Summer 2001

Market Orientation: Towards an Understanding in Developing Marketplaces of South America

Howard Warren Olsen
Old Dominion University

Follow this and additional works at: https://digitalcommons.odu.edu/businessadministration_etds

Part of the Marketing Commons

Recommended Citation
Olsen, Howard W. "Market Orientation: Towards an Understanding in Developing Marketplaces of South America" (2001). Doctor of Philosophy (PhD), dissertation, Old Dominion University, DOI: 10.25777/zch9-8q49
https://digitalcommons.odu.edu/businessadministration_etds/117

This Dissertation is brought to you for free and open access by the College of Business (Strome) at ODU Digital Commons. It has been accepted for inclusion in Theses and Dissertations in Business Administration by an authorized administrator of ODU Digital Commons. For more information, please contact digitalcommons@odu.edu.
MARKET ORIENTATION: TOWARDS AN UNDERSTANDING IN
DEVELOPING MARKETPLACES OF SOUTH AMERICA

by

Howard Warren Olsen
B.S. May 1971, University of Nevada, Reno
M.B.A. May 1975, University of Montana

A Dissertation Submitted to the Faculty of
Old Dominion University in Partial Fulfillment
of the Requirement for the Degree of

DOCTOR OF PHILOSOPHY

BUSINESS ADMINISTRATION

OLD DOMINION UNIVERSITY
August 2001

Approved by:

John B. Ford, IV (Director)
Kiran Karande (Member)
James P. Johnson (Member)
Bruce L. Rubin (Interim Dean)
ABSTRACT

MARKET ORIENTATION: TOWARDS AN UNDERSTANDING IN DEVELOPING MARKETPLACES OF SOUTH AMERICA

Howard Warren Olsen
Old Dominion University, 2001
Director: Dr. John B. Ford, IV

Theory development is essential for the health and wellbeing of marketing as it provides boundaries and a foundation for the growth of the discipline. Kohli and Jaworski's (1990, 1993) efforts provided the critical first step in the evolution of market orientation theory. However, evidence has not confirmed regularities in various industry circumstances as well as different international marketplaces. The literature is replete with a variety of different scales that have been used. Finally, the concept of market orientation is based upon the premise that such activities enhance business performance, but requisite performance measures have not been properly matched with the strategy.

The primary purpose of the dissertation was to empirically test the basic tenets of market orientation, as defined by the MARKOR construct, in an emerging market setting. While the second purpose was to cross-culturally develop a "derived etic" market-orientation scale (Douglas and Craig 2000) that would be reconciled with the MARKOR instrument. Extensive qualitative research was conducted with practitioners and academics in Argentina and Paraguay to adequately capture the domain of market orientation and firm performance measures. Through a series of iterations, Spanish language items and measures were developed that were reliable, valid and provided a basis for comparability of results.
Multiple data collection methods were employed in Argentina—email, fax, and snowball sampling—to accumulate a response rate between 19.7% and 28.9%. A mailed questionnaire produced a net response rate of 47.9% for Paraguayan participants.

The primary findings are best understood in stages. First, market orientation, as modeled by MARKOR, is positive and significantly related to firm performance in an emerging market setting. Second, the "derived etic" scale provided only marginal improvement in explaining the market orientation—firm performance (MO—FP) relationship. Third, the newly developed firm performance composite dramatically improved the explicability of the relationship in both countries.

The unique implications of the project are—MARKOR and market orientation are reliable constructs applicable in emerging markets and appropriate performance measures can enhance strategic understanding of MO—FP relationship by 100%.
This dissertation is dedicated to my loving wife, Nancy, and our wonderful children Brett, Ryan, and Erica.
ACKNOWLEDGEMENTS

A dissertation is a difficult, if not seemingly impossible, task to accomplish alone. It is absolutely necessary to have the support, encouragement, motivation, and love of teachers, friends, family, and the Lord. This has been a five year journey that came to fruition because of my wonderful wife, Nancy, and my relationship with Jesus Christ. I can do all things through Christ Jesus who strengthens me. Philippians 4:13 (NAS)

Whenever a grouping or an order is presented, a priority is implied. However in this instance, no priority is implied as I would like to thank and acknowledge everyone once. I consider all those who supported me as family—my academic family at Old Dominion University, my extended family in South America, and my caring Olsen family.

My academic family: I was blessed to have Dr. John Ford as my dissertation chair. Even though he possesses a wealth of knowledge and has tremendous experience, he treated me as a peer and not just another student. He provided a unique balance of the theoretical and practical. I am truly fortunate to have him as my chairperson. I am extremely grateful to Dr. Kiran Karande who continually inspired me and offered practical guidance. His friendship is invaluable and is deeply cherished. I thank Dr. James Johnson who provided a twinkle in his eye that accompanied his constructive and valuable suggestions. He will always be remembered for bringing me back to reality. In addition, Dr. Susan Douglas of New York University provided indispensable insights from her wealth of international marketing research experience. She helped me develop a solid project instead of just a good project. I appreciate her assistance.
I am grateful to Dr. Earl Honeycutt who functioned as Chair of the Department of Business Administration for the majority of my time at Old Dominion University. He provided me guidance in the doctoral program, brought stability to the department, and offered me the opportunity to be a visiting professor the last year.

A solid doctoral program is composed of two basic elements—faculty and students. There is no doubt that God brought together the perfect mix of classmates, American and international, for my tenure at Old Dominion. We continually supported and extended care for each other throughout the program. I would like to express my deepest gratitude to Mark, Mahesh, Carla, Ceyhan, Turkan, Janet, Fahad, and David. In many respects, we truly became family. However, special thanks and accolades are to be extended to David Lambert. David and I walked through many situations together. Without his continual inspiration and challenges, I would still be working on this research project. I wish him the absolute best in all his endeavors and a growing and deepening marriage to Jennifer.

My South American family: In Buenos Aires, Lorena Reich provided relentless support and constructive evaluations. Even though she is young in years, she provided profound wisdom of the Argentine society. Her translation efforts were flawless. My deepest appreciation is extended to her. I am grateful to Jaqueline Pels of Universidad Torcuato Di Tella who, in her very busy schedule, was always available to provide assistance in a thorough, discerning review and logistical support. Dr. Nelson Aguilera of Universidad Americana (Asuncion, Paraguay) fully embraced this research project, and I am grateful for his support because a credible research project was accomplished in
Paraguay. Without the friendship and concern of these people, it would have been impossible for me to complete this cross-cultural project.

My caring Olsen family: I want to especially thank my wife, Nancy, who stood by my side and selflessly encouraged me to stay the course and wonderfully blessed me with her faith, love, and hope. It is absolutely impossible to state in words the gratitude and love I have for her. Our children—Brett, Ryan, and Erica—inspired dad to persevere and are a true blessing from the Lord. I want to acknowledge with great respect my parents, Warren and Loretta. Their continual encouragement was truly heartfelt.

