of confidence and importance of their country’s economy on their company (Section B, Q1-Q6); Thirdly, indicate the degree to which their company was involved in customer orientation, competitor orientation, interfunctional orientation and societal marketing orientation practices (Section C, Q1-Q30); Fourthly, provide the degree of agreement or disagreement with their firm’s perceived financial performance (Section D, Q1-Q6); Fiththly, provide an overview of the industry that their firm operates in (Section E, Q1-q18); and Finally, indicate their firm’s objective financial performance (composite index) that included measures of sales, gross and net profit and current
assets (Q19 – A, B, C, D). The questionnaire concluded with a measurement of important individual variables such as demographic characteristics of the respondent, including their position in the company (Q21), age (Q22), number of years they have been working with the company (Q23), number of years they have been working within the industry in which they are currently employed (Q24), and the average number of hours they spend on reading and discussing trends within their industry and its environment (Q25-26). Finally, respondents were asked for their comments regarding the study. All questionnaires were conducted under the ethical guidelines of the Murdoch University Human Research Ethics Committee and the Market Research Association of Australia.

CHAPTER SUMMARY

In this chapter, the methodological issues relevant to investigating the relationship among marketing strategies, business environment and firm's performance were presented and discussed. This is a cross-sectional field study using data collected from a non-probability convenience sample of firms from four countries: Australia, China, the Netherlands and Singapore. The questionnaire was designed based on a comprehensive literature review and an exploratory study. For data collection, the retrospective reporting method and key informant approach were adopted. Given the difficulties of data collection in the four countries, a questionnaire was developed that was then mailed to companies, together with an enclosed reply paid envelope.

The results were divided into two chapters where the first part (Chapter 4: Results Part 1) deals with the validation of measurements using confirmatory factor analysis (CFA). The second part (Chapter 5: Results Part 2) provides an overview of the testing of the hypothesis of this study.
CHAPTER 4: RESULTS PART 1 –
VALIDATION OF MEASUREMENTS

The general analytical procedure involved; (1) an evaluation of the measurement properties of the scales and descriptive statistics, (reported in the validation of measurements section), (2) exploratory data analysis and residual identification, and (3) the specific statistical analysis pertaining to each hypothesis.

Using a set of procedures outlined by Tabachnick and Fidell (1989), the data was first checked for normality, skewness, kurtosis and the presence of univariate and multivariate outliers prior to the analysis. Examination of normal probability and de-trended normal plots for all the major independent and dependent variables showed no serious deviations. This data did not contain significant degrees of kurtosis or skewness, so could be assumed to be normally distributed.

The Sample

A sample of 217 firms was collected from four countries, Australia, (81 cases) Singapore (79 cases), China (16 cases) and The Netherlands (41 cases). Firms were sampled from published lists, similar to the Fortune 500 of both large and small companies. It was felt that that a sample containing both large and small companies would provide more generalisable results since there has been a tendency in the past to survey mainly larger firms (Narver and Slater, 1990; Slater and Narver, 1994a; Greenley, 1995b; Pulendran, Speed and Widing, 2000; Noble, Sinha and Kumar, 2002). Respondents were marketing executives of each major SBU within a company. For the purposes of this study, this meant that each respondents from each firm answered questions from the point of view of the core business of the firm. Respondents or the companies they worked for were not identified in the results to reduce the possibility of response bias.

The response rate was low around 15%. Most (60%) were service organisations, although other types of firms ranging from manufacturing
(22%), distribution (9.3%) and e-commerce (1.9%) were represented in the sample. The companies surveyed had around a third of their sales derived from the household sector (30%), followed by business customers (28%), manufacturing (21%) government customers (12%) and sales to contractors (7%). Across the sample, around two thirds (61%) of companies reported that their sales were generated within their home country. The firms surveyed ranged from small companies of less than 50 people (28.4%), to organisations employing more than 10,000 people (14.2%). This was reflected in their current assets, which ranged from less than AUD $100,000 (13.9%), to greater than AUD $1 billion (17.1%).

Validation of Measurements

In order to evaluate the measurement properties of the scales of the independent variables (customer orientation, competitor orientation, inter-functional coordination and societal marketing orientation,) together with the business environment (environmental turbulence and competitive hostility) and dependent variables of objective and subjective performance, confirmatory factor analysis was used. As this was a cross-national study structural equation modelling was also useful as the stability of the factorial structures could be evaluated.

One-factor congeneric models were first estimated using the AMOS 4.01 (Arbuckle, 1997 & 1999) program to examine the measurement properties of the latent variables of interest. A one-factor congeneric model is “the simplest form of a measurement model and represents the regression of a set of observed indicator variables on a single latent variable” (Holmes-Smith and Rowe, 1994, p. 6). Such models provide a realistic interpretation of the data by considering the varying degrees to which each item contributes to the overall measure and, thereby provide a quasi-test of validity. For a model to fit, individual items must all measure a ‘composite variable’ of the same kind, and, therefore, they must be valid measures of the single latent trait (Holmes-Smith and Rowe, 1994).
The fit of such a model to observed data can be examined in a number of ways (Byrne, 1998). Although the most commonly suggested fit statistic in structural equation modelling is the chi-square ($\chi^2$) statistic, where a non-significant chi-square indicates a good fit of the model to the data, the adequacy of this statistic is unknown (Hu, Bentler and Kano, 1992). For instance, the failure to obtain a non-significant chi-square may reflect a poorly specified model, the power of the test or a failure to satisfy assumptions underlying the statistical test (Marsh, 1994). In an effort to overcome those limitations, other ‘goodness of fit’ statistics are also used. These include the Standardised Root Mean Square Residual (SRMR) and the Root Mean Square Error of Approximation (RMSEA).

The SRMR is a standardised summary of the average of residual variances and covariances, with values of 0.05 and below generally being suggested as evidence of a good fit (Byrne, 1989), although Kline (1998) has suggested that a value of less than 0.10 is acceptable. The RMSEA statistic provides an estimate of how well the model with the parameter values, derived from the sample, could be expected to fit the population covariance matrix (Browne and Cudeck, 1993). Values of less than 0.05 indicate a good fit, while values up to 0.08 indicate reasonable fit and values between 0.08 and 0.10 indicate hardly satisfactory fit. These statistics were all used in the present study.

Confirmatory factor analysis (CFA) was used to examine the discriminant validity of the latent variables by testing competing factor structures. As part of the analysis, a series of hierarchical nested models was compared for relative goodness-of-fit (Byrne, 1998), beginning with the null model, which assumes each item loads onto a separate latent variable. The next model assumed that all items loaded on to a single factor. The last model assumed items loaded onto their respective latent variables. The improvement in fit was indicated by the change in the chi-square, relative to the change in the number of degrees of freedom. Once baseline models were identified, and measures validated, reliability was assessed using Cronbach’s alpha (1970).
Independent Variables

Market Orientation
The measurement properties and the model fit of the subsequent one-factor congeneric model for dimensions of market orientation are shown in Table 7.

Table 7:
One-Factor Congeneric Models – Fit Statistics for Market Orientation

<table>
<thead>
<tr>
<th>Scale</th>
<th>Fit Statistics</th>
<th>Alpha Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>( \chi^2 ) (df)</td>
<td>RMSEA</td>
</tr>
<tr>
<td>Market Orientation (6 items)</td>
<td>38.10 (9)</td>
<td>0.12</td>
</tr>
<tr>
<td>Competitive Orientation (4 items)</td>
<td>3.70 (2)</td>
<td>0.06</td>
</tr>
<tr>
<td>Interfunctional Coordination (5 items)</td>
<td>6.18 (5)</td>
<td>0.03</td>
</tr>
<tr>
<td>Long Term Horizon (3 items)</td>
<td>0.00 (0)</td>
<td>N/A</td>
</tr>
<tr>
<td>Profit Emphasis (3 items)</td>
<td>0.00 (0)</td>
<td>N/A</td>
</tr>
</tbody>
</table>

The fit indices suggested that the sub-scales fitted the data reasonably well, based on the validity of each in terms of measuring what they purport to measure (Nunnally and Bernstein, 1994). The results also suggest the factor structures of the scales are good indicators of the extent to which observed indicators measure the same thing (the latent variable in this case). The scale reliabilities of the constructs of long term horizon and profit emphasis were, however, of concern, suggesting further investigation is needed. The next step in establishing the sub-scales used confirmatory factor analysis to establish their discriminant validity.
Table 8 contains the fit statistics of the nested models reflecting the different factor structures. These include models with the reduced set of items (containing the measures of customer and competitor orientation and interfunctional coordination), as advocated by Narver and Slater (1990) and Slater and Narver (1994a). These models are labelled N&S (Narver and Slater) items. The one factor model (N&S items) corresponds to the one dimensional measurement of Market Orientation advocated by N&S and commonly used in the literature.

Table 8:
CFA Results – Factorial Independence of the Market Orientation Construct

<table>
<thead>
<tr>
<th>Competing Model</th>
<th>Goodness of Fit Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$\chi^2$ (df)</td>
</tr>
<tr>
<td>Null Model</td>
<td>14 551 (231)</td>
</tr>
<tr>
<td>One Factor Model (all items)</td>
<td>1049.70 (189)</td>
</tr>
<tr>
<td>One Factor Model (N&amp;S items)</td>
<td>643.82 (90)</td>
</tr>
<tr>
<td>Two Factor Model</td>
<td>771.47 (189)</td>
</tr>
<tr>
<td>Two Factor Model (N&amp;S items)</td>
<td>447.89 (90)</td>
</tr>
<tr>
<td>Three Factor Model</td>
<td>783.36 (189)</td>
</tr>
<tr>
<td>Three Factor Model (N&amp;S items)</td>
<td>383.41 (90)</td>
</tr>
<tr>
<td>Four Factor Model</td>
<td>618.53 (189)</td>
</tr>
<tr>
<td>Five Factor Model</td>
<td>710.72 (189)</td>
</tr>
</tbody>
</table>

**Competing Models**

*Note: Null model*: all items represent different latent variables.

**One factor model**: all items represent a single latent variable.

**One factor model (N&S items)**: all items, as suggested by Narver and Slater (1990) which make up the three dimensions of customer orientation, competitor orientation and interfunctional coordination.
represent a single latent variable. Items of long term horizon and profit emphasis were not included in the model.

**Two factor model**: items relating to customer orientation represent one latent variable and items relating to competitive orientation, interfunctional co-ordination, long term horizon and profit emphasis represent the other latent variable.

**Two factor model (N&S items)**: items relating to customer orientation represent one latent variable and items relating to competitive orientation, interfunctional co-ordination represent the other. Items of long term horizon and profit emphasis were not included in the model.

**Three factor model**: items relating to customer orientation representing one latent variable, items relating to competitor orientation representing one latent variable and items relating to interfunctional coordination, long term horizon and profit emphasis representing one latent variable.

**Three factor model (N&S)**: items relating to customer orientation representing one latent variable, items relating to competitor orientation representing one latent variable and items relating to interfunctional coordination, representing one latent variable. Items of long term horizon and profit emphasis were not included in the model. Note: the normalised chi-square calculation in Table 8, suggested this model was initially the best solution.

**Four factor model**: items relating to customer orientation representing one latent variable, items relating to competitor orientation representing one latent variable; items relating to interfunctional coordination representing one latent variable and items relating to long term horizon and profit emphasis representing one latent variable.

**Five factor model**: items relating to customer orientation representing one latent variable, items relating to competitor orientation representing one latent variable; items relating to interfunctional coordination representing one latent variable, items relating to long term horizon
representing one latent variable and items relating to profit emphasis representing one latent variable.

**Supplementary analyses**

The three N&S factor solution while having the best overall fit, in terms of normalised chi-square, suggested that three of the measures of marketing orientation (customer and competitor orientation and interfunctional coordination) were separate, independent constructs. The one dimensional Narver and Slater (1990) model, which only consisted of customer, competitor and inter-functional orientation items, had a poorer normalised chi-square, but marginally better fit statistics than the three factor N&S solution. A significant change in chi-square suggested however that the three factor N&S model was a superior measurement model. This measurement model though did not fit the data well, as shown by an overall significant chi-square and poor fit indices. It was found that the inclusion of items of long term horizon and profit emphasis did not improve the overall model fit, suggesting, as advocated by Narver and Slater (1990), that the measurement of marketing orientation is not improved with the addition of those constructs.

Further confirmatory factor analysis was undertaken to determine the final three factor model that was a better representation of the data. Analysis of modification indices suggested that an improvement in model fit if assumption of uncorrelated constructs was relaxed. As shown in Table 9, confirmatory factor analysis improved model fit to the point where it was an accurate representation of the data. Co-variances between the three constructs were also not large, the biggest between the interfunctional and competitor orientation being .55. Inspection of the squared multiple correlations (SMCs) suggested that the measurements of mo5 “measure satisfaction”, mo6 “after sales service”, mo7 “interfunctional sales calls”, mo10 “all functions contribute to customer value” and mo18 “salespersons share competitive information”, were not well represented in the model with SMCs all below .3. The factor loadings of these measurements with each of their respective constructs were also low,
averaging around .5. Modification indices also suggested that these measurements do not contribute greatly to the measurement model, as they had correlated error variances with other measurements and constructs in the model.

Conceptually, mo5 and mo6 can be seen as actions not necessarily related to a strategic customer orientation, but merely part of a broader management function of research (mo5) and operational matters (mo6). The term “interfunctional sales calls” (mo7), may also be ambiguous as it is not sure what is being measured by this statement. This action may also be more an operational management function, than a particular strategic direction of the firm. The statement “all functions contribute to customer value”, (mo10), may have been a poor measure since it equally applies to customer orientation and that of interfunctional coordination. Again, the statement is poorly worded and could be accepted as a given by many managers in business. Lastly, the statement, mo18, “salespersons share competitive information”, seems to be more of an operational management decision rather that relating to a particular type of business strategy.

Table 9:
Further CFA of the Three-Factor Market Orientation Measure

<table>
<thead>
<tr>
<th>Competing Model</th>
<th>Goodness of Fit Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$\chi^2$ (df)</td>
</tr>
<tr>
<td>Three factor N&amp;S model.</td>
<td>383.41 (90)</td>
</tr>
<tr>
<td>Three factor N&amp;S model with covariance b/w constructs.</td>
<td>259.38 (87)</td>
</tr>
<tr>
<td>Three factor N&amp;S model with covariance b/w constructs less mo5, mo6, mo7, mo10, mo18.</td>
<td>51.96 (24)</td>
</tr>
<tr>
<td>Three factor N&amp;S model with covariance b/w constructs less, mo5, mo6, mo7, mo10, mo18 and error variance b/w emo2 and emo4, emo2 and emo9, emo2 and emo21.</td>
<td>28.15 (21)</td>
</tr>
</tbody>
</table>
The final model, contained some error covariances between the measurement errors of mo2 “create customer value”, emo2 and mo4 “customer satisfaction objectives”, emo2 and emo4, the measurement error of “target opportunities for competitive advantage”, emo21. The covariances, whilst significant were modest, and were all below .3. The correlated error covariances between emo4 and emo21 may have represented a minor tendency for some respondents to associate the actions of mo21 with mo4. That is they have customer satisfaction objectives in mind when they look for competitive opportunities. The negative covariances between emo2 and emo4, though slight, suggest that some respondents believe they can create customer value without recourse to setting customer satisfaction objectives, “a just do it”, philosophy.

The final measurement model, with standardised loadings and squared multiple correlations is represented in Table 10. The constructs of the final model had acceptable levels of reliabilities. The customer orientation construct had an alpha reliability of .87, for interfunctional coordination this was .81 and for competitive orientation this was .86. A permutation test of 1500 interactions, (see Arbuckle, 1997, p.246), confirmed the veracity of the model. No competing model which could represent the data, was found and the results suggest that is highly unlikely that a superior measurement model could be found, the probability of this being 0.1%. This also suggests that the statistical power was highly unlikely to have influenced model fit.
Table 10:
Final Measurement Model of the Market Orientation Construct

<table>
<thead>
<tr>
<th>Scale Item</th>
<th>Construct</th>
<th>Alpha Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Customer commitment (mo1)</td>
<td>Customer Orientation</td>
<td>.87</td>
</tr>
<tr>
<td>2. Create customer value (mo2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Understand customer needs (mo3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Customer satisfaction objectives (mo4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Information shared amongst functions (mo8)</td>
<td>Inter-functional Coordination</td>
<td>.81</td>
</tr>
<tr>
<td>6. Functional integration of strategy (mo9)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Respond to competitors’ actions (mo19)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Top Management discusses competitors’ strategies (mo20)</td>
<td>Competitive Orientation</td>
<td>.86</td>
</tr>
<tr>
<td>9. Target opportunities for competitive advantage (mo21)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cross National Validation of the Market Orientation Measure

In order to further validate the measurement model a procedure as recommended by Steenkamp Hostede and Wedel (1999) was followed. The parameters of the original measurement model were fixed to being equal to three major countries of the study, Australia, Singapore and the Netherlands (due to its small sample size of 16, data from China was not used to test the invariance of the model, although an analysis was conducted with this subset of data in the model and the results were similar). The measurement model with these increased constraints still matches the data well ($\chi^2 = 159.15$ d.f= 120, p>.10). Comparing this model to the measurement model without these constraints lead to an insignificant chi-square ($\chi^2 = 159.15-28.15=131$, d.f=120-21 =99, p>.10), suggesting no differences between the constrained model of fixed country parameters, with that of the overall model across the dataset. Or, in other
words the factorial structure of the final model is invariant across three of
the major countries in the study, thus it is more efficient to use the
parameters of the overall measurement model, than develop separate
parameters for three of the major countries in the study. The measures of
customer orientation, interfunctional coordination and competitor
orientation were all summed and used to construct each measure of
market orientation. Hence, customer orientation consisted of items 1 to 4
(customer commitment, create customer value, understand customer
needs, and customer satisfaction objectives), interfunctional coordination
consisted of items 5 to 6 (information shared amongst functions,
functional integration of strategy), while competitor orientation consisted
of items 7 to 9 (respond to competitors' actions, top management
discusses competitors' strategies, target opportunities for competitive
advantage).

Societal Marketing Orientation

A slightly different approach was taken with the development of the
measure of societal orientation. Because this was a new construct split
half reliability was first assessed. This was assessed by randomly splitting
the data into two samples. Reliability analysis was then conducted on the
first sample and then replicated on the second sample (Churchill, 1979).
The scale reliability coefficient (Cronbach’s alphas) for the entire scale of
nine items and item to total correlations is reported in Table 11. This was
.81 for the first sample and .79 for the second sample, which exceeded .7
the threshold Nunnally and Bernstein (1994) recommends for exploratory
research. The item to total score correlations for most items were above
.7 in the first sample indicating that the overall measure of societal
marketing is represented by these variables. Two items which measure
social responsibility though did not correlate well with the overall
measure, suggesting that they may form part of another measure.

There was thus need for further analysis to examine the dimensionality of
the scale of societal responsibility, given that the evidence was mixed at
this preliminary stage that this measure consisted of four dimensions.
This was done by confirmatory factor analysis or structural equation modelling (SEM), in a fashion manner to that with the measurements of marketing orientation.

Table 11:
Societal Marketing Construct Reliability Analysis

<table>
<thead>
<tr>
<th>Item</th>
<th>Sample 1=105</th>
<th>Sample 2=112</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cronbach’s</td>
<td>Item to Total</td>
</tr>
<tr>
<td></td>
<td>Alpha</td>
<td>Correlation</td>
</tr>
<tr>
<td>Societal Marketing</td>
<td>.81</td>
<td>.65</td>
</tr>
<tr>
<td>The firm is a member of an industry association</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The firm regularly sends representatives to industry conferences.</td>
<td></td>
<td>.74</td>
</tr>
<tr>
<td>The firm provides advice to government on behalf of the industry</td>
<td></td>
<td>.76</td>
</tr>
<tr>
<td>The firm actively lobbies government</td>
<td></td>
<td>.68</td>
</tr>
<tr>
<td>The firm spends considerable money on public relations</td>
<td></td>
<td>.73</td>
</tr>
<tr>
<td>The firm donates money to charity</td>
<td></td>
<td>.69</td>
</tr>
<tr>
<td>The firm actively invests resources and/or money in activities outside its business which aim to benefit the community</td>
<td></td>
<td>.73</td>
</tr>
<tr>
<td>Management of the firm sees the reputation of the firm as more important than profit</td>
<td></td>
<td>.44</td>
</tr>
<tr>
<td>Shareholders (or owners) are seen as the most important stakeholders of the company</td>
<td></td>
<td>.23</td>
</tr>
</tbody>
</table>

Table 12 contains the fit statistics of the nested models reflecting the different factor structures of societal orientation. The one dimensional solution less the items which measure social responsibility seemed to be best fit of the all the models concerned. This measurement model though did not fit the data well, as shown by an overall significant chi-square ($\chi^2$) and poor fit indices. A further confirmatory factor analysis was undertaken to determine the final one factor model which was a better representation of the data.
Table 12:
CFA Results – Factorial Independence of the Societal Marketing Construct

<table>
<thead>
<tr>
<th>Competing Model</th>
<th>Goodness of Fit Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$\chi^2$ (df)</td>
</tr>
<tr>
<td>Null Model</td>
<td>716.65 (36)</td>
</tr>
<tr>
<td>One Factor Model (all items)</td>
<td>232.55 (27)</td>
</tr>
<tr>
<td>One Factor Model (less Social Resp)</td>
<td>196.24 (14)</td>
</tr>
<tr>
<td>Two Factor Model</td>
<td>203.45 (27)</td>
</tr>
<tr>
<td>Three Factor Model</td>
<td>211.63 (28)</td>
</tr>
<tr>
<td>Four Factor Model</td>
<td>251.78 (30)</td>
</tr>
</tbody>
</table>

**Competing Models**

*Note: Null model:* all items represent different latent variables.

*One factor model:* all items represent a single latent variable.

*One factor model (Less Social Responsibility items)* Items of social responsibility not included in the model. Note: the normalised chi-square calculation in Table 12, suggested this model was initially the best solution.

*Two factor model:* items relating to lobbying government and industry association represent one latent variable and items relating to charity and social responsibility represent the other latent variable.

*Three factor model:* items relating to industry association representing one latent variable, items relating to lobbying government representing one latent variable and items relating to charity and social responsibility representing one latent variable.

*Four factor model:* items relating to industry association representing one latent variable, items relating to lobbying government representing
one latent variable; items relating to charity representing one latent variable and items relating to social responsibility one latent variable.

The fit of the model was marginally improved by inspection of the squared multiple correlations (SMCs) of the items of the measurement model. As seen in Table 13, item 1, “The firm is a member of an industry association” and item 2, “The firm regularly sends representatives to industry conferences”, had squared multiple correlations less than .3, in other words their variance is not well explained by the latent construct. The final model contained some correlated error variances between item 3 “The firm provides advice to government on behalf of the industry” and item 4, “The firm actively lobbies government”, indicating that respondents answered both questions in a similar way, the covariances between these error terms was of concern being .67. The final model also had another correlated error term of .40, between item 6 “The firm donates money to charity” and item 7, “The firm actively invests resources and/or money in activities outside its business which aim to benefit the community”. Once again this indicates a similar response style when answering both questions.

### Table 13:

**Further CFA of the Societal Marketing Orientation Measure**

<table>
<thead>
<tr>
<th>Competing Model</th>
<th>Goodness of Fit Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$\chi^2$ (df)</td>
</tr>
<tr>
<td>One factor model (less Social Resp)</td>
<td>196.24 (14)</td>
</tr>
<tr>
<td>One factor model (less Social Resp) less item 1</td>
<td>135.14 (9)</td>
</tr>
<tr>
<td>One factor model (less Social Resp) less item 1 and item 2</td>
<td>118.20 (5)</td>
</tr>
<tr>
<td>One factor model (less Social Resp) less item 1 and item 2 and covariance b/w item3 item4 and item6 and item7</td>
<td>3.10 (3)</td>
</tr>
</tbody>
</table>
The final model represents the data, well ($\chi^2 = 3.10$, d.f=3, p>.40) other fit indices were also acceptable (SRMR=.03, and RMSEA=.01, AGFI=.97, NNFI=.99 and CFI=1.00), suggesting that the model represents the covariances of the original dataset. The final model, as shown in Table 14, had an alpha reliability of .82, and consisted of the items 3, 4 and 5 which measured the dimensions of lobbying government, and those of charity item 6 and item 7.

**Cross National Validation of the Societal Marketing Orientation Measure**

In order to further validate the measurement model a procedure as recommended by Steenkamp Hostede and Wedel (1999) was followed. The parameters of the original measurement model were fixed to being equal to the countries of the study, Australia, Singapore, the Netherlands and China. The measurement model with these increased constraints still matches the data well ($\chi^2 = 37.55$, d.f=33, p>.27). Comparing this model to the measurement model without these constraints lead to an insignificant chi-square ($\chi^2 = 37.55-3.10=34.45$, d.f=33-3=30, p>.10), suggesting no differences between the constrained model of fixed country parameters, with that of the overall model across the dataset. Or, in other words the factorial structure of the final model is invariant across all of the countries in the study, thus it is more efficient to use the parameters of the overall measurement model, than develop separate parameters for each of the countries in the study. The 5 items, as shown in Table 14, were then summed to construct a final measure of societal marketing.

**Table 14:**

**Final Measurement Model for Societal Marketing Construct**

<table>
<thead>
<tr>
<th>Scale Item</th>
<th>Previous sub-scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) The firm provides advice to government on behalf of the industry.</td>
<td>Lobby government</td>
</tr>
<tr>
<td>2) The firm actively lobbies government.</td>
<td>Charity</td>
</tr>
<tr>
<td>3) The firm spends considerable money on public relations.</td>
<td></td>
</tr>
<tr>
<td>4) The firm donates money to charity.</td>
<td></td>
</tr>
<tr>
<td>5) The firm actively invests resources and/or money in activities outside</td>
<td></td>
</tr>
<tr>
<td>its business which aim to benefit the community.</td>
<td></td>
</tr>
</tbody>
</table>
The Business Environment

The measurement of the business environment was also validated by structural equation modelling (SEM). Original factor analysis suggested the following dimension as shown in Table 15. The fit Standardised Root Mean Square Residual (SRMR) and the Root Mean Square Error of Approximation (RMSEA) showed that the measurement model for these dimensions could both be improved. The items of Market conditions being only three (3) meant that the fit statistics commonly applied in SEM could not be used in this case. The alpha reliabilities of the measurement of the dimension of market conditions were also of concern being low at 0.58.