Most of all I want to acknowledge and thank Jesus Christ, my Lord and Savior. He performed numerous miracles in my life during the past five years from passing the GMAT, passing the comprehensive exams, to obtaining the perfect position at the University of Nevada, Reno.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>LIST OF TABLES</th>
<th>x</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIST OF FIGURES</td>
<td>xii</td>
</tr>
</tbody>
</table>

## INTRODUCTION
- STATEMENT OF THE PROBLEM: 1
- SIGNIFICANCE OF PROBLEM: 10
- LIMITATIONS OF RECENT RESEARCH: 12
- OBJECTIVES: 13
- ELEMENTS OF THE RESEARCH PLAN: 15
- SYNOPSIS: 17

## REVIEW OF THE LITERATURE
- INTRODUCTION: 18
- MARKETING CONCEPT: 22
- MARKET ORIENTATION: 26
- INTERNATIONAL ASPECTS OF MARKET ORIENTATION: 50
- FIRM PERFORMANCE: 61
- MACROENVIRONMENTAL ISSUES: 70

## RESEARCH DESIGN AND METHODOLOGY
- INTRODUCTION: 79
- MEASURE AND INSTRUMENT DEVELOPMENT: 87
- POPULATION FOR THE STUDY: 97
- DATA COLLECTION: 102
- PROCEDURE FOR DATA ANALYSIS: 104

## RESULTS OF THE RESEARCH PROJECT
- DATA COLLECTION AND RESPONSE RATES: 108
- DEVELOPMENT OF CONSTRUCTS AND VALIDATION: 114
- HYPOTHESIS TESTING - STAGES 1 AND 2: 122
- HYPOTHESIS TESTING - STAGES 3: 135
- MACROENVIRONMENTAL ISSUES: 139

## DISCUSSION AND IMPLICATIONS
- DISCUSSION OF RESULTS: 148
- SUBSTANTIVE ISSUES: 154
- METHODOLOGICAL ISSUES: 157
- MANAGERIAL IMPLICATIONS: 158
- PROJECT LIMITATIONS AND RESEARCH DIRECTIONS: 163

## BIBLIOGRAPHY: 168
- APPENDICES: 181
- VITA: 209
## LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 2.1</td>
<td>Resources Used Summarization</td>
<td>21</td>
</tr>
<tr>
<td>Table 2.2</td>
<td>Empirical Domestic Studies of Market Orientation</td>
<td>44</td>
</tr>
<tr>
<td>Table 2.3</td>
<td>International Empirical Studies of Market Orientation</td>
<td>52</td>
</tr>
<tr>
<td>Table 2.4</td>
<td>Macro External Factors</td>
<td>75</td>
</tr>
<tr>
<td>Table 3.1</td>
<td>Synopsis of Research Approaches</td>
<td>80</td>
</tr>
<tr>
<td>Table 3.2</td>
<td>Research Activity Flowchart</td>
<td>88</td>
</tr>
<tr>
<td>Table 3.3</td>
<td>Cross-Cultural Development (Refinement of an Existing Instrument)</td>
<td>94</td>
</tr>
<tr>
<td>Table 3.4</td>
<td>Summary of Economic Factors of Argentina and Paraguay</td>
<td>98</td>
</tr>
<tr>
<td>Table 3.5</td>
<td>Sampling Plan Summary</td>
<td>100</td>
</tr>
<tr>
<td>Table 3.6</td>
<td>Synopsis of Completed Research Approaches with Analysis Procedures</td>
<td>105</td>
</tr>
<tr>
<td>Table 4.1</td>
<td>Summary of Respondent and Firm Characteristics</td>
<td>114</td>
</tr>
<tr>
<td>Table 4.2</td>
<td>Summary of Reliability Levels as Measured by Coefficient Alpha</td>
<td>116</td>
</tr>
<tr>
<td>Table 4.3</td>
<td>Summary of the Number of Factor Loadings for each Construct</td>
<td>117</td>
</tr>
<tr>
<td>Table 4.4</td>
<td>Comparison of Measurement Models</td>
<td>118</td>
</tr>
<tr>
<td>Table 4.5</td>
<td>Summary of Reliability Levels</td>
<td>118</td>
</tr>
<tr>
<td>Table 4.6</td>
<td>Summary of Reliability Levels</td>
<td>119</td>
</tr>
<tr>
<td>Table 4.7</td>
<td>Construct Correlations</td>
<td>121</td>
</tr>
<tr>
<td>Table 4.8</td>
<td>Construct Characteristics</td>
<td>123</td>
</tr>
<tr>
<td>Table 4.9</td>
<td>Consequences of a Market Orientation: Standardized Regression Coefficients Estimated with Argentine Sample</td>
<td>125</td>
</tr>
</tbody>
</table>
## LIST OF TABLES - CONTINUED

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 4.10</td>
<td>Consequences of a Market Orientation: Standardized Regression Coefficients Estimated with Sample I</td>
<td>126</td>
</tr>
<tr>
<td>Table 4.11</td>
<td>Consequences of a Market Orientation: Standardized Regression Coefficients Estimated with Paraguayan Sample</td>
<td>126</td>
</tr>
<tr>
<td>Table 4.12</td>
<td>Summary of Market Turbulence Influence</td>
<td>130</td>
</tr>
<tr>
<td>Table 4.13</td>
<td>Summary of Competitive Intensity Influence</td>
<td>132</td>
</tr>
<tr>
<td>Table 4.14</td>
<td>Firm Performance Composite Correlations</td>
<td>135</td>
</tr>
<tr>
<td>Table 4.15</td>
<td>Consequences of a Modified Market Orientation and Selected Performance Measures: Standardized Regression Coefficients Estimated</td>
<td>136</td>
</tr>
<tr>
<td>Table 4.16</td>
<td>Comparison of Generation Sub-component Regressed on Performance</td>
<td>140</td>
</tr>
<tr>
<td>Table 4.17</td>
<td>Mean Values of Market Orientation Measures</td>
<td>141</td>
</tr>
<tr>
<td>Table 4.18</td>
<td>Comparison of Argentine and Paraguayan Firm Performance Composite Results</td>
<td>142</td>
</tr>
<tr>
<td>Table 4.19</td>
<td>Financial Measure Preferences</td>
<td>144</td>
</tr>
<tr>
<td>Table 4.20</td>
<td>Customer Measure Preferences</td>
<td>144</td>
</tr>
<tr>
<td>Table 4.21</td>
<td>Internal Business and Innovation Measures Preferences</td>
<td>145</td>
</tr>
<tr>
<td>Table 4.22</td>
<td>Summarization of Hypothesis Results by Stage</td>
<td>146</td>
</tr>
</tbody>
</table>
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1.1</td>
<td>Summary of Results for Jaworski and Kohli in 1993</td>
<td>5</td>
</tr>
<tr>
<td>Figure 2.1</td>
<td>Antecedents and Consequences of a Market Orientation</td>
<td>33</td>
</tr>
<tr>
<td>Figure 2.2</td>
<td>Antecedents and Consequences of a Market Orientation</td>
<td>35</td>
</tr>
<tr>
<td>Figure 2.3</td>
<td>Independent Effects Model of Market Orientation and Other Factors on Business Performance</td>
<td>38</td>
</tr>
<tr>
<td>Figure 2.4</td>
<td>Replication Classification System</td>
<td>47</td>
</tr>
<tr>
<td>Figure 2.5</td>
<td>Conceptual Framework</td>
<td>73</td>
</tr>
<tr>
<td>Figure 3.1</td>
<td>Model A</td>
<td>82</td>
</tr>
<tr>
<td>Figure 3.2</td>
<td>Model B</td>
<td>83</td>
</tr>
<tr>
<td>Figure 3.3</td>
<td>Model C</td>
<td>84</td>
</tr>
<tr>
<td>Figure 3.4</td>
<td>Model D</td>
<td>85</td>
</tr>
<tr>
<td>Figure 4.1</td>
<td>Summary of Responses</td>
<td>109</td>
</tr>
</tbody>
</table>
[Marketing] encompasses the entire business. It is the whole business seen from the point of view of its final result, that is, from the customer's point of view.