Table 15:
One-Factor Congeneric Models – Fit Statistics of the Business Environment
(n=217)

<table>
<thead>
<tr>
<th>Scale</th>
<th>Fit Statistics</th>
<th>Alpha Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>( \chi^2 ) (df)</td>
<td>RMSEA</td>
</tr>
<tr>
<td>Environment (4 items)</td>
<td>5.43 (2)</td>
<td>.09</td>
</tr>
<tr>
<td>Competitive conditions (6 items)</td>
<td>39.58 (9)</td>
<td>.12</td>
</tr>
<tr>
<td>Market conditions (3 items)</td>
<td>0.00(0)</td>
<td>NA</td>
</tr>
</tbody>
</table>

Table 16, page 112, shows the results for the different factor structures of the environment. It seemed that the model with the best fit with that of the data was that of a two factors, business environment and competitive conditions, without two items of market conditions.
Table 16:
CFA Results – Factorial Independence of the Business Environment Construct

<table>
<thead>
<tr>
<th>Competing Model</th>
<th>Goodness of Fit Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$\chi^2$ (df)</td>
</tr>
<tr>
<td>Null Model</td>
<td>7193 (91)</td>
</tr>
<tr>
<td>One Factor Model</td>
<td>300.78 (66)</td>
</tr>
<tr>
<td>One Factor Model (less items on market conditions)</td>
<td>183.05 (35)</td>
</tr>
<tr>
<td>Two Factor Model</td>
<td>248.81 (65)</td>
</tr>
<tr>
<td>Two Factor Model (less items on market conditions)</td>
<td>95.68 (68)</td>
</tr>
<tr>
<td>Three Factor Model</td>
<td>161.44 (65)</td>
</tr>
</tbody>
</table>

**Competing Models**

**Note:** **Null model:** all items represent different latent variables.

**One factor model:** all items represent a single latent variable.

**One factor model (less items on Market Conditions)** The three items on Market Conditions not included in the model. Note: the normalised chi-square calculation in Table 16, suggested this model was initially the best solution.

**Two factor model:** items relating to Business and Competitive conditions represent one latent variable and items relating to Market Conditions represent the other latent variable.

**Two factor model (less items on Market Conditions):** Items relating to Market Conditions not included in the model. Items relating to Business conditions represent one latent variable and items on Competitive conditions represent the other latent variable.

**Three factor model:** items relating to Business environment representing one latent variable, items relating to Competitive conditions representing one latent variable and items relating to Market Conditions representing one latent variable.
This model though does not fit the data well, \( \chi^2 = 95.58, \ d.f=68, \ p<.01 \), nor do the fit indices of RMSEA and SRMR indicate a reasonable fit, both being above .08.

The next step, as presented in Table 17, showed that by the removal of the following items from the latent construct of Competition, ind9 (Competition for Labour) and ind10 (Competition for Raw materials) the fit of the model was substantially improved. The final model which included some error covariances which were all below .08 and averaged around 0.3, showed that the model does represent the data reasonably well. The RMSEA was below .06, indicating acceptable fit (Kline, 1998), and goodness of fit indices are all around 1.

**Table 17:**

Further CFA of the Business Environment Measure

<table>
<thead>
<tr>
<th>Competing Model</th>
<th>Goodness of Fit Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>( \chi^2 ) (df)</td>
</tr>
<tr>
<td>Two factor model (less items on market conditions)</td>
<td>95.68 (68)</td>
</tr>
<tr>
<td>Two factor model (less items on market conditions), less ind9 and ind10</td>
<td>44.02 (20)</td>
</tr>
<tr>
<td>Two factor model (less items on market conditions), less ind9 and ind10 and error variance b/w eind2, eind6 and eind4 , eind6</td>
<td>28.21 (18)</td>
</tr>
</tbody>
</table>
The final measurement model of the business and competitive environments is shown in Table 18.

**Table 18:**
Final Model for the Business Environment Measure

<table>
<thead>
<tr>
<th>Scale Item</th>
<th>Construct</th>
<th>Alpha Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Customer Trends (ind1)</td>
<td>Business Environment</td>
<td>.65</td>
</tr>
<tr>
<td>2) Production Levels (ind2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) Technological Developments (ind3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4) Demographic Trends (ind4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5) Competitive Prices (ind5)</td>
<td>Competitive Environment</td>
<td>.80</td>
</tr>
<tr>
<td>6) Competition on Products (ind6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7) Competition on Technology (ind7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8) Competition on Distribution (ind8)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Cross National Validation of the Business Environment Measure**

In order to examine the factorial stability of the constructs, a procedure as recommended by Steenkamp Hostede and Wedel (1999) was followed. The parameters of the original measurement model were fixed to being equal to the countries of the study, Australia, Singapore, the Netherlands and China. The measurement model with these increased constraints did not match the data well ($\chi^2 = 176.29$, d.f.=60, $p<.01$). Comparing this model to the measurement model without these constraints lead to a significant chi-square ($\chi^2 =176.29-28.20=148.09$, d.f.=60-28=32, $p<.01$), suggesting differences between the constrained model of fixed country parameters, with that of the overall model across the dataset. Or, in other words the factorial structure of the final model is variant across all of the countries in the study, thus it was necessary to develop separate parameters for each of the countries in the study than to use the parameters of the overall measurement model. This means that the factorial weights in each country were used to determine the overall scores for the measurements of Business and Competitive Environments.
Dependent Variables

Objective Performance

This was a composite index and included measures last financial year’s results of sales, gross and net profit, and current assets, all recorded on seven point scales from (1) less than AUD $100, 000 to (7) greater than AUD$100, 000 000. Cronbach’s alpha for this measure was .94. The mean of performance was 17.06 and the standard deviation was 7.4. A summary of the dependent measures is shown in Table 19.

Subjective Performance

Perceived performance was measured by a series of four five point scales, which assessed satisfaction with financial performance. Respondents were asked for their level of agreement (1) Strongly Disagree to (5) Agree, whether the firm’s financial performance in the next financial year would be satisfactory, along with its return on investment, corporate liquidity levels and return on shareholders’ equity, These items were summed to form a composite score. Cronbach’s alpha for this measure was .91. The mean of subjective performance was 14.14 and the standard deviation was 3.94. A summary of the independent and dependent measures is shown in Table 19.

Table 19:
Descriptive Statistics and Reliability

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective Performance</td>
<td>17.06</td>
<td>7.40</td>
<td>.94</td>
</tr>
<tr>
<td>Subjective Performance</td>
<td>14.14</td>
<td>3.94</td>
<td>.91</td>
</tr>
<tr>
<td>Market/Customer Orientation</td>
<td>16.38</td>
<td>2.74</td>
<td>.87</td>
</tr>
<tr>
<td>Competitive Orientation</td>
<td>11.13</td>
<td>2.60</td>
<td>.86</td>
</tr>
<tr>
<td>Interfunctional Coordination</td>
<td>7.03</td>
<td>1.64</td>
<td>.81</td>
</tr>
<tr>
<td>Societal Orientation</td>
<td>14.13</td>
<td>4.72</td>
<td>.82</td>
</tr>
<tr>
<td>Environment</td>
<td>4.24</td>
<td>1.56</td>
<td>.65</td>
</tr>
<tr>
<td>Competitive Environment</td>
<td>4.60</td>
<td>1.41</td>
<td>.80</td>
</tr>
</tbody>
</table>
CHAPTER SUMMARY

In this chapter a series of measures were developed and then validated using confirmatory factor analysis (CFA). Most of the independent variables were found to be factoraly invariant across all the countries in the study. The one exception was the measure of business environment. For this measurement the factor weights from each country were used to determine the final score. The next chapter of this thesis examines the key hypothesis of this study.
CHAPTER 5: RESULTS PART 2 –
EXAMINATION OF HYPOTHESIS

Regression Results

Hierarchical regression was used to assess the first six hypotheses (Cohen and Cohen, 1983, p.121-125). In order to examine evidence for moderation the procedure as recommended by Greenley and Foxall (1998) was followed. This involved the analysis of three regression equations:

A. Performance=Antecedents
B. Performance=Antecedents + Moderating Variables
C. Performance=Antecedents + Moderating Variables + Interaction Terms

Where,

Antecedents (A) =
Market Orientation, Competitive Orientation and Societal Orientation, % Sales from households, % sales from manufacturing, % sales from business, % sales from contractors, % sales and % sales from government, Industry performance and growth and state of the economy. Note these last set of variables were included to account for differing types of industries and market conditions.

Moderating variables (MV) = Business and the competitive environment

Interaction terms (IT) =
The product of each moderating variable with the antecedent variables of market orientation, competitive orientation, societal orientation and industry association.
Hierarchical regression was preferred to a stepwise procedure as it is “the only basis on which variance partitioning can proceed with correlated independent variables,” (Cohen and Cohen, 1983, p.120) and “is a useful tool for estimating the effects of each cause” (op cit. 1983, p.121). Stepwise procedures with the multiple single additional entries of independent variables were seen as more likely to produce type II errors and have serious problems dealing with correlated independent variables (op cit. 1983, p.124).

Hypotheses 1 (Customer orientation has a positive impact on business performance), Hypothesis 3 (Inter-functional coordination has a positive impact on business performance) and Hypothesis 5 (The relationship between competitor orientation and performance will be moderated by the environment) were tested in regression equation A, for both objective and subjective performance. Hypotheses 2 (Competitor orientation has a positive impact on business performance), Hypothesis 4 (The relationship between customer orientation and performance will be moderated by the environment) and Hypothesis 6 (The relationship between inter-functional coordination and performance will be moderated by the environment) were tested by the examination of the change in $R^2$, and by the nature of beta coefficients. Evidence of a pure moderated relationship is found by the non-significant betas of the main effects of the business and competitive environments, in equation B, yet significant interactions terms between these two measures of the environments and the independent variables of the study (customer, competitor and societal marketing orientation). The betas of the independent variables should also fall, due to the interaction effect in equation C. The $R^2$ of equation C should also be higher than of B and A.

The results in Table 20 on page 119, for objective performance in the past financial year showed support for H7 (Social Marketing Orientation and Industry Association both had a positive impact on Performance) H1 to H6 were not supported. There was no evidence of a statistical relationship between objective performance and Customer Orientation (H1), Competitor Orientation (H2) and Interfunctional Coordination (H3).
Nor was there any evidence of moderated relationships, as shown by the lack of significant interaction betas in equation C, (results of which are not shown) of Customer, Competitor Orientations and Interfunctional Coordination the Environment (H4-H6, respectively). Past studies on social responsibility have shown that there is some evidence of a positive relationship between social responsibility and performance; however, it is important to note that these studies only looked at objective performance rather than subjective. Hence, it is important that studies in the future look at both subjective and objective performance.

Table 20:
Tests for Main Effects: Moderating Variables and Interaction Terms on Objective Performance

<table>
<thead>
<tr>
<th>A. ANTECEDENTS</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
<td>B</td>
<td>SE.B.</td>
<td>Beta</td>
</tr>
<tr>
<td>Constant</td>
<td>7.60</td>
<td>3.40</td>
<td></td>
</tr>
<tr>
<td>Societal Marketing</td>
<td>.33</td>
<td>.13</td>
<td>.21**</td>
</tr>
<tr>
<td>Industry Association</td>
<td>.87</td>
<td>.31</td>
<td>.25**</td>
</tr>
</tbody>
</table>

**=p<.05, *=p<.10,  R-squared = .18

<table>
<thead>
<tr>
<th>B. ANTECEDENTS + MODERATING VARIABLES</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>5.09</td>
<td>4.68</td>
<td></td>
</tr>
<tr>
<td>Societal Marketing</td>
<td>.40</td>
<td>.14</td>
<td>.26**</td>
</tr>
<tr>
<td>Industry Association</td>
<td>.73</td>
<td>.32</td>
<td>.21**</td>
</tr>
</tbody>
</table>

**=p<.05, *=p<.10,  R-squared = .20

<table>
<thead>
<tr>
<th>C. ANTECEDENTS + MODERATING VARIABLES + INTERACTION TERMS</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
<td>B</td>
<td>SE.B.</td>
<td>Beta</td>
</tr>
<tr>
<td>Constant</td>
<td>7.38</td>
<td>3.68</td>
<td></td>
</tr>
<tr>
<td>Societal Marketing</td>
<td>.40</td>
<td>.12</td>
<td>.26**</td>
</tr>
<tr>
<td>Industry Association</td>
<td>.73</td>
<td>.27</td>
<td>.21**</td>
</tr>
<tr>
<td>Competitive environment</td>
<td>.78</td>
<td>.34</td>
<td>.15**</td>
</tr>
</tbody>
</table>