(Peter Drucker 1954).

The marketing concept, described as making the customer the central focus of a business, was first evidenced during the 18th century in the writings of Adam Smith (Heiens 2000). However, it was not until the late 1940s, when General Electric adopted a new marketing approach and restructured their organization chart to establish marketing as a separate function, that the concept made its formal debut in American business ("Marketing Men," 1950). The rewards and benefits of the marketing concept have been championed by academics and practitioners alike (e.g., Keith 1960; Kotler and Levy 1969; Webster, Jr. 1988), but the virtues of this philosophy have not gone unchallenged (e.g., Felton 1959; Bell and Emory 1971; McGee and Shapiro 1988). The debate on this foundational business principle has continued for 40 years with scant empirical research work to support the claims on either side of the debate (e.g., Hise 1965; Barksdale and Darden 1971; Houston 1986). This basic building block of American business, in all actuality, has been little more than a normative decision model, but it has significant implications. Until recently rigorous testing accompanied by an honest evaluation has not been successfully accomplished.
Finally in 1990, two separate *Journal of Marketing* articles creatively crossed the threshold and moved towards theory building. Both developed an understanding for the activities involved in making the customer the central focus of a business. In particular Kohli and Jaworski's (1990) seminal work resulted in a definition labeled as *market orientation*. Narver and Slater (1990) proceeded to empirically test this concept and found that such a business philosophy was more than just a concept; it was truly a beneficial orientation for business operations. Kohli and Jaworski (1990) stated that the marketing concept is a business philosophy, but its implementation requires being market oriented. Based upon field research involving 62 managers and a synthesis of the extant literature, they defined *market orientation* to be: "*the organizationwide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organizationwide responsiveness to it.*" (p.6).

Thus, being market oriented or customer focused is a three dimensional phenomenon of generating, disseminating, and responding to intelligence about the customer and the attendant marketplace. This marketplace information is couched in a broader context in that it includes exogenous factors (e.g., competition, regulation) that affect the current as well as the future needs and preferences of the customer.

Jaworski and Kohli (1993) proceeded to further advance the construct of market orientation and its antecedents and consequences by means of empirically testing it. Their results were consistent with those of Narver and Slater (1990) indicating a positive relationship between a market orientation and business performance. An additional brick was thus added to the theory building process. Finally, the market orientation construct was refined to a twenty-item scale termed MARKOR, which could be used in identifying
the existence of a customer focus and its resultant benefits (Kohli, Jaworski, and Kumar 1993).

A stated purpose in Kohli & Jaworski's (1990) original article was to "provide a foundation for the systematic development of a theory of market orientation" (p.1). Theory development is essential for the health and well being of marketing as it provides boundaries and a foundation for the growth of the discipline. This article was intended to establish a basis for clarifying a definition and to provide a focus for empirical research. Such research is needed in order to identify regularities in the phenomenon, which can be empirically validated with the hope of qualifying them as lawlike generalizations (Hunt 1976). The discovery of these generalizations is a goal of social science research, which certainly includes marketing (Sheth and Sisodia 1999). Empirical validation requires these generalizations to be "highly confirmed or corroborated by the evidence" (Hunt 1991) especially over different circumstances. Kohli and Jaworski's (1990, 1993) efforts provided the critical first step in the evolution of the theory of market orientation.

During the 1990s, as a result of the continued liberalization of markets and globalization of firms, stiff competition has persisted which has motivated firms to develop more effective strategies and more efficient methods of operation. As a result, relationship marketing has evolved as a strategic answer, and much academic attention has been placed on this phenomenon. Morgan and Hunt (1994) state that relationship marketing constitutes a major shift in marketing theory and practice. The question has been raised in the literature as to whether in fact there has been a paradigm shift from the marketing concept/market orientation to relationship marketing. This shift undoubtedly engendered a reduced effort in the empirical testing of market orientation. Table 2.2
highlights the lack of continued credible research work in this area in that there was a flurry of research activity until the mid-1990s when relationship marketing issues became more prominent.

As a consequence, partially due to the "shift" and other unknown factors, incomplete empirical testing of market orientation has resulted. Evidence has not confirmed regularities in various industry circumstances as well as different international marketplaces. Thus the process begun by Kohli and Jaworski (1990) has not been taken far enough to be able to develop theory, as there are numerous situations in which the existence of regularities have not been determined. In addition, numerous empirical tests of market orientation have been conducted without the consistent use of the original MARKOR instrument. The third column in Table 2.2 (p.44) illustrates the variety of scales that have been used. Tests have been performed using a combination of items from the MARKOR scale, from Kohli and Jaworski, Narver and Slater's construct, and items that have been developed independently. These tests undoubtedly were appropriate in those particular circumstances, but they were not reconciled with the MARKOR scale. At this point in time, the necessary confirmations to develop "lawlike generalizations" relating to the phenomenon are still needed.

Part II

Financial performance is an outcome. By the time that information is available, the game, or at the least the inning, is probably over. (Slater, Olson and Reddy 1997).

The concept of market orientation, as refined by Kohli and Jaworski (1990), and supported by other researchers, is based upon the premise that such activities enhance
business performance. Their research in support of this statement came as a result of an extensive literature review and in-depth interviews with 62 managers. The authors stated:

... virtually all of the executives interviewed noted that a market orientation enhances the performance of an organization. [In addition], a market orientation appears to provide a unifying focus for the efforts and projects of individuals and departments within the organization, thereby leading to superior performance (p.13).

Numerous other authors have stated the identical supposition, but primarily in conceptual articles (e.g., Lichtenthal and Wilson 1992; Meehan 1996). However, Kohli and Jaworski (1993) developed an appropriate hypothesis and subsequently tested it. The results were somewhat inconclusive. They developed four performance measures of potential consequences from a firm adopting a market orientation—market share, overall performance, organizational commitment, and *esprit de corps*. The overall performance was a subjective measure.

**Figure 1.1 Summary of Results for Jaworski and Kohli in 1993**

<table>
<thead>
<tr>
<th>Sample</th>
<th>Performance Measures (Consequences)</th>
<th>Market Orientation-Performance Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>222 US companies-Dun &amp; Bradstreet Million Dollar Directory</td>
<td>Market share Overall performance Org. commitment <em>esprit de corps</em></td>
<td>NS P-Sig** P-Sig*** P-Sig***</td>
</tr>
<tr>
<td>230 AMA members-executive positions</td>
<td>Market share Overall performance Org. commitment <em>esprit de corps</em></td>
<td>NS P-Sig*** P-Sig*** P-Sig***</td>
</tr>
</tbody>
</table>

Jaworski & Kohli (1993) ***p<.001; **p<.01

Likewise in another foundational empirical article, Narver and Slater (1990) developed their proposition that the market-oriented activities of a firm help create a
sustainable competitive advantage through superior value for its customers (Aaker 1988). This advantage is necessary for the creation of continuous superior performance for a business (Shapiro 1988; Webster 1988). The results of their study, using two samples from one large corporation, indicated a positive significant relationship between market orientation and return on assets. Thus, their results indicated that the greater the market orientation of a firm, the greater its profitability will be. ROA was the only measure of performance, and for the purposes of their study, ROA was considered analogous to return on investment and return on net assets. An unusual, but hypothesized, result was that the relationship was nonlinear or "U-shaped" for the commodity business sample. The market orientation-performance relationship was strongest for the low and high market orientation businesses, and the businesses in the mid-range had the lowest performance.

These two research studies provided the impetus for the investigation into the relationship of market orientation and firm performance, which was seen during the 1990s. As stated, this relationship is, at best, only tenuous and ambiguous. Subsequently, numerous other researchers have explored this association. Tables 2.2 and 2.3 include an extensive listing of these works. A review indicates that a truly definitive statement can not be made other than that there is a positive relationship, but its strength is open to debate. The question arises as to whether these works are truly measuring that relationship. Why then, would business managers develop and implement a strategy or firm philosophy that could only produce marginal results?

An additional question arises upon reviewing Tables 2.2 and 2.3 regarding the many varied measures or metrics used to represent firm performance. There is no
consistency, and in addition, is it a single measure or is it multi-dimensional? What is an acceptable definition of firm performance? In the literature, the term profitability is used interchangeably with business performance and economic wealth (McNamara 1972; Narver and Slater 1990). Small organizations equate performance with success (Pelham 1997). However what is success? Possibly the lack of an accepted, comprehensive metric for firm performance has been an underlying stumbling block in identifying a consistent positive and significant relationship between a firm's market orientation and its performance.

In some instances (e.g., Narver and Slater 1990; Naidu and Marayana 1991) financial criteria have been the primary measures of firm performance. Since the basis for the enhanced performance is creating superior customer value, can ROA, ROI, ROS, and Net Profit effectively measure such activities? (See opening quote.) Developing superior customer value, as stated in the definition of market orientation, includes obtaining information from customers about their needs and preferences and taking action on this information as well as understanding the competitive character of the marketplace. Thus a metric of performance should provide specific evidence of these behaviors.

In summary, three major issues in the realm of firm performance are unresolved at this juncture: 1) strength of the relationship between market orientation and firm performance, 2) a consistent definition of firm performance, and 3) whether the construct is a single or multi-dimensional measure. These three issues appear to be related and could be resolved together.
Part III

*However, market orientation is an element of marketing that takes on a sort of universal characteristic—that is, the theoretical underpinnings ought to be valid in all settings* (Desphande' and Farley 1996).

The essence of the above statement, having universal characteristic, is the desire of every international marketer's heart. They desire to be able to discover homogeneous threads that weave through many heterogeneous marketplaces so that efficient and effective strategies can be developed and implemented (Jain 1989). However, is market orientation strictly an American or western concept? Does it generalize to developing markets? Can it be a homogeneous thread weaving through international marketplaces?

The international empirical work investigating this activity is at best fragmented and inconsistent except for the efforts in the United Kingdom and to some extent continental Europe. How such an orientation is perceived in the emerging markets is relatively unknown. Yet these marketplaces hold the key to continued growth and development for firms pursuing the globalization mandate. Cross-cultural comparisons are critical for a proper understanding.

What is known about a market orientation in emerging markets is based generally upon new constructs that have been developed for a particular market (an 'emic' viewpoint) and have not been reconciled to the MARKOR measure. In addition, much cross-cultural investigation has typically been conducted based upon flawed procedures. Inconsistencies have occurred in developing comparable samples or ensuring construct validity; that is, does the construct tap what it claims to measure? As a consequence, the research findings evolve from interpreting cross-cultural characteristics that are suspect.
(Craig and Douglas 2000). These works have adopted a 'pseudo-etic' approach wherein the Kohli and Jaworski market orientation construct has been applied in a different culture with only minor modifications (Triandis 1972). No attempt has been made to de-center the construct or reduce the amount of cultural influence from the North American setting. Typically only a translation of MARKOR, back translation, reconciliation of any differences, and limited pretesting of the resulting instrument has been attempted. Results have neither appropriately advanced the theory of market orientation nor have resulted in an adequate understanding of it in emerging markets.

Part IV

*More than most other fields of scientific inquiry, marketing is context dependent* (Sheth and Sisodia 1999).

The term "context" encompasses a broad spectrum of themes that can affect the market orientation of a firm and its relationship with firm performance. There are varied internal environments of firms, there are *micro*-environmental factors (market level aspects of competition, marketplace turbulence, supplier relations, etc.), and there are *macro*-environmental factors composed of aspects of the socio-cultural, economic, technological, and legal-political environs. These latter factors can affect the responsiveness of firms to their markets (Porter 1990). In addition, these *macro*-environmental influences affect strategy implementation (Kotler 1994). Consequently, a market orientation will be affected by such factors (Selnes, Jaworski, and Kohli 1996).

Market orientation has been primarily investigated and analyzed in a North American or developed economy context, and a basic assumption has been made that this macro-environmental setting is a given for research. A challenge is encountered when
the research effort is subsequently focused on an emerging market, as that context is substantially different from the politically and economically stable North American situation. The markets labeled as "emerging" are in transition from burdensome government controls, volatile economies, and corrupt industry and political officials to democratic, free-market situations. Understanding the influence upon business operations within these macro-contextual factors is critical.

SIGNIFICANCE OF PROBLEM

A business that increases its market orientation will improve its market performance (Narver and Slater 1990).

This is a bold statement, but practitioners and academics have embraced it for decades. This assumed relationship has been the driving force for marketers in the pursuit of a market orientation for the purposes of competitive advantage. In the current business climate with rapid marketplace globalization, competition is quickly intensifying. Thus marketers need reliable information to develop sound strategies to ensure competitiveness. They need substantial credible evidence that a theory provides. Theory affords a solid foundation for basing decisions, whereas an untested concept merely offers prescriptive decision rules as a basis for evaluations (Hunt 1983). This research effort will provide evidence of the importance of MARKOR in international settings.

An additional essential research component involves the examination of the critical relationship between market orientation and firm performance. Any firm that undertakes the implementation of a strategic orientation anticipates that the benefits will
exceed the cost. Therefore the determination of what these benefits should be and how to properly measure them is vital for marketers in today's global marketplace.