**=p<.01, *=p<.05,  R-squared = .22
The results for expected subjective performance in the next year were quite different to that of objective performance in the past financial year, as shown in Table 21, page 121. Originally as shown in equation A, there appeared to be only support for H1 (Customer Orientation and Performance). Although it does appear that support was found moderation effects for Competitive Orientation (H4) and Interfunctional coordination (H6). That was due to the fact that the interaction for these variables were significant in equation C, yet in Equation B., (which is not shown since it is identical to that of A), there was no significant main effects of the business and competitive environment on subjective performance. Equation C, also suggested that there was a main effect on performance of Competitive Orientation (H2) and Interfunctional Coordination (H3). Interestingly, the effect of Interfunctional Coordination on Subjective performance is negative. This result was not expected and is best explained by examining the interaction between interfunctional coordination strategy and business environment (see Figure 3, page 122).
### Table 21:
Tests for Main Effects: Moderating Variables and Interaction Terms on Subjective Performance

#### A. ANTECEDENTS

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE.B.</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>5.66</td>
<td>1.96</td>
<td></td>
</tr>
<tr>
<td>Industry Growth</td>
<td>.62</td>
<td>.22</td>
<td>.23**</td>
</tr>
<tr>
<td>% Household Customers</td>
<td>-.02</td>
<td>.10</td>
<td>-.22**</td>
</tr>
<tr>
<td>Customer Orientation</td>
<td>.23</td>
<td>.12</td>
<td>.16**</td>
</tr>
</tbody>
</table>

**p<.01, *=p<.05, R-squared = .23**

Note: Only significant results are shown

#### B. ANTECEDENTS + MODERATING VARIABLES

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE.B.</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>3.45</td>
<td>2.44</td>
<td></td>
</tr>
<tr>
<td>Industry Growth</td>
<td>.62</td>
<td>.22</td>
<td>.23**</td>
</tr>
<tr>
<td>% Household Customers</td>
<td>-.03</td>
<td>.10</td>
<td>-.24**</td>
</tr>
<tr>
<td>Customer Orientation</td>
<td>.23</td>
<td>.12</td>
<td>.17**</td>
</tr>
</tbody>
</table>

**p<.01, *=p<.05, R-squared = .28**

Note: Only significant results are shown

#### C. ANTECEDENTS + MODERATING VARIABLES + INTERACTION TERMS

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE.B.</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>5.67</td>
<td>1.93</td>
<td></td>
</tr>
<tr>
<td>Industry Growth</td>
<td>.69</td>
<td>.20</td>
<td>.24**</td>
</tr>
<tr>
<td>% Household customers</td>
<td>-.03</td>
<td>.12</td>
<td>-.29**</td>
</tr>
<tr>
<td>Customer Orientation</td>
<td>.37</td>
<td>.11</td>
<td>.25**</td>
</tr>
<tr>
<td>Interfunctional Coordination</td>
<td>-1.69</td>
<td>.54</td>
<td>-.71**</td>
</tr>
<tr>
<td>Competitor Orientation</td>
<td>1.02</td>
<td>.34</td>
<td>.65**</td>
</tr>
<tr>
<td>Interfunt X Environ</td>
<td>.34</td>
<td>.12</td>
<td>1.12**</td>
</tr>
<tr>
<td>Compet X Environ</td>
<td>-.20</td>
<td>.08</td>
<td>-1.07**</td>
</tr>
</tbody>
</table>

**p<.05, *=p<.10, R-squared = .36**

Note: Only significant results are shown
A closer examination of the interaction terms, as presented in Figure 3, shows that the use of an inter-functional coordination strategy is not suited to a more turbulent environment. The graph shows performance of companies scoring above the median for interfunctional coordination (high interfunctional) and those below the median (low interfunctional) across the environment types. It appears, as shown in the graph, that in a turbulent environment high interfunctional firms expect some loss in performance due to the need to re-focus of their efforts when adopting an inter-functional coordination strategy. There is possibly a short term cost involved in re-structuring and formulating a new strategy, such as becoming more customer orientated or market orientated, in a turbulent environment. For example, managers of a firm that are operating in a turbulent environment will be in corporate meetings devising new strategies on how to cope with the turbulence, hence, they are not making money but making expenditure in changing strategy for the future survival of the firm. Companies will have a higher degree of inter-functional coordination as they are trying to get their firm organised and restructure their efforts. Hence, their performance will drop slightly so that the firm can better operate in this change of environment in the long term future.

Figure 3: Interaction of Interfunctional Coordination Strategy and Environment
As shown in Figure 4, the effect of competitor orientation on subjective performance is moderated by the environment, but not in a linear fashion. In other words, the effectiveness of competitive based strategies is influenced by the particular type of environment. For example, it was expected that firms that had a focus on a competitor orientated strategy (scoring above the median on this measure) would have higher levels of performance in a disturbed reactive environment than those who don’t. There is some support for this proposition in the interaction plot, with firms pursuing a competitor orientated strategy scoring higher on subjective performance, than firms with a little concern for competitors (below the median score on competitor orientation). As will be discussed latter though, these differences are not significant, but they are in the right direction. Interestingly, the graph shows a slight decline in the effectiveness of a competitor orientated strategy when firms encounter a turbulent environment. In a turbulent environment there is no payoff for a competitor orientated strategy, that is, firms scoring above and below the median on competitor orientated strategy, had almost exactly the same level of subjective performance. As will be discussed latter, this result reinforces the importance of the use of a customer orientated strategy in a more turbulent environment.

![Figure 4: Interaction of Competitor Orientation Strategy and Environment](image)
The last sets of hypotheses 9-12, suggested that particular types of environmental strategies should be more successful in particular environments. In order to investigate this, a K-means cluster analysis was conducted to form each of the four requested Emery and Trist (1965) environmental typologies. The four clusters were formed on the basis of scores related to environmental turbulence, a lower score representing a more turbulent environment. This subsequent analysis, which can be likened to a sensitivity study, is also often used to identify homologised variables, which can sometimes be mistaken for moderating variables in a regression analysis (Greenley, 1999). The results of the cluster analysis classified around half (50.7%) of those companies surveyed into a disturbed reactive environment, followed by around a quarter (26.3%) into a turbulent environment, with 14.6% being classified as fitting into a Placid Clustered Environment and 8.5% into a Placid Random Environment.

Cluster analysis was chosen to determine the level of environmental turbulence, rather than over cut-off scores, like for example quartiles (upper, middle, lower). The reason for this is that cluster analysis is around the distance mean of each cluster and provides a more stable typology, while cut-off scores provide a degree of variation as to where the company can be placed with regards to environmental typology.

Table 22, page 125, shows the cluster means or centroids for each of the environmental industry types. The industry types captured by the data can be seen as mainly existing in the last two environments of “Disturbed Reactive” and “Turbulent”.
Table 22:
Cluster Centroids

<table>
<thead>
<tr>
<th>Type of Environment</th>
<th>Placid Random (N=18)</th>
<th>Placid Clustered (N=31)</th>
<th>Disturbed Reactive (N=108)</th>
<th>Turbulent (N=58)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Environment</td>
<td>7.90 (.74)</td>
<td>6.02 (.50)</td>
<td>3.87 (.35)</td>
<td>2.78 (.46)</td>
</tr>
<tr>
<td>Competition Environment</td>
<td>4.47 (1.92)</td>
<td>4.69 (1.96)</td>
<td>4.64 (1.29)</td>
<td>4.53 (1.10)</td>
</tr>
<tr>
<td>Objective Performance</td>
<td>15.61 (6.99)</td>
<td>14.35 (8.39)</td>
<td>18.03 (6.89)</td>
<td>17.23 (7.57)</td>
</tr>
<tr>
<td>Subjective Performance</td>
<td>13.56 (4.78)</td>
<td>14.94 (3.76)</td>
<td>14.68 (4.01)</td>
<td>12.84 (3.32)</td>
</tr>
</tbody>
</table>

Note: Standard deviations are shown in parentheses. Business Environment scored from 0 (Highly unpredictable) to 8 (Highly predictable). Competitive Environment scored from 0 (No competition at all) to 7 (Very strong competition).

Firms were classified as having high or low customer, competitor and societal orientation if they scored above or below the median on these respective measures. Analysis of firms in a Placid-Random environment found no differences in objective or subjective performance for companies using any particular strategies (there was no significant differences between firms using a high or a low level of strategies that were customer, competitor or societal orientated) thus support was found for H9.

In the Placid-Clustered environment, there was no difference between firms with a high or a low level of customer orientation, thus H10 was not supported. Interestingly, the results did show a difference in objective performance between firms with a high versus low level of societal orientation. Companies pursuing a societal strategy (mean of objective performance =15.09, n=21) reported a higher level of objective performance than those at the other end of the scale (mean of objective performance=14.60, n=10, t=4.42, p<.01).

The results for the companies operating in a Disturbed Reactive Environment did not support H11 (superior performance for firms using a competitor orientated strategy in this environment). Rather, firms that
used a customer orientated strategy (mean=15.55, n=63) in these circumstances reported higher levels of subjective performance than those not focusing on this strategy (n=45, mean=13.44, t=2.87, p<.01).

In the turbulent environment, support was not found that businesses that pursued a highly orientated societal marketing strategy would be successful than firms that did not (H12). Again, firms with a high level of customer orientation in terms of subjective performance (n=24, mean=14.21) were shown to be more successful in this environment than companies which did not greatly focus on consumers, (n=32, mean=11.81, t=2.84, p<.01). This was expected, given the nature of regression results for subjective performance. Studies by Slater and Narver (1994a) and Matsuno and Mentzer (2000) suggested that market orientation was an effective strategy in a more turbulent environment. This research study shows that it is the degree of customer orientation that is important in these business conditions, and not market orientation as a whole consisting of customer orientation, competitor orientation, and interfunctional coordination.
CHAPTER SUMMARY

This chapter reported the statistical results concerning the hypothesis that were formulated and discussed in Chapter 2 of this research study. Descriptions were provided on the manner in which each of the hypotheses was tested. With respect to main effects, the results of the study showed that market strategies such as customer orientated, competitor orientated, interfunctional orientated were related to firms performance but only with regards to subjective performance. With regards to the societal marketing orientation, results have revealed that the strategy has a significant effect on firm’s performance but only on objective performance. The study also found that relationship-based marketing strategies and environmental factors moderate the effects of marketing strategies on firm’s objective or subjective performance but in certain business environments. A summary of the results for each of the hypotheses is provided in Table 23, page 128. Chapter 6 will provide a detailed discussion of the results of this study, as well as an outline of both theoretical and practical implications, assumptions, any limitations and suggestions for further research study.
<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Objective Performance</th>
<th>Subjective Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Customer Orientation and Performance</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>H2: Competitor Orientation and performance</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>H3: Interfunctional Co-ordination and Performance</td>
<td>No</td>
<td>Yes (but negative relationship found)</td>
</tr>
<tr>
<td>H4: Environment moderates the relationship b/w customer orientation and performance</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>H5: Environment moderates the relationship b/w competitor orientation and performance</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>H6: Environment moderates the relationship b/w interfunctional coordination and performance</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>H7: Societal Marketing Orientation and Performance</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>H8: Environment moderates the relationship b/w societal marketing orientation and performance</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>H9: No difference in marketing strategies of customer, competitive and societal orientation</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>H10: Firms with a high level of customer orientation are more successful in a Placid-Clustered environment</td>
<td>No¹</td>
<td>No</td>
</tr>
<tr>
<td>H11: Firms with a high level of competitor orientation are more successful in a Disturbed Reactive environment</td>
<td>No</td>
<td>No²</td>
</tr>
<tr>
<td>H12: Firms with a high level of societal marketing orientation are more successful in a Turbulent environment</td>
<td>No</td>
<td>No³</td>
</tr>
</tbody>
</table>

1: Firms with a focus on Societal Marketing Orientation are more successful
2 and 3: Companies with a focus on Customer Orientation are more successful
CHAPTER 6: DISCUSSION AND CONCLUSIONS

The purpose of this study was to investigate the following issues:

1) To determine the significance of marketing strategies (marketing orientation, competitive orientation and societal marketing) on performance.

2) To evaluate the importance of the business environment as a moderating variable on outcomes of various business strategies.

3) To determine the effectiveness of a particular strategy in a specific environment.

Throughout this thesis it was recognised that the above three issues are interrelated. This became more prevalent in the literature review which dealt with a number of areas such as marketing strategies (marketing orientation, competitive orientation and societal orientation), performance and business environment as a moderator on the relationship between strategy and business performance. The critical review of past literature gave the fundamental base for the development of twelve hypotheses which addressed each of these areas in an interdependent fashion. Further, this interdependent nature of the research problems was considered in the research design. The design was constructed and took into account each of the three issues and provided critical conditions in which the significance of marketing strategies (marketing orientation, competitive orientation and societal orientation) and business environment, as a moderating variable on performance could be investigated.
Summary of Results

The research study questions the conventional wisdom of a customer-focused strategy being an important driver for company success in all industry conditions. Previous literature on market orientation has revealed that an increase in market orientation can be expected to result in higher performance. Past studies on market orientation have assessed business performance through subjective and objective measures and produced mixed results (Narver and Slater, 1990; Kohli and Jaworski, 1990; Ruekert, 1992; Jaworski and Kohli, 1993; Diamantopoulos and Hart, 1993; Slater and Narver, 1994a; Deng and Dart, 1994; Atuahene-Gima, 1995; Pelham and Wilson, 1996; Appiah-Adu, 1997; 1998; Gray et al, 1998; Cadogan et al, 1999). To test the relationship between the four independent variables of and business performance, this research used hierarchical regression, where the scores of each individual dimension of market orientation (customer orientation, competitor orientation, inter-functional coordination) and societal marketing orientation was regressed with the parameters of objective and subjective performance.