Given the importance of globalization, it is surprising at the dearth of market orientation research in developing markets. The focus has primarily been on U.S. organizations, Japanese companies (Deshpande', Farley and Webster 1993), and Scandinavian firms (Selnes, Jaworski, and Kohli 1996). These studies all alluded to the generalization of the market orientation - performance relationship into other national cultures. Follow up studies have been scant and inconsistent (Ngai and Ellis 1998) which underscores the need for additional research.

South America is a burgeoning market of more than 338 million people (United Nations 1999) with national cultures that are markedly different than those of Scandinavia, Japan or the United States. Incentives for firms to develop a market orientation in these unique environs are relatively unknown. This author is unaware of any credible empirical research on market orientation in this region. (The statement is based upon communication with Bernard Jaworski, Kohli and Jaworski (1990); Jaqueline Pels, Universidad Torcuato Di Tella; Angelica Abrigo, Universidad Americana; and Tomas Astudillo, Universidad Autonoma de Asuncion; as well as the author's extensive literature search.) This concept, developed in a North American context, has been wholeheartedly accepted in the South American marketplace without proper assessment of its appropriateness. Thus there is no specific guidance to what precisely a market orientation is or its relationship to performance in this setting. As a result of endorsing this key business philosophy without rigorous tests in the Latin-American context, the academic community has failed the practitioner.
LIMITATIONS OF RECENT RESEARCH

[The importance of marketing orientation] has also remained just an assertion with little research or empirical support quoted (Wensley 1995).

There have been a number of investigations that have examined the concept of market orientation and the resulting MARKOR instrument, but many of these have focused on adding another dimension rather than empirically validating MARKOR in different settings. The goal in the initial proposal of Kohli and Jaworski (1990) was the development of a theory of market orientation—a desire to explain a critical marketing phenomenon. They established a definition that has been empirically testable, but a shortcoming yet exists in developing 'lawlike generalizations', as sufficient testing under different circumstances has not yet been completed.

In the emerging market context, a few studies have been conducted (e.g., Appiah-Adu 1998; Horng and Chen 1998), but the authors have developed their own definition of market orientation. These efforts were worthwhile; however, the original MARKOR instrument and definition were not fully investigated in different settings to determine if they held up. The influence of contextual settings, whether market level moderators or macroenvironmental factors, are either ambiguous or unknown. In addition, it has not been fully established whether the MARKOR scale items are appropriate in other market settings and/or languages. As such, further investigation of market orientation is warranted in emerging market settings (Varadarajan and Jayachandran 1999).
OBJECTIVES

Taking into consideration the significance of the appropriate theory development in market orientation, this research will test the basic tenets in an emerging market setting. This research will then make an important contribution towards empirical validation in other settings. Thus, the primary purpose will be to test the MARKOR construct, as initially developed, with the original measures of firm performance as developed by Kohli and Jaworski in 1993. In this manner, a determination can be made whether the activities of a firm focusing on its customer, as understood in the North American context, is generalizeable to an emerging nation. If so, does such an orientation have a positive relationship with a measure of firm performance? In the process of testing the original MARKOR construct, a complementary investigation will be conducted to develop a cross-cultural market orientation scale (Craig and Douglas 2000) which would then be reconciled with the MARKOR instrument.

Secondarily, since various measures of firm performance have produced ambiguous results, this critical element needs to be understood from the perspective of a firm operating in an emerging market to bring clarity to the relationship. An appropriate criterion, that measures results of business activity within the emerging market context, will be developed. Finally, an insight into the macroenvironmental factors that can affect the degree of a firm's market orientation will be developed. The environmental setting that firms operate within can vary substantially, but its influence is largely overlooked in the literature.
The success of this dissertation, then, is based upon proper testing of the traditional MARKOR scale and the original firm performance measures in the South American settings of Argentina and Paraguay.

To be able to accomplish the objectives of this research and establish the parameters of the work, an appropriate definition of *emerging markets* is required. In addition, the appropriateness of Argentina and Paraguay, as emerging markets representatives, is important to describe. This term, emerging markets, is used interchangeably with developing nations in the literature. A precise categorization of the particular countries has not been established. It represents countries whose economies, governments, and marketplaces are undergoing impressive changes and in some instances emerging as vast markets—Brazil, South Korea, Argentina, Poland, and India to name a few. Many are making a transition from a repressive form of government, communist, military control, or socialistic. Emerging markets should account for approximately 75% of the world's trade growth in the first decade of the new millenium ("Big Emerging," 1994). The emerging market category is similar to the United Nation's classification of *LDCs* (less-developed countries)—industrially developing countries just entering world trade with relatively low per capita income. (Cateora 1996)

The study of Argentina and Paraguay provides unique contrasts as well as similarities. On one hand, they are neighboring countries, both Spanish speaking, members of MERCOSUR trade group, GDP per capita of less than $10,000 per year, and transitioning towards democracy and freer trade. On the other hand, Argentina's population is 7 times larger and GDP per capita 3 times greater than Paraguay's. The latter country is still embroiled in extensive government control of business, whereas
Argentina has been successfully privatizing its businesses for the past decade. In addition, Argentina has extensive cultural ties to Europe, whereas Paraguay's are to natives of South America. Thus these two countries will provide a unique research basis to fulfill the objectives of the research project (Country Commercial Guides FY 1999: Argentina and Paraguay).

ELEMENTS OF THE RESEARCH PLAN

To accomplish the objectives of this study, qualitative research in an emerging marketplace will be conducted to develop an understanding of how market orientation is perceived and managed in that setting. In particular, in-depth interviews with business people in a variety of industries and academics will be conducted in Asuncion, Paraguay. The interviews will be conducted in Spanish. The author has resources and contacts in that country to begin the initial investigation into their business philosophies and accompanying behaviors. From the interviews, a determination will be made as to the universality of the marketing concept that underlies market orientation. An identical procedure will be followed in Buenos Aires, Argentina. Using emerging nations at different stages of development should provide unique insights and provide different circumstances for testing of the MARKOR instrument.

The research will focus on the core elements of the Kohli and Jaworski (1990, 1993) market orientation relationship. Douglas and Nijssen (1999) suggest that it may be desirable to use scales that reflect only the core items of a construct in a cross-cultural study. Therefore the seven antecedents to market orientation (e.g., top management;
interdepartmental conflict; formalization) will not be used as they contain idiosyncratic
terminology that can jeopardize establishing proper construct equivalence.

Based on the results of the qualitative research, it may be necessary to add
supplementary questions to capture the essence of the construct. This could be true for
either or both marketplaces. These will be included with the original MARKOR
questions and pretested with both business people and academics. All questions will be
contextually translated and back translated to ensure appropriate understanding and
consistency.

The samples will be selected from a Chamber of Commerce membership role in
each country so as to develop matched samples. However, the pretesting will be
conducted with individuals other than Chamber members. Mail surveys in South
America typically do not elicit a reasonable response rate. (This statement is based upon
communication with James Johnson, Old Dominion University; Gerardo Lozano
Fernandez, Instituto Tecnologico y de Estudios Superiores de Monterrey; and the author's
discussion with Paraguayan market researchers.) Therefore the proposed process will use
a combination of electronic mail and couriers. In addition, the survey will have the
sponsorship of the respective Chamber, as they will benefit from the research efforts.

The analysis process will be conducted using a multivariate regression technique,
as Kohli and Jaworski have consistently used this technique. Thus, to develop a basis for
cross-cultural comparison and further theory development, the identical procedure should
be used.
SYNOPSIS

First, a brief but comprehensive review of the literature on the evolution of the marketing concept leading to its acceptance as a cornerstone philosophy of business will establish a foundation for the importance of this area of research. Next, an extensive review of the market orientation literature will provide a basis for its acceptance as the implementation of the marketing concept and the initial work on its theory development aspect. In conjunction with the previous step, the review will demonstrate the inconsistency of empirical testing of market orientation in different circumstances of domestic as well as international settings. The third aspect of the literature review will focus on firm performance measures from both the marketing as well as management disciplines. Last, the contextual issues affecting firm strategy and operations will be explored from the external or macroenvironmental perspective as all but one previous study has focused on the internal factors. Hypotheses will be generated in each separate section in order to maintain consistency in the ideas that are developed.

Chapter III will describe the two field investigations that will test the hypotheses in the international settings of Argentina and Paraguay. Subsequently, Chapter IV will discuss the results of these two field investigations. Finally, the dissertation will provide an analysis of the results in a conclusion, limitations of the study, discussion of the managerial relevance of the findings, and direction for future research endeavors.
"Though the marketing concept is a cornerstone of the marketing discipline, very little attention has been given to its implementation." (p. 1). This statement began Kohli and Jaworski's 1990 foundation-building article that sought to unite the perception and thinking of marketing academics and practitioners on this essential concept. Their research effort was bold, but on the other hand, it was definitely welcome because the marketing discipline had been adrift for more than 40 years without an accepted definition for the marketing concept. A definition provides theoretical grounding, especially one that provides the basis for implementation, which had been lacking for four decades.

So what is the elusive marketing concept? Why is this "nebulous" precept still worthy of discussion after 40 years? It essentially is a corporate state of mind, a business philosophy, or a goal (Felton 1959; Barksdale and Darden 1971; Stampfl 1978). It is a belief that the customer is king, the central focus of a business organization (Levitt 1960). It is a cornerstone of the marketing discipline (see opening statement). It is a topic that academics and practitioners alike have grappled with for years in a love-hate relationship. On one hand, its existence in an organization has provided focus, enhanced profits, and an integration of efforts (Houston 1986), but on the other, there has been a continual struggle in implementation due to a lack of adequate definition. At times excesses in efforts to instill the concept into an organization had been blamed for lack of innovation.
and reduced competitiveness (McGee and Spiro 1988). This research effort will review the important aspects of the stream of literature that underlies the basis for the implementation of the marketing concept—termed market orientation.

The definition-developing research effort of Kohli and Jaworski (1990) provided a critical step in the theory-formulation process. The previous efforts aimed at comprehending and implementing the marketing concept were now able to proceed as these authors had provided an understanding of the concept and a basis for empirically testing it.

The decade of the 1990s produced a steady stream of research work—both conceptual and empirical on market orientation. The Marketing Science Institute encouraged and supported a number of projects, but for the most part, the research work was uncoordinated. So in retrospect, even though many aspects of market orientation have been investigated, there is much unattended work at the turn of century. This project will bring focus to some troublesome issues by organizing the market orientation literature into a chronological framework. Two areas in particular will be addressed—1.) the lack of consistent testing of a primary definition of market orientation and 2.) the lack of testing the phenomenon in different circumstances, primarily international settings.

A second purpose of the literature review is to investigate the elusive relationship between market orientation and firm performance. In a project that was independent of Kohli and Jaworski, Narver and Slater (1990) explored the effect of market orientation on profitability. Whereas the former project was definitional driven, the latter one was more focused on an investigation of the consequences. This seminal article indicated the
existence of a positive and significant relationship between market orientation and firm performance. In other words, evidence was empirically developed that there was enhanced profitability as a result of being market oriented. However, the results of subsequent research during the 1990s were found to be inconsistent and ambiguous. Again, the chronological framework (Table 2.2) will highlight these investigations. Two areas will be addressed—1.) possible explanations for inconsistencies in results and 2.) a performance measure that may provide an improved link with market orientation.

Marketing is a context-driven discipline (Sheth and Sisodia, 1999). As such, the market-orientation activities of a firm should be context dependent. Much of the investigation of this phenomenon has been relegated to market-level activities or the microenvironment. The study results have identified moderators of the market orientation—firm performance relationship. The moderators have been fairly well identified and tested, however the overarching aspects of the environment or macroenvironment have a critical impact on market orientation activities and their relationship with firm performance. An additional purpose of this literature review is to investigate macroenvironmental aspects of the marketplace in an attempt to discover how they affect the market orientation of a firm.

In summary, the literature review will develop a basis for comprehending: MARKET ORIENTATION—the marketing concept and its implementation; FIRM PERFORMANCE—why be market oriented?; and SOUTH AMERICAN MARKETPLACES—the deficiencies of market orientation research in international settings will be uncovered, and the context and possible affects of the macroenvironment in emerging markets will be examined.
To accomplish the tasks of exploring, investigating and examining, this literature review focuses primarily on significant contributors to the marketing concept, market orientation, performance, and international marketing research. The following table summarizes the 156 resources into papers, proceedings, journal articles, and texts that were considered and investigated.

Table 2.1 Resources Used Summarization

<table>
<thead>
<tr>
<th>Marketing discipline</th>
<th>94</th>
<th>Time Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Journal of Marketing</td>
<td>25</td>
<td>1951 to 2000</td>
</tr>
<tr>
<td>Marketing texts and books</td>
<td>14</td>
<td>1954 to 2000</td>
</tr>
<tr>
<td>Journal of the Academy of Marketing Science</td>
<td>8</td>
<td>1987 to 2000</td>
</tr>
<tr>
<td>European Journal of Marketing</td>
<td>7</td>
<td>1989 to 1998</td>
</tr>
<tr>
<td>International Marketing Review</td>
<td>6</td>
<td>1991 to 1998</td>
</tr>
<tr>
<td>Journal of Marketing Research</td>
<td>5</td>
<td>1977 to 1996</td>
</tr>
<tr>
<td>Journal of International Marketing</td>
<td>3</td>
<td>1995 to 1998</td>
</tr>
<tr>
<td>Journal of Marketing Management</td>
<td>3</td>
<td>1994 to 1996</td>
</tr>
<tr>
<td>Marketing Science Institute Reports</td>
<td>3</td>
<td>1993 to 1996</td>
</tr>
<tr>
<td>International Journal of Marketing Research</td>
<td>3</td>
<td>1992 to 2000</td>
</tr>
<tr>
<td>Various journals, proceedings, and working papers</td>
<td>17</td>
<td>1991 to 2000</td>
</tr>
<tr>
<td>General Business with Marketing Representation</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>Business Horizons</td>
<td>6</td>
<td>1967 to 1997</td>
</tr>
<tr>
<td>Harvard Business Review</td>
<td>4</td>
<td>1959 to 1988</td>
</tr>
<tr>
<td>Journal of International Business Studies</td>
<td>3</td>
<td>1987 to 1995</td>
</tr>
<tr>
<td>Various journals</td>
<td>5</td>
<td>1972 to 1996</td>
</tr>
<tr>
<td>Management discipline</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Academy of Management Review</td>
<td>4</td>
<td>1981 to 1996</td>
</tr>
<tr>
<td>Management Decision</td>
<td>4</td>
<td>1994 to 1998</td>
</tr>
<tr>
<td>Strategic Management Journal</td>
<td>3</td>
<td>1984 to 1998</td>
</tr>
<tr>
<td>Various journals and books</td>
<td>13</td>
<td>1981 to 1998</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>International Journal of Psychology</td>
<td>3</td>
<td>1989</td>
</tr>
<tr>
<td>Various journals, websites, and popular press</td>
<td>13</td>
<td>1950 to 2001</td>
</tr>
</tbody>
</table>