The study found evidence that Narver and Slater (1990) measure of market orientation to consist of three dimensions, customer orientation, competitor orientation and inter-functional coordination. Not the one dimension encompassing the 15 items as suggested by Narver and Slater (1990) and Slater and Narver (1994a). The existence of a three dimensional model, with covariances between the constructs all below 0.5, provides evidence of discriminant validity and suggests that Narver and Slater (1990) measure is really a collection of three separate measures. Conceptually, the results suggest that the Narver and Slater (1990) market orientation measure may well represent a customer orientation, rather than a collection or related, yet distinct business strategies. This also reflects an emerging view in the literature that Narver and Slater’s (1990) market orientation measure consists of customer orientation and competitor orientation as distinct strategic directions which a firm can pursue (Lafferty and Hult, 2001 and Noble, Sinha and Kumar, 2002). As no research study, to the author’s knowledge has
examined the measurement properties of the Narver and Slater (1990) scale, these results call into question many of the findings of association between market orientation and performance (Narver and Slater, 1990; Ruekert, 1992; Slater and Narver, 1994a; Pulendran, Speed and Widing, 2000; Lafferty and Hult, 2001). It may also explain the conflicting results in some studies, since the separate contribution of customer and competitor orientation to performance has not been examined (the exception being Noble, Sinha and Kumar, 2002).

Like Narver and Slater (1990), the results suggest that the construct of long term horizon and profit emphasis, do not contribute to the measurement of market orientation and are best not considered as part of the domain of this construct. A possible reason, also suggested by Narver and Slater (1990) is that these two constructs have poor measurement properties, low alpha reliabilities, implying that the items used to measure each construct may not have been appropriate. Confirmatory factor analysis (CFA) in this study also suggests that a measurement model containing these constructs performed poorly when compared to others containing only the items, as suggested by Narver and Slater (1990).

The final measurement of nine items, also suggests some problems with the wordings of some of the items of the Narver and Slater (1990) scale. Some may reflect more a type of operational managerialism, than a strategic direction to be pursued by the firm. Statements such as ‘measure customer satisfaction’ and ‘after-sales service’ may be seen as more commonplace management practices than representing a customer orientation of the firm. Other terms such as ‘full functions contribute to customer value’, may be more axioms of business rather than reflect actual customer centred strategies. The meaning of other items such ‘interfunctional sales-calls’ may be unclear to some respondents, and may require rewording for future studies, especially if they are conducted outside the United States of America.

The nine items of the modified Narver and Slater (1990) scale, greatly facilitates the administration of the measurement of customer orientation, competitor orientation and interfunctional coordination. The modified
Narver and Slater (1990) scale does not contain some of the problematic items of the original measurement and this may explain why these measures have a robust factor structure, which was invariant across several countries.

The results showed that the three dimensions of market orientation strategy (customer orientation, competitor orientation and inter-functional coordination) were significant predictors of subjective performance. The strongest relationship appears to occur due to the interaction of interfunctional coordination and the business environment followed then by the interaction between competitor orientation and business environment. The largest main effect appears to be due to interfunctional coordination strategy, which interestingly was negative, followed by competitor orientation strategy and then customer orientated strategy (both were positive). Therefore, H1, H2 and H3 have been supported and it can be concluded that all three market orientation dimensions will have an impact on company's subjective performance. This supports previous studies of Narver and Slater (1990), Kohli and Jaworski (1990); Jaworski and Kohli (1993), Deshpande et al. (1993), Slater and Narver (1994a; 1995), Deng and Dart (1994), Pelham and Wilson (1996), Pitt et al., (1996), Balakrishnan (1996), Avlonitis and Gounaris (1997), Deshpande and Farley (1998).

In the case of H1 and H2, there is a positive relationship between customer orientation strategy and competitor orientated strategy and subjective performance. The logic of the relationship between market orientated strategies (customer orientated and competitor orientated) and performance is quite simple as those firms that generate better information about their customer need's and preferences, disseminate this information to the appropriate decision makers in a timely fashion, and develop co-ordinated strategies to ensure that the firms’ products better meet the needs and wants of customers, will be better placed to implement strategies which result in providing customers with more value than their less customer orientated or competitor orientated counterparts (Vorhies, Harker and Rao, 1999). Companies that adopt a customer
orientated strategy or a competitor orientated strategy will significantly improve their long-term profitability which supports the position adopted in the marketing literature which advocates long-run profitability as a central tenet of the marketing concept (Kotler and Armstrong, 1994; Baker and Sinkula, 1999). Additionally, the research findings also support the study by Dawes (2000), who found that using subjective performance measures may result in ‘false positive’ associations.

However, it should be noted that with regards to the inter-functional coordination strategy, the coefficient Beta was found to be negative suggesting that the link between market orientation strategy and business performance is not always positive. This suggests that while an inter-functional coordination strategy may be optimal for some businesses, it may be that for other business concerns, the performance benefits accrued from developing high levels of inter-functional coordination strategy may outweighed by the associated costs. Hence, gathering valuable information about firm’s customers’ needs and preferences, analyzing and disseminating this collected data to decision makers in a timely fashion, and developing appropriate strategies that ensure that the firm’s product better meets the needs and wants of customers, requires the utilisation of company resources and short-term costs. Consequently, firms believe that adopting the inter-functional coordination strategy will eventually improve their company performance in the future despite its high costs and investment in the early stages of adopting the strategy.

The Beta coefficients between of the three market orientation strategies and firms’ objective performance were found to be not significant. Therefore, it can be concluded that there is no apparent relationship between the three market orientation strategies and firm’s objective performance. As a result, no support was found for H1, H2 and H3. This is in line with the findings of earlier studies of Jaworski and Kohli (1993), Esslemont and Lewis (1991), Au and Tse (1995) and Tse (1998). This phenomenon may suggest that the impact of the three market orientated strategies may have a lagged effect and/or impact on the firm’s objective performance. Therefore, it may be useful to plan a market orientated
strategy as a long term investment, provided that managers can overcome the temptation and commercial pressures associated with achieving short term results (Raju, Lonial and Gupta, 1995; Greenley, 1995b; Appiah-Adu, 1997). Further, the insignificant Beta coefficients between the three market orientation strategies and objective performance may suggest that the commonly accepted theory that market orientated companies are more successful than less market orientated companies is questionable.

Research has found no support with regards to H7 representing the relationship between societal marketing orientation and subjective performance. This supports the findings of previous studies of Berger and Kanetkar, (1995), Osterhus (1997) and who argue in their studies that a large number of managers of firms that have never embraced or adopted the societal marketing orientation strategy within their organisation “remain wary of committing resources to an activity which is not known to be associated with any specific market or performance gain in the future” (Maignan and Ferrell, 2001, p.457). Managers may be sceptical to adopt this type of market strategy as they may lack the understanding of the societal marketing concept and its benefits, and lack the appropriate tools and methods of putting it into practice.

Further, this result indicates that it is difficult for a company to determine whether or not the societal marketing orientation strategy will have any potential business benefit or impact on the future performance of the firm. However, a significant association has been found in relation to societal marketing orientation strategy having a positive impact on a firm’s objective performance. This supports the studies of Abbott and Monsen (1979), Bragdon and Marli (1979), Spencer and Taylor (1987), Graves and Waddock (1993). This may be accredited to the fact that firms that have applied societal marketing orientation strategy in the past are now seeing the results judging from past financial year performance. Companies may view the adoption of the societal marketing orientation strategy as a marketing investment, where the firm’s survival and achievement of competitive advantage in the marketplace and
achievement of long-term value will be gained from conducting business through a societal marketing orientation Maignan and Ferrell (2001). This approach far outweighs the short-term costs encountered. An example of such interaction between societal marketing orientation strategy and its positive impact on objective performance can be seen in the business operations of fast food giant McDonalds. With the mounting criticism of consumers and health authorities towards fast food, and its increasing effect on the rise of obesity among consumers, has forced McDonalds to change its attitude, corporate image and add a new product line to address community's or society's concerns. To improve its deteriorating corporate image and decreasing performance (market share), McDonalds has introduced a new product line of healthy and nutritious food, such as cereal, yogurts, fresh fruit and sandwiches. Additionally, McDonalds has embarked on properly designed public relations programmes of societal market orientation nature in order to change their image and boost the company's profitability in the future, despite the company's current short-term costs.

The purpose of this research was to extend the market orientation and societal market orientation research stream by examining the relationship between business environments, market orientated strategies and business performance.

With regards to the moderating effect of business environment on the effectiveness of marketing strategies (customer orientated, competitor orientated, inter-functional coordination orientated and societal marketing orientated) statistical analysis has produced mixed results. It appears that the business environment within which companies operate has no moderating effect on market orientated strategies (customer orientation, competitor orientation, inter-functional coordination and societal marketing orientation) and objective performance relationship. As a result, H4, H5, H6, and H8 were not supported. This is in line with the findings of Diamantopoulos and Hart (1993) who identified a weak association between market orientated strategies and firms objective performance due to possible moderating influence of the environment on
the relationship. Once again, these insignificant Beta coefficients may be accredited to the lagged effect of the three marketing orientation strategies (customer orientation, competitor orientation and interfunctional coordination) and societal market orientation strategy on firm’s objective performance. However, it should be noted that objective performance reflects the results of a firm’s operations in the past, where the firm was operating under different market and environmental conditions. Hence, these results must be treated with caution as past results may reflect company’s performance operating in a different environmental setting, for example, the market was less turbulent, entry barriers were higher or lower, the overall economy was in recession or recovering from one, or the economy-market/industry was in a period of transition. A different set of results may be obtained if the study is repeated.

With regards to subjective performance, the results are mixed as was expected and found in past literature (Slater and Narver, 1994a; Greenley, 1995b; Doyle and Wong, 1996; Gounaris and Avlonitis, 1996; Cadogan, 1997; Appiah-Adu, 1998; Kumar et al., 1998; Gray et al., 1999). No support has been found for H4 (the environment will moderate the relationship between customer orientation and subjective business performance), as well as no support has been found for H8 (the environment will moderate the relationship between societal market orientation and subjective business performance). This is not in line with the findings of Gray et al. (1998) and Greenley (1995b) who suggested that “the influence of market orientation on performance is contingent on external environment variables, and that market orientation may only be advantageous in certain types of external environments” (Greenley and Foxall, 1998, p. 376). Customer orientation strategy is a successful strategy across all the environments but as will be discusses later, it is particularly effective in the disturbed reactive and turbulent environments.

However, statistical results have revealed that there is support for H5 (the environment has a moderating effect on the competitor orientation and performance relationship), and H6 (the environment has a moderating effect on the inter-functional coordination and performance relationship).
As discussed earlier in Chapter 5 (Results Part 2), Figure 4 (page 123) represents the moderating effect of the environment on the interaction of the competitor orientation strategy on subjective performance. The graph showed that the effectiveness of competitive based strategies is influenced by the particular type of environment. The relationship appears to be non-linear with the effectiveness of a competitor orientated strategy declining as firms move from a disturbed reactive environment to a turbulent environment. Therefore, there is no ‘pay-off’ for firms with a higher competitor orientation in a turbulent environment, as the mean for subjective performance is virtually the same for those firms with a lower competitor orientation. Overall, this reinforces the importance of the use of a customer orientated strategy in a more turbulent environment.

With regards to H6, Figure 3 (page 122) shows the performance of companies scoring above the median for interfunctional coordination strategy (high interfunctional) and those scoring below the median interfunctional coordination strategy (low interfunctional coordination) across the environment types. This interaction clearly shows that in a turbulent environment high interfunctional companies expect some loss in performance (subjective) due to the short term costs involved in re-focusing their efforts and re-structuring and formulating new strategies. In such a situation, managers will be occupied with the utilisation of all firm’s resources (entire human and capital resources) in creating superior value for the customer. This involves the intelligence gathering, sharing and close cooperation among all the firm’s departments in devising new strategies focusing on creating superior value for customers. As a result of firm’s re-structuring and refocusing of efforts the short-term expenditure will increase while company short-term performance will decrease. However, in the long-term company performance will significantly improve in the future due to firm’s initial investment in interfunctional coordination.

This study has found support for H9 (in a placid random environment there is no significant difference in subjective and objective performance amongst the four strategies – customer orientated, competitor orientated,
inter-functional coordination and societal marketing orientation). These findings are in line with those of Elliot (1990) and Glaser (1985). In a placid random environment marketing activities conducted by a firm are do not play a significant role as both opportunities and threats are randomly distributed. The lack of information by the seller on the needs of his potential customer, who will purchase or even where are firm's customers located leads to a situation where the marketing system as a whole is irrelevant for the firms survival or adaptation to changes (Glaser, 1985). In this case it is irrelevant what strategy the firm adopts as in the placid random environment marketing strategies are irrelevant and are not critical to firm's subjective and objective performance. As Emery and Trist (1965, p.23) state "the optimal strategy is just the simple tactic of attempting to do one's best on purely local basis". This type of an environment may be viewed as a theoretical ideal with a realistic example within the business framework is likely to be that of a "flee market".