Total resources: 156

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
MARKETING CONCEPT

FOUNDATION OF MARKET ORIENTATION

There is only one boss—the customer—and he or she can fire everybody in the company by spending his or her money somewhere else. Sam Walton

The marketing concept has been described as the foundation of modern marketing (Slater and Narver 1998). It has also left its impression on the management discipline through the evolution of Total Quality Management (Leng-Hall 1996). Biggadike (1981) included it as one of the four major contributions that marketing has made to strategic management. For years, practitioners have extolled the virtues of this philosophy that places the customers and their needs at the center of a business. Where did this illustrious philosophy have its beginnings? Has its development and history been above reproach as these accolades suggest?

With the benefit of 20/20 hindsight, Kohli and Jaworski accurately summarized its status in 1990: “Given its [marketing concept] widely acknowledged importance, one might expect the concept to have a clear meaning, a rich tradition of theory development, and a related body of empirical findings. On the contrary, a close examination of the literature reveals a lack of clear definition, little careful attention to measurement issues, and virtually no empirically based theory.” (p.1.). These authors succinctly summarized the developmental history of 40 years—no accepted definition, measurement concerns, and little empirical testing. In other words, a basic building block of modern business was little more than a normative decision model.
Beginnings

The philosophy of the marketing concept was birthed in the late 1940s, partially in response to a changing marketplace environment. The Second World War was over, and the troops had returned home and settled into their new lifestyle. Businesses found that they were no longer being successful selling what was on the shelves. The competition for the consumer's pocketbook was intensifying, and the consumer was becoming more discriminating in his or her purchasing activity. The context had changed. As a result, General Electric opted to restructure their organization from a sales orientation to one that was customer oriented ("Marketing Men," 1950). Peter Drucker (1954), shortly thereafter, enshrined this change in orientation by stating "there is only one valid definition of business purpose: to create a customer" (p.37). As a result, the foundation was established for the evolution of a dynamic business philosophy—one that permeated the entire enterprise and focused it on the customer and his or her needs.

The opening statement by Sam Walton illustrates that the concept has not truly changed during the decades since Peter Drucker made his statement. Actually, most, if not all, explanations or definitions of the marketing concept depict the customer as the central focus of a business' operations. The following selections from the numerous available definitions highlight this point.

- Levitt (1960, p.55) stated it is the "entire business process as consisting of a tightly integrated effort to discover, create, arouse, and satisfy customer needs."

In other words, the organization's efforts begin and end with the customer.
- Bartels (1976, p.228) continued "the consumer, or customer, is assumed to be the end and object of all business efforts." The marketing concept is a viewpoint that focuses management decisions towards the market and the customer.

- Kotler (1994, p.18) refined it further as "...determining the needs and wants of target markets (customers) and delivering the desired satisfactions more effectively and efficiently than competitors." The marketing concept is a philosophy that challenged businesses to refocus their attention from an internal perspective to an external, customer-oriented one.

As a result of these years of attention and study by academics and practitioners, one would expect the marketing concept to be refined to an accepted, workable, and testable definition. Even though the customer has been consistently stated as the central focus, various other aspects have lacked agreement. Thus, after an illustrious beginning and 40 years of study, the marketing concept, a foundation of modern marketing, still stands as a normative decision model based upon anecdotal evidence.

An obvious question is—how did this situation arise? Due to the complexity of the situation, there probably is no single answer that will adequately provide an explanation. The following shortcomings may provide insights:

1. The difference between being customer-led versus customer-oriented.

2. The confusion between a philosophy and a concept.

3. The lack of agreement with respect to basic tenets.

One—as noted there was and still is a consistency in the customer being the central focus of a business that ascribes to the marketing concept, but there is a huge gap between being "led" versus "oriented" towards the customer. A customer-led organization is
primarily concerned with satisfying the consumer's *expressed* needs which leads to a short-term focus and a reactive posture (Slater and Narver 1998). Whereas, a customer-oriented enterprise attempts to understand the *latent* needs of the customer, which then promulgates a long-term perspective and a proactive posture. If many of the critics over the years (e.g., Sachs and Benson 1978; Webster 1988) had taken this difference into account, their disagreements might have been resolved.

Two—another shortcoming has probably arisen due to the continual interchangeability of the terms—concept and philosophy. This created a definitional issue in that a concept and philosophy are different, and thus attempting to define the marketing concept as either a concept or a philosophy creates ambiguity. McGee and Spiro (1988) noted this dichotomy and stated "...a philosophy is a broad umbrella that governs the business life, while a concept is a recognized way of operating within the climate that the philosophy umbrella has set (p.40)." It is difficult to define something when there is no clear idea of what it entails.

Three—there has never been an acceptance of the various components of the construct. In other words, it is not clear what the salient features of a marketing concept are. Generally three features have surfaced during the years: 1.) a customer focus, 2.) coordinated marketing efforts, and 3.) enhanced profitability. Each item entails numerous characteristics, but they have not been delineated within the context of the marketing concept. As a consequence, no definition has been accepted; thus, no credible testing can be accomplished with no subsequent theory development.

Despite the shortcomings, the marketing concept still stands as a central business tenet as the 21st century unfolds. It still holds a foundational position in marketing
textbooks. The question has been raised in the literature as to whether there has been a paradigm shift from the marketing concept to relationship marketing. Again it depends upon how the terms are defined or who is asking the question. It seems intuitively reasonable that marketing through relationships (marketing concept) is quite similar to relationship marketing. Customer relationships were as critical 50 years ago as they are today. However, Hunt and Morgan (1994) have suggested the need for global firms to compete in networks where marketing is the "glue" to hold the relationships together. This is referred to as relationship marketing. But on the other hand, small and medium size firms are still struggling to effectively incorporate the customer's preferences into their planning and operations. Yes, the marketing concept is a business necessity and, quite possibly, its influence has spread.