No support has been found for H10 (in a placid clustered environment there will be significantly higher performance by companies pursuing the customer orientated strategy) for both subjective and objective performance. This is quite an unusual finding, as studies by Emery and Trist (1965), Glaser (1985) and Elliot (1990) have identified that opportunities and threats that firms face in such an environment are clustered and companies are concentrated into agglomerates, where the buyers know where the largest concentration of potential customers is located. In this case the critical success factor for firms is to have in-depth knowledge about their environment and especially about their customers.

It is interesting to note that statistical results have showed that in a placid clustered environment a better choice of marketing strategy would be that of societal marketing orientation. Results have revealed that in such an environment the societal marketing orientation strategy would have a significant effect on company’s objective performance. There may be two explanations why firms may decide to adopt a societal marketing orientation strategy in such an environment. First, firms may adopt the societal marketing orientation strategy as a pre-emptive strategy in order
to avoid unfavourable business conditions in the future. Secondly, firms that implement the societal marketing orientation strategy earlier in their operations may avoid of delay any chances of the company moving into a turbulent environment in the future which may result in poor performance.

An example of an industry that should have adopted the societal marketing orientation earlier is the Australian wool industry. The Australian wool industry has been enjoying its strong position in the global marketplace, supplying high quality wool, without paying any attention to the in-direct criticism regarding the conditions for sheep during mulesing and live exports. Failing to take any positive steps to try to defuse and improve the situation, recently, the Australian wool industry has moved from a placid clustered environment into a turbulent environment, facing severe boycotts and rejection from European and US fashion retailers after being pressured from numerous animal treatment activists such as People for the Ethical Treatment of Animals, or PETA to improve conditions for sheep during mulesing and live exports. This has resulted in a significant loss in profits and ultimately performance, as there is a lower demand for Australian wool. The long-term repercussions of socially undesirable behaviour on the part of the Australian wool/sheep industry are evident and it is no longer safe to assume a neutral position. Hence, adopting a societal marketing orientation strategy as a pre-emptive strategy in a placid clustered environment may be an appropriate strategic choice to avoid unfavourable business conditions in the future.

The study has found no support for H11 (in a disturbed reactive environment there will be a significantly higher performance by companies that pursue a competitor orientated strategy) for both subjective and objective performance. This also is an unusual finding as this type of an environment has more than one organisation of the same kind and the existence of a number of similar organisations now becomes the dominant characteristic of the environmental field. In a disturbed reactive environment competition among firms is fierce, where the primary goal of an organisation is to obtain maximum market share and respond to competitive challenge. Logically thinking a competitive
orientated marketing strategy would be most appropriate for such an environment, and has been suggested in past literature (Elliot, 1990 and Kotler, 1994). Further, the nature of the disturbed reactive environment is parallels to a degree to the zero-sum game, where “the gains by A are at the expense of B, because A and B will be part of each other’s proximal environment” (Glaser, 1985, p.67). However, a possible explanation for the lack of support for H11, may be that companies in a disturbed reactive environment may not want to engage in direct market warfare, that will most likely be fierce, costly and short lived, resulting in the absence of market growth, inflexible distribution systems and small or unprofitable gains.

The adoption of market orientation strategies in a disturbed reactive environment has been strongly advocated by Kotler (1994), who states that “firms should pay a balanced attention to both customers and competitors” (Elliot, 1990, p.25). Although the competitor orientated strategy does not appear to have any impact on the firm’s subjective and objective performance in this type of environment, statistical results have indicated that that firms operating in such an environment will see a significant improvement in their subjective performance if they implement the customer orientated strategy. Hence, this result, to a certain degree confirms the findings of Elliot (1990) and Kotler (1994). Since competition is fierce in such an environment firms may shift all their focus and efforts from the competitors, and focus on customer orientation more closely, through gathering and collecting information on their customer needs and wants, as well as provide superior customer service and value so that the client will purchase products from the firm and not from the competitor.

An example of such a shift and adoption of a customer orientated strategy would be that of the mobile telecommunication industry. In such an industry the competition is very fierce characterised with a number of players offering various deals on mobile telephones, call costs and plans, enticing customers with various add-on deals. In the context of Australia, this is frequently seen among Telstra, Optus, Vodaphone and Virgin mobile telecommunication networks. The main focus of these large
telecommunication companies is to primarily concentrate on the customer and serving their need and wants at a high standard. For example, majority of the telecommunication companies offer to their existing and potential clients a wide array of add-on deals and products, such as, the flexibility to retaining your old mobile telephone number while changing networks, receiving a second free mobile telephone set, free ring tones, free special gifts (e.g. Apple iPod) etc., in order to prevent the customer from going to the competitor. As a result, by adopting a customer orientated strategy in such an environment will be a long-term investment and allow firms to significantly improve the firm’s performance in the future.

Finally, the statistical analysis has found no support for H12 (in a turbulent environment there will be a significantly higher performance by companies which pursue a societal marketing orientated strategy) and do not support the finding of Arndt (1977), Day (1983), Glaser (1985), and Elliot (1990). The complexity, dynamism, and unpredictability of the turbulent environment calls for marketing strategies that would move from the consumer and to the society itself revolving around political negotiations with the firm’s stakeholders, development of ‘codes of ethics’ and ‘self-regulation’. However, the lack of support for H12 may be explained with the notion that due to the unstable nature of the environment, firms are cautious of committing resources to adopting this type of strategy with any specific market or performance gains in the future. Firms are fighting for survival in a turbulent environment and need to generate short-term gains rather than the long-term benefits due to the unpredictability of the environment they operate in. Hence, this may well explain why statistical results have revealed that in a turbulent environment companies will see an improvement in their subjective performance if they pursue a customer orientated strategy. Due to the unstable nature of the environment companies believe that by focusing on fulfilling customer’s needs and wants, as well as offering them superior value continuously will warrant firm’s survival in troubled times.

An example of such an environment and industry’s strategic choices is
the airline industry. Recent terrorist actions from separatist groups have lead to uncertainty in the global airline industry resulting in a sharp decline in air travel, increase of operating costs, leading a number of airline companies to bankruptcy and demise. In order to survive in such a turbulent and unstable environment majority of airline firms have shifted their focus on the customer by adopting a customer orientated strategy. Numerous airline carriers have shifted their focus on meeting customer needs and wants by offering lower airfares, increased number of flights to destinations, improving on-board services, re-designing and upgrading airline carriers and seating, as well as overall customer service.

Implications of the Main Findings

This study has theoretical and managerial implications.

Theoretical Implications

Within the market orientation literature this research illustrates the importance of examining the construct of the Narver and Slater (1990) measure of market orientation as a multi-dimension instrument and not a one-dimensional measure. The study found evidence that the Narver and Slater (1990) measure of market orientation consists of three separate dimensions: customer orientation, competitor orientation and interfunctional coordination, and not a one dimensional measurement of market orientation encompassing the 15 items, as suggested by Narver and Slater (1990) and Slater and Narver (1994a). Covariances between the three dimensions in the final model suggested that the measures of customer orientation, competitor orientation and interfunctional coordination can be considered as independent. Although the ‘subscales’ are conceptually linked each dimension is a separate and distinct strategic direction which a firm can pursue. Thus, the Narver and Slater (1990) measure of market orientation may be a series of measures of strategic orientation of the firm. The implication is that, given that the Narver and Slater (1990) measure of market orientation is a multidimensional construct, the interactions between the dimensions may
have a different impacts on a firm’s performance and this approach provides an insight into the relative value of the three dimensions.

The second theoretical implication was that this study clearly addressed the issue of whether the environment moderates the relationship between marketing strategy and business performance. Thus, this study had contributed to the understanding of external moderation of the market strategies and performance association. The research study has utilised two measures of business performance (subjective and objective), utilised a market orientation scale that was modified and empirically tested across four countries, and empirical evidence has been obtained from a country-economy’s that are different from the USA and UK. Previous studies (Diamantopoulos and Hart, 1993; Slater and Narver, 1994a; Greenley, 1995b; Doyle and Wong, 1996; Gounaris and Avlonitis, 1996; Cadogan, 1997; Appiah-Adu, 1998; Kumar et al., 1998; Gray et al., 1998) have been limited to two countries (USA and UK), have only incorporated one performance measure (subjective performance) and produced mixed and conflicting results. The results of this research study have showed that the environment does moderate the relationship between marketing strategies and business performance, where firms that pursue a certain marketing strategy (such as competitor orientated or interfunctional coordination) in more competitive or turbulent environments will see a significant improvement in their performance. This attempt not only broadens the focus on marketing strategy studies but it also enhances the understanding of firm’s success in specific environments.

The findings of this study have also implications on the societal marketing orientation theory as an important and necessary aspect of marketing. This study has clearly demonstrated that societal marketing concept is an important extension of the marketing concept and should become an additional part of firm’s mainstream marketing plans. Societal marketing should be integrated within the company’s marketing strategy and overall corporate goals. This study has found that for a firm to survive and achieve competitive advantage in turbulent environments and secure its
future there is a long term value to be gained from adopting the societal marketing concept, despite the short-term costs encountered. This study has clearly demonstrated that the societal marketing orientation may be considered as a type of business strategy that is best suited in particular environmental conditions. Research has shown that the societal marketing orientation may be adopted by firms as a ‘pre-emptive strategy’ that is used by firm’s to avoid unfavourable business conditions in the future and assisting firm’s in dealing better with a turbulent environment. This study has been clearly demonstrated this phenomena through the identification of a positive correlation between the societal marketing orientation strategy and the firm’s performance.

Further, this study has contributed significantly from a methodological point of view with regards to the societal marketing concept. A measurement of the societal marketing construct was developed which is the first one to the author’s knowledge. The measure has been constructed on the basis of the concept of social responsibility that was validated by structural equation modelling (SEM) which suggested that this measure was one dimensional and consisted of five items measuring the lobbying of government and the degree of business charity. Further, the societal market orientation measure has been cross nationally validated where it was found that the measure has the same factor structure in all countries of the study (Australia, China, the Netherlands and Singapore). Items of social responsibility were found not to form part of the measurement of societal marketing suggesting that the construct of social responsibility may be more complex and difficult to define, as it may mean different things to different people.

Finally, the findings of this study have implications in the area of the fit between marketing strategy and the business environment. Past marketing literature has emphasised the importance of marketing strategies as a means of achieving organisational objectives and allowing marketing to reassert its role in the strategic dialogue within the firm (Biggadike, 1981; Wind and Robertson, 1983; Day and Wensley, 1983; Buzzell and Gale, 1989; Deshpande and Webster, 1989; Kotler, 1994).
The choice of a strategy must fit the particular business environment that the firm operates in. This study has clearly demonstrated that certain types of marketing strategies are more effective in certain types of environments. A customer orientated strategy is more optimal for some businesses operating in a disturbed reactive or turbulent environment, while a societal marketing orientation strategy is beneficial for a firm operating in a placid clustered environment. Hence, different firms, adopting different marketing strategies, may be better suited to succeed in various environments. This study advanced the literature by incorporating marketing as a business discipline that has made a theoretical contribution to the environmental level of analysis and more to strategic choices than to the choice of business structure.

Practical Implications

There are a number of important implications for managers of firms of these results.

The detailed investigation of the properties of the Narver and Slater (1990) measure of marketing orientation has determined dimensionality of the market orientation scale and the relative value of the three dimensions (customer orientated, competitor orientated and interfunctional coordination). Further, the modified Narver and Slater (1990) scale consisting of nine items will greatly facilitate the administration of the measurement of customer orientation, competitor orientation and interfunctional coordination. The multidimensional nature of the Narver and Slater (1990) scale, as opposed to the measure being approached as a one dimensional measure of market orientation suggested by Narver and Slater (1990), may explain some of the problems, inconsistencies and confusion encountered in previous studies. The multidimensional approach to measuring market orientation will provide a more detailed insight for managers to determine which market orientation strategy should be pursued and who seek to develop a more performance-enhancing, market-orientated organisation (Noble, Sinha and Kumar, 2002).
The implications of societal marketing orientation to managers are as follows. First, this research has contributed empirically to the underdeveloped area of societal marketing. This study provides a practical overview of what the societal marketing concept is and what are its effects on business performance in the long-term. The presence of a positive association between societal marketing orientation strategy and business performance may convince managers to adopt and implement the societal marketing concept as a ‘pre-emptive’ strategy that will significantly benefit the firm’s future performance, despite the short-term cost involved. Additionally, the measure of societal marketing orientation constructed and used in this study is the first one to the author’s knowledge. Thus, this provides a good starting point for managers and marketing practitioners to adopt the measure when considering incorporating a societal marketing orientation strategy within the firm’s strategic plans for the future. Managers will be able to determine the extent of its ‘social responsibility’ behaviour.

Finally, this research has provided some guidelines for managers and marketing practitioners operating in different environments of varying degree of turbulence. Marketing strategies that are best for some businesses in certain environments may not be optimal for others in other environments. The practical overview of the Emery and Trist (1965) environmental typology and the findings of which type of marketing strategy is best for a specific environment will assist managers in their strategic decision-making process when devising performance enhancing strategies and achieving a distinctive competitive advantage in the global marketplace.

Customer orientated strategy was shown to have a significant positive effect on business performance for firm’s operating in a disturbed reactive and turbulent environment. While societal marketing orientation was the most appropriate strategy in a placid clustered environment. The message from the findings of the study is that, as the environment becomes more disturbed or turbulent, focusing on meeting customer needs is more likely to be beneficial to firm’s business performance. A
firm’s clear understanding of who its potential customers are at present, as well as who they may be in the future, as well as a understanding the customer’s entire value chain will allow firms to be successful in unpredictable and unstable environments. Meanwhile, a societal marketing orientation strategy was shown to have a positive effect on business performance for firms operating in a placid clustered environment. This result suggests that firm’s are better off in the future if they implement a societal marketing orientation strategy when operating in a placid clustered environment. Managers implementing the societal marketing orientation strategy as ‘pre-emptive’ strategy are better prepared to any changes in the nature of the business environment and will be more likely to survive and perform better if the business environment becomes more turbulent and unstable in the future.

**Limitations of Research**

The implications of these results discussed earlier show some limitations inherent in this research study. Though the research study demonstrates interesting findings, they are from only a single study. One limitation is the size of the sample used in this study and the low response rate. The results obtained from the sample size (n = 217) consisting of large, medium and small manufacturing and service firms from four (4) countries may lack generalizability. The sample of the firms from these four (4) countries does not represent the economies of each country or specific industry, therefore, replication of the study with a larger sample and samples drawn from other countries, such as U.S., Canada and UK, would provide cross-cultural validation of the findings and offer further indication whether the findings can be generalised. Further, the low response rate need to be acknowledged as a potential limitation, as increasingly it was found that firms have a company policy of declining to participate in any research surveys. During the data collection stage a number of formal rejection letters have been received from global companies explaining the company policy on participation in any research studies.
The cross-sectional survey research design that relies on a single key informant per organisation has its own limitations, as the use of a single key informant for data collection in this study has the potential for providing information that reflects the individual views of the respondents rather than the views of the firm. It could be the case that informant may have over-reported the firms performance and use of marketing strategies. In addition to the reliability of a single informant, one important issue is the extent of common method bias - the same respondent rating customer orientation, competitor orientation, inter-functional coordination and societal marketing, strategy types, nature of environment and industry within which an organisation is operating, and other measures on the same survey instrument. However, it should be noted that the use of multiple respondents from one firm may posse further problems such as the possibility of a significant decrease in response rate, how many multiple informants should be used, and whether using multiple respondents could increase response bias? Use of longitudinal studies, multiple informants and multiple methods should be considered in the future to enable researchers to examine closely the extent to which such a bias is present.

Additionally, the measurement instrument used to measure the moderating effect of the environment is another limitation of this study, as its alpha was not in the barriers set by Churchill (1979) and it varied across the four countries that it was tested. However, the measure of environment used in this study was constructed using the individual country weighting (factor scores) which showed the strength of structural equation modelling to validate the measure across countries in international research. This issue should be addressed in looked more into more closely in future research.

Another potential limitation of the research study involves the societal marketing concept and the constructs that have been used to develop a measure of the societal marketing orientation. Past literature on the societal marketing concept is still in its infancy in theoretical, practical and methodological aspects, and has thus far adopted limited views of how
the public interest can be assessed by marketers, and of how marketing action can be regulated in order to achieve social outcomes. The lack of consistent definition and differentiation between societal marketing concept and social responsibility implies that it is not clear what exactly societal marketing is, as it will mean different things to different people. This study took a very general view of the concept, i.e. importance of reputation versus profitability. Additionally, due to the lack of a concise definition of the societal marketing concept there is an increasing need for the construction of a valid measure of social responsibility and societal marketing. This in itself is a detailed study. Resolution of this issue in future in-depth studies and subsequent more rigorous analysis of the societal marketing concept is left to further research.

Directions for Future Research

The limitations discussed offer several interesting opportunities for future research. The following are but a few of the possible avenues for future research. First, a major issue yet to be resolved in market orientation research is with regards to the testing of the properties and dimensionality of the Narver and Slater (1990) measure of market orientation, and its degree of factorial invariance. This study demonstrated that the Narver and Slater (1990) market orientation scale is a multi-dimensional model consisting of three dimensions: customer orientation, competitor orientation and interfunctional coordination. Not the one dimension encompassing the 15 items as suggested by Narver and Slater (1990) and Slater and Narver (1994a). The existence of a three dimensional model suggests that the Narver and Slater (1990) measure of market orientation is a collection of three separate measurements, each representing different strategic directions that might be pursued by the firm. The results of this study still require further validation with larger samples from different countries and/or industries. This study has at least provided a good starting point for the future validation and improvement of a measure of market orientation and that the use of a one dimensional measure of the Narver and Slater (1990)
market orientation must be approached with some degree of scepticism and caution.

For the research study to have significant value to both theory and practice future research should at least replicate these results using a larger sample of companies and in different countries not included in the study. This is particularly important with regards to examining the relationship between environment, the four types of marketing strategies (customer orientated, competitor orientated, interfunctional coordination and societal marketing orientation) and business performance. The nature of the interaction and the degree of significance may be achieved with a larger sample of firms. Further research could determine whether the results indicating an absence of a significant interaction between the four market strategies and the environment were an isolated occurrence. However, lack of consistency in past studies (Kohli and Jaworski, 1990; Diamantopoulos and Hart, 1993; Slater and Narver, 1994a; Greenley, 1995b; Doyle and Wong, 1996; Gounaris and Avlonitis, 1996; Cadogan, 1997; Appiah-Adu, 1998; Kumar et al., 1998) calls for future research to be conducted that would investigate both the direct and moderating effects of environmental variables on company performance.

Further research should be conducted with regards to the societal marketing concept, as both the theoretical and practical areas of this concept are underdeveloped. This study proposes that societal marketing orientation will significantly improve firm's performance in the future. Additionally, this research has demonstrated that societal marketing is not the same as social responsibility; rather, it is an attempt to change environmental conditions. Indeed, some might argue that the most money spent by a company on lobbying the government in most Western countries is by companies seeking to avoid social responsibility. It is possible, for example, that an alternative argument could be invoked for finding any improvement in performance in the presence of lobbying and, say technological change – that lobbying the government serves to avoid competitive pressures or socially responsible obligations by restricting competition and responsibilities through government policy. Similarly, a
“moral hazards” perspective would posit that if it costs at all to be “good” then there is a strong temptation for competitors to avoid responsibility and thus profit. The societal marketing measure used in this study does contain altruistic elements such as ‘donation to charity’, however, it should be noted that societal marketing does not necessarily equal to social responsibility. Given the scarcity of past research to substantiate this suggestion, this study introduces a conceptual framework to guide future inquiries in that area. There is a clear need for the validation of the societal marketing measure used in this study in different settings, such as countries not included in this study. Further, additional theoretical frameworks could certainly attempt to create a new measure of societal marketing orientation that would examine the detailed link between societal marketing strategy and performance, as this concept is becoming an important one for the future. As a whole, future research on societal marketing is required that will help establish the value of this concept as a marketing instrument pursued by mangers.

One important factor that needs to be considered for future research is the use of a refined measurement of performance. This study has used both subjective and objective measures of performance producing very interesting and diverse results on the market orientation strategies and its presumed link to company performance. Majority of studies that have focused on the market orientation and performance relationship have one common feature, that is, they have generally incorporated subjective measures of performance as the dependent variable (Narver and Slater, 1990; Deshpande et al., 1993; Kohli and Jaworski, 1990; Jaworski and Kohli, 1993; Slater and Narver, 1994a; Deng and Dart, 1994; Greenley, 1995b; Pelham and Wilson, 1996; Pitt et al., 1996; Balakrishnan, 1996; Avolontis and Gounaris, 1997; Deshpande and Farley, 1998; and Apiah-Adu, 1998). Only a few have used objective performance as a dependent variable (Esslemont and Lewis, 1991; Ruekert, 1992; Diamantopoulos and Hart, 1993; Kohli and Jaworski, 1990; Jaworski and Kohli, 1993; Au and Tse, 1995; and Tse, 1998). Despite the fact that a number of studies have found a positive association between market orientated strategies
and subjective performance, it crucial to ask whether these results are valid? As this study has clearly demonstrated, some market orientation strategies and societal market orientation strategy were either positively associated with subjective or objective performance, demonstrating findings that where either in line or in stark contrast to those proffered by researchers such as Narver and Slater (1990) and Jaworski and Kohli (1990; 1993). Therefore, one direction for future research in the field of market orientation, societal market orientation and performance, is to gather data on both subjective and objective performance.

Earlier discussions on the environment cited research by Greenley and Foxall (1999) in which those authors measured the “Dynamism in the Environment” with three distinct constructs:

1) Competitive hostility meaning the extent that key competitors have changed (measured on a seven point Likert scale with 1 representing little hostility to 7 being extensive hostility)

2) Market Turbulence meaning the extent that consumer needs have changed (measured on a seven point Likert scale with 1 representing little turbulence and 7 representing extensive turbulence)

3) Market Growth defined as the annual rate of change in market size (represented in a percentage figure).

Whilst these are not your traditional multi-item scales they are simple and seem to do the job. Therefore, future research in the field of environmental turbulence might use this or similar items as possible alternative measures of environmental dynamisms.
CONCLUDING REMARKS

The issue of the relevance of the business environment as a contingency variable on the relationship between strategy and performance has been researched by numerous scholars, sparking endless arguments and providing mixed results on the exact nature of this contingency relationship. Although there has been extensive research on environments as moderators there has been little research conducted in the important area of the fit between marketing strategy, business environment and performance, and whether environments independently influence performance or modify the strength and form of the relationship. With traditional organisational theory defining the environment and its variable degrees of turbulence, as a deterministic influence to which organisations adapt their strategies, structures and process, at present there is lack of theoretical and empirical understanding of the relationships between particular environmental conditions and the requisite marketing and managerial strategies.

The major objective of the study was to investigate the relationship between marketing strategies and business performance and its fit in various types of business environments. Based on market orientation, societal marketing and organisational environmental model, a theoretical framework was developed to represent the linkage between marketing strategy and business performance. This research study showed that all the components of Narver and Slater's (1990) measure of market orientation (customer orientation, competitor orientation and interfunctional coordination) and societal marketing orientation have emerged as the dominant marketing strategies with the strongest association with business performance. However, with the increasing globalisation and the turbulent and unpredictable nature of the business environment some marketing strategies in some environments are simply uneconomical and may not be optimal for all businesses. Instead managers should consider other strategies as a means of achieving organisational objectives.


pp 87-98.


strategies, and performance”. Working paper 556, Graduate School of Business, University of Pittsburgh.


Ruekert, Robert W. and Orville C. Walker, Jr. (1987b) “Marketing’s


Stidsen, Bent and Thomas F. Schutte (1972) “Marketing as a


List of Appendices

Appendix 1

Research Questionnaire
RESEARCH QUESTIONNAIRE ON
BUSINESS STRATEGY AND
ENVIRONMENTS

MURDOCH BUSINESS SCHOOL
MURDOCH UNIVERSITY
PERTH, WESTERN AUSTRALIA

Dear Sir/Madam,

The questionnaire is intended to solicit your thoughts on business strategy and business environment in the 2000's. We have developed this survey with the intention of researching:

- the relevance of business strategy as a significant variable on the relationship between strategy and performance, and
- the role of the business environment on the choice of business strategy.

We recognise the scarcity of your time and appreciate your participation in this survey. We also value your honesty in answering all the questions herein. There is no right or wrong answer to any of the questions you will be asked to answer. Consequently after reading each question carefully mark the response category you feel is most appreciated – generally your first indication, in terms of response, is best. We reassure you that all responses will be held in the strictest of confidence and any published reports will only reflect the aggregate responses from all individuals and firms completing the survey questionnaire. This is in accordance with ethical guidelines set out by the School of Business of Murdoch University, Western Australia and the code of the Market Research Society.

In case you have any questions or issues about this research and you would like to discuss, please do not hesitate to contact Dr Steve Ward (Lecturer in Marketing) or Aleksandra Lewandowska (Research Assistant) on the following numbers listed below.

When you complete your survey please return it by placing the questionnaire into the enclosed return envelope.

Thank you for your time and cooperation and we hope you enjoy completing this survey questionnaire.

Yours sincerely

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Telephone: (08) 9360 6027
Fax: (08) 9310 5004
E-mail: SWard@murdoch.edu.au

Aleksandra Lewandowska

Murdoch Business School
Murdoch University
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Murdoch 6150
Western Australia
Telephone: 0400 240 122
Fax: (08) 9361 4077
Email: alewadowska@hotmail.com
ENVIRONMENT

A. Below are several questions relating to the business environment within which your company is operating. Please read each question and indicate which stage of the product life cycle (PLC) most closely represents your situation.

1. How would you describe the position of your products within the market your firm is operating. (Please indicate one of the following):
   a) A new, emerging market
   b) An established, growing market
   c) A mature market with little change
   d) A declining market

2. How would you describe the speed of change of customer requirements within your industry. (Please circle one of the following):
   a) Changing rapidly
   b) Changing slowly
   c) Not changing

3. How would describe the speed of change in technology employed within your industry. (Please circle one of the following):
   a) Rapid
   b) Slow
   c) No change

4. Please indicate by circling one of the following statements that best describes the degree of competition within your industry:
   a) Intense
   b) Moderate
   c) Low
   d) Non-existent

B. The following questions relate to the state of the Australian economy. (Please indicate a percentage figure).

1) What is Australia’s current GDP growth rate? ________________
2) What is Australia’s current inflation rate? ________________
3) What is Australia’s current unemployment rate? ________________
4) In your opinion what will be Australia’s GDP rate for next year? ________________

5. How confident are you concerning your predictions about the economical environment in 2005.

   Very Confident   Confident   Somewhat Confident   Not Confident


6. The impact of the economic environment on our company in 2005 will be:

   Very Important   Important   Somewhat Important   Not Important
C. Below, a number of practices regarding market orientation are put forth. To what extent does your business firm engage in the following practices? A Five Point Scale is provided for your response.

<table>
<thead>
<tr>
<th></th>
<th>Does Not Engage At All</th>
<th>Poorly Engages</th>
<th>Neither Does Neither Doesn’t</th>
<th>To Great Extent</th>
<th>To Very Great Extent</th>
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<tbody>
<tr>
<td>1.</td>
<td>Customer commitment.</td>
<td>1</td>
<td>2</td>
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<tr>
<td>2.</td>
<td>Create customer value.</td>
<td>1</td>
<td>2</td>
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<td>3.</td>
<td>Understand customer needs.</td>
<td>1</td>
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<td>4.</td>
<td>Customer satisfaction objectives.</td>
<td>1</td>
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<td>5.</td>
<td>Measure customer satisfaction.</td>
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<td>6.</td>
<td>After-sales service.</td>
<td>1</td>
<td>2</td>
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<td>7.</td>
<td>Inter-functional customer calls.</td>
<td>1</td>
<td>2</td>
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<td>8.</td>
<td>Information shared among functions.</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<tr>
<td>9.</td>
<td>Functional integration in strategy.</td>
<td>1</td>
<td>2</td>
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<tr>
<td>10.</td>
<td>All functions contribute to customer value.</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>11.</td>
<td>Share resources with other business units.</td>
<td>1</td>
<td>2</td>
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<td>12.</td>
<td>Quarterly profits are primary objectives.</td>
<td>1</td>
<td>2</td>
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<td>13.</td>
<td>Require rapid payback.</td>
<td>1</td>
<td>2</td>
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<td>14.</td>
<td>Positive margin in long-term.</td>
<td>1</td>
<td>2</td>
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<td>15.</td>
<td>Profit performance measured market by market.</td>
<td>1</td>
<td>2</td>
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<td>4</td>
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<tr>
<td>16.</td>
<td>Top managers emphasize market performance.</td>
<td>1</td>
<td>2</td>
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<td>17.</td>
<td>All products must be profitable.</td>
<td>1</td>
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<tr>
<td>18.</td>
<td>Salespeople share competitive information</td>
<td>1</td>
<td>2</td>
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<tr>
<td>19.</td>
<td>Respond rapidly to competitor’s actions.</td>
<td>1</td>
<td>2</td>
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<tr>
<td>20.</td>
<td>Top management discusses competitor’s strategies.</td>
<td>1</td>
<td>2</td>
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<tr>
<td>21.</td>
<td>Target opportunities for competitive advantage.</td>
<td>1</td>
<td>2</td>
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<td>22.</td>
<td>The firm is a member of an industry association.</td>
<td>1</td>
<td>2</td>
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<td>23.</td>
<td>The firm regularly sends representatives to industry conferences.</td>
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<td>24.</td>
<td>The firm provides advice to government on behalf of the industry.</td>
<td>1</td>
<td>2</td>
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<td>25.</td>
<td>The firm actively lobbies government.</td>
<td>1</td>
<td>2</td>
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<td>26.</td>
<td>The firm spends considerable money on public relations.</td>
<td>1</td>
<td>2</td>
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27. The firm donates money to charity.  
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<th>Does Not Engage At All</th>
<th>Poorly Engages</th>
<th>Neither Does Neither Doesn't</th>
<th>To Great Extent</th>
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28. The firm actively invests resources and/or money in activities outside its business that aim to benefit the community.  
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<th>Does Not Engage At All</th>
<th>Poorly Engages</th>
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29. Management of the firm sees the reputation of the firm as more important than profit.  
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<th>Does Not Engage At All</th>
<th>Poorly Engages</th>
<th>Neither Does Neither Doesn't</th>
<th>To Great Extent</th>
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30. Shareholders (or owners) are seen as the most important stakeholders of the company.  
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<th>Does Not Engage At All</th>
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<th>Neither Does Neither Doesn't</th>
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</table>

**FINANCIAL PERFORMANCE IN 2005**

D. Giving consideration to the environmental and market developments discussed previously, what is your degree of agreement or disagreement with the following statements about your firm’s financial performance in 2005? Please use the Five Point Scale to indicate your response.

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Mildly Disagree</th>
<th>Uncertain</th>
<th>Mildly Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Our overall financial performance will be less than satisfactory.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. Our firm will be operating at close to its break-even point.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. Our return on assets will be less than satisfactory.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. Corporate liquidity will be less than satisfactory.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5. Our return on stockholder’s equity will be less than satisfactory.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6. Increased penetration of existing markets with existing products and services.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

**YOUR INDUSTRY**

1. Utilizing the following scale please indicate according to the scale number which number most closely represents your description of how predictable the following are in your principle industry.

<table>
<thead>
<tr>
<th>Highly Unpredictable virtually impossible to Anticipate</th>
<th>Fairly Unpredictable</th>
<th>Neither Predictable nor Unpredictable</th>
<th>Fairly Predictable</th>
<th>Highly Predictable can Anticipate with Certainty</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

1. Customer Trends  
<table>
<thead>
<tr>
<th>Highly Unpredictable virtually impossible to Anticipate</th>
<th>Fairly Unpredictable</th>
<th>Neither Predictable nor Unpredictable</th>
<th>Fairly Predictable</th>
<th>Highly Predictable can Anticipate with Certainty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

2. Production Levels  
<table>
<thead>
<tr>
<th>Highly Unpredictable virtually impossible to Anticipate</th>
<th>Fairly Unpredictable</th>
<th>Neither Predictable nor Unpredictable</th>
<th>Fairly Predictable</th>
<th>Highly Predictable can Anticipate with Certainty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

3. Technological Development  
<table>
<thead>
<tr>
<th>Highly Unpredictable virtually impossible to Anticipate</th>
<th>Fairly Unpredictable</th>
<th>Neither Predictable nor Unpredictable</th>
<th>Fairly Predictable</th>
<th>Highly Predictable can Anticipate with Certainty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

4. Demographic Trends  
<table>
<thead>
<tr>
<th>Highly Unpredictable virtually impossible to Anticipate</th>
<th>Fairly Unpredictable</th>
<th>Neither Predictable nor Unpredictable</th>
<th>Fairly Predictable</th>
<th>Highly Predictable can Anticipate with Certainty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
2. Utilizing the following scale please circle which number most closely represents the description of the competitive environment in your principle industry.

<table>
<thead>
<tr>
<th>Not at All Competitive</th>
<th>Very Low Level of Competition</th>
<th>Intermediate Level of Competition</th>
<th>High Level of Competition</th>
<th>Very High Level of Competition</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td></td>
</tr>
</tbody>
</table>

1. Price 1 2 3 4 5 6 7 8
2. Products 1 2 3 4 5 6 7 8
3. Technology 1 2 3 4 5 6 7 8
4. Distribution Competition 1 2 3 4 5 6 7 8
5. Labour 1 2 3 4 5 6 7 8
6. Raw Materials 1 2 3 4 5 6 7 8

3. How would you classify the overall performance of your industry at this time? (Please circle a number on the scale provided).

<table>
<thead>
<tr>
<th>Very Poor</th>
<th>Fairly Poor</th>
<th>Passable</th>
<th>Good</th>
<th>Excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td></td>
</tr>
</tbody>
</table>

4. How would you classify the overall growth in industry sales at this time? (Please circle a number on the scale provided).

<table>
<thead>
<tr>
<th>Stagnant</th>
<th>Developing</th>
<th>Mature</th>
<th>Fast Growing</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>6</td>
<td></td>
</tr>
</tbody>
</table>

5. How would you classify the state of the economy at the present time? (Please circle one of the following).

<table>
<thead>
<tr>
<th>Depression</th>
<th>Recession</th>
<th>Recovery</th>
<th>Prosperity</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>6</td>
<td></td>
</tr>
</tbody>
</table>

6. Is your company part of a worldwide group of companies and if so, where is your worldwide head office? (Please circle one of the following).

- a) North America
- b) Europe
- c) Asia
- d) Australia
- e) Other
- f) Not part of a world wide group

7. How many employees are there in your immediate Company? (Please circle one of the following).

- a) Less than 50
- b) 51-100
- c) 101-500
- d) 501-1000
- e) 1001-5000
- f) 5001-10,000
- g) More than 10,000

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8. How many employees are there in your Group of Companies? (Please circle one of the following).
   a) Less than 50
   b) 51-100
   c) 101-500
   d) 501-1000
   e) 1001-5000
   f) 5001-10,000
   g) More than 10,000

9. What was your approximate estimate of your company's market share of the total market in the financial year 2001?
   ____________ %
   Don't Know ______________

10. What is the approximate estimate of the combined market share of your three largest competitors (not including your business) in the financial year? (Please indicate percentage).
    ____________ %
    Don't Know ______________

11. What position rank would you give to your firm in terms of market share in the last financial year? (Please circle one of the following)
    a) Largest
    b) 2-5
    c) 6-10
    d) 11-20
    e) Less than 21

12. Approximately how many companies within the market segment you serve have market shares of 10% or more? (Please circle one of the following).
    a) Less than 5
    b) 6-10
    c) 11-20
    d) 21-50
    e) Greater than 50

13. During the past five years has anyone controlled a market share greater than 10%? (Please circle one of the following)
    a) No
    b) Don't Know
    c) Yes

14. Approximately how many customers are there for your product and services? (Please circle one of the following).
    a) 19 or fewer
    b) 20-99
    c) 100-999
    d) 1000-9999
    e) 10,000-99,999
    f) 100,000 or more
    g) Don't Know

15. What proportion of your customers account for 50% of your products or services?
    ____________ %
    Don't Know ______________
16. Your business is best described as ........(Please circle one of the following).

a) Durable Products  
b) Non Durable Products  
c) Capital Goods  
d) Raw and Semi-finished Products  
e) Components for Incorporation into finished products  
f) Supplies or Other Consumable Products  
g) Services  
h) Retail and/or wholesale Distribution  
i) E-Commerce

17. What proportion of your market is located in Australia? (Please indicate percentage).

______________%

18. Approximately, what percentage of the output of your business during the last three (3) years was used by the following? Please enter a percentage for every one of the items below even if the percentage is zero:

a) Household, individual customers  __________% 
b) Manufacturing (including the use of components, materials etc. in their end products)  __________% 
c) Institutional, commercial, professional customers (including farms)  __________% 
d) Government  __________% 
e) Contractors  __________% 

19. This part of the questionnaire is designed to obtain information about your corporate performance. Answer to the questions will be held the strictest confidence.

Utilizing the following scale from 1-7 please indicate in the space provided the number that best describes your answer to the following question.

SCALE:
1. Less than 100,000 Australian Dollars  
2. 100,001 - 500,000 Australian Dollars  
3. 500,001 - 1,000,000 Australian Dollars  
4. 1,000,001 - 5,000,000 Australian Dollars  
5. 5,000,001 - 10,000,000 Australian Dollars  
6. 10,000,001 - 100,000,000 Australian Dollars  
7. Greater than 100,000,001 Australian Dollars  

A. What were the total sales for your Company in the last financial year?  ____
B. What was the Gross Profit for your Company in the last financial year?  ____
C. What was the Net Profit for your Company in the last financial year?  ____
D. What were your current total assets in the last financial year?  ____

20. What is your main business activity responsible for the majority of your sales and profit?  ________________
Yours answers to the following background questions would be most helpful.

1) What is your titled position in your company? .......................... 
2) What is your age in years? .................................................
3) How many years have you held a managerial position for the organization in which you are currently employed? .......................... 
4) How many years have you worked in the industry in which you are currently working .................................................
5) On average, how many hours per week do you spend reading about developments and trends in your industry and its environment? .......................... 
6) On average, how many hours per week do you spend talking with your business associates and friends about trends in your industry and its environment? .......................... 
7) If you would like to receive a copy of our research report, please send us your name and address, or for your convenience record your name and address below. .......................... 
8) If you would like to make comments or observations on the future of business use the space provided. .......................... 

Thank you for your participation.