This examination of the marketing concept has not been exhaustive as that is beyond the scope of this literature review. Its significance to the marketing discipline has been demonstrated, but more importantly it has been depicted as the foundation for market orientation—the eventual implementation of the marketing concept.

**MARKET ORIENTATION**

*Important to design a research study with a clear definition of the concept since each perspective implies a somewhat different conceptual and measurement approach.*

(Jaworski and Kohli 1996)

Theory development is essential for the health and well being of marketing as it provides boundaries as well as a foundation for the growth of the discipline. Heretofore, theory based upon a central tenet, the marketing concept, could not be developed due to
the lack of a concise definition. As the opening quote states, differing perspectives of a phenomenon will result in different conceptual and measurement approaches unless they are grounded in a precise definition. However, consistent measurement of the phenomenon is necessary to identify regularities in order to empirically validate them as lawlike generalizations (Hunt 1976). In addition, Hunt (1991) further stated that "a theory is a systematically related set of statements, including some lawlike generalizations, that are empirically testable (p. 4)." Consequently, a clear and precise definition of marketing concept is necessary for the discipline to credibly move forward. Finally, in 1990, in two apparently independent projects (Kohli and Jaworski; Narver and Slater), definitions were developed that were clear and concise with regard to the making of the customer as the central focus of the firm. Both definitions were labeled as market orientation, and they were the means for implementation of the marketing concept. Thus, the first effective phase for theory development had begun.

Development of Various Definitions

In order to be able to compare the credibility of the different definitions of market orientation, the procedures and methods of the respective researchers should be examined. Their processes will assist in identifying the strengths and deficiencies of each one. Initially there were two accepted definitions, but within a few years after 1990, respected marketing researchers had developed additional definitions. (Note—the Marketing Science Institute played a substantial role in guiding and funding the research programs of the subject during this timeframe.) Therefore, for the purposes of this literature review, three will be examined in chronological order. These three groups are the primary researchers emphasized in Table 2.2.
Kohli and Jaworski, 1990 used the following process:

- Reviewed literature in marketing and related disciplines for 35 years in regards to the marketing concept.
- Conducted in-depth interviews with 62 managers in diverse functions and organizations in four U.S. cities using a standard interview format. The purpose was to elicit insights that might not have emerged from the extant literature.
- Compared the "received view" in the literature with the field interviews.
- Reconciled the two views, primarily from the perspective of the field interviews as they "provided a significantly clearer idea of the construct's domain" (p.3).
- Resulting precision of the process provided a more robust basis for theory development and construct measurement.

The result of their synthesizing the research yielded the following definition: "Market orientation is the organizationwide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organizationwide responsiveness to it." (Kohli and Jaworski, p.6)

In the course of a later 1993 empirical study:

- Their definition was tested using two different samples—one of 222 business units and one of 230 AMA members—to enable cross validation of findings. (Jaworski and Kohli, 1993)
- Results validated the three behavioral aspects of market orientation.

As a result the definition, as hypothesized, was accepted.
Narver and Slater, 1990 followed this process:

- Initially stated market orientation as "organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business" (p.21).
- To determine the necessary behavioral characteristics, reviewed major conceptual literature on both sustainable competitive advantage and market orientation to identify the principal common threads.
- Inferred from the literature that market orientation consisted of three behavioral components and two decision criteria. Hypothesized that these five items composed a one-dimension construct.
- Tested their hypothesis on a sample of 113 SBUs from a major western forest products corporation.
- Two decision criteria lacked acceptable scale reliability levels and were dropped.

The results from their testing was an inferred definition that: “…market orientation is a three-component model consisting of customer orientation, competitor orientation, and interfunctional coordination.” (p.28)

Deshpande, Farley, and Webster, 1993 followed these steps:

- Stated that customer and market orientation are synonymous.
- Conceptual discussion of Kohli and Jaworski (1990) as well as Narver and Slater's (1990) description of customer orientation. Included four other articles in their literature review.
- Developed a more formal definition based on the synthesis of the above articles.
- Developed a scale based upon qualitative research of a small sample of firms.
- Tested customer orientation on a sample of 50 Japanese firms.

The results of their testing supported the following definition: "...customer orientation is the set of beliefs that puts the customer's interest first, while not excluding those of other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise." (p.28)

Additionally, two of the researchers, Deshpande and Farley (1996):
- Developed a meta-analysis of the above three definitions and scales.
- Synthesized a new 10-item scale to assess market orientation.
- Tested the scale on a multinational sample of 82 marketing executives.

Based upon the results of their testing, they developed a "more parsimonious" definition of market orientation as: "...the set of cross-functional processes and activities directed at creating and satisfying customers through continuous needs assessment." (p.14)

In summary, the procedures used by each of the researchers are not without merit. The work of Kohli and Jaworski is more rigorous than others in that their procedure involved more than reviewing current literature. Their initial step was a review of the literature for the previous three decades followed by in-depth interviews of managers. This was followed by a synthesis of the respective results. Undoubtedly the precision of that process yielded a more robust definition. However, all together a credible effort was
expended to provide a definition on the activities that put a customer and his preferences as the focal point of a firm.

Comparison of Definitions

There are numerous similarities as well as differences among these. The purpose of a definition, however, should be the basis for determining the most appropriate candidate to carry forth the banner of the Marketing Concept. With a precise definition, theory can be adequately developed, constructs measured, and the testing done. A goal of theory is to be able to explain and predict phenomena. Consequently a good definition according to Hunt (1991, p.36) is one that "exhibits inclusivity, exclusivity, differentiability, clarity, communicability, consistency and parsimony."

A quick review indicates that all three meet the inclusivity and exclusivity tests. Also they are clearly communicable and parsimonious. However, Deshpande et al.'s use of customer orientation is not consistent with the first two. The term market orientation encompasses a broader perspective of the marketplace than does a customer orientation. The differentiability and clarity aspects breakdown in Deshpande et al.'s statement as the term beliefs can be rather ambiguous. These same two aspects fail in Narver and Slater's definition due to the use of the broad concepts of customer orientation and competitor orientation as each of these need further clarification. Kohli and Jaworski's use of the term market intelligence could lead to some confusion, but they provided a complete explanation as it relates to a "...broader concept than customers' verbalized needs and preferences in that it includes an analysis of exogenous factors influencing those needs and preferences" (p.4). Thus, Kohli and Jaworski's definition of market orientation (1990) appears to be the most worthy of the marketing discipline's support.
Accolades by other marketers further underscored the quality of their definition. Harris (1996) applauded them from the standpoint that what they had developed was a "...radical, effective, convincing and focusing statement of academic theory" (p.25), and what they had crafted was a logical, coherent and complete model of market orientation. The underlying basis for Harris' statements was that their research effort provided credence for marketing academics because now practitioners had a concept that they could actually operationalize. In addition, Wood et al. (2000) stated that "definitional precision and theoretical integration" (p.214) was achieved by their definition.

A final point should be made regarding the research rigor employed by the three groups of researchers. Kohli and Jaworski (1990) alone explored the domain of market orientation beyond the halls of academia. Through a conscientious synthesis, they incorporated the perspectives of both academics and practitioners. In fact, the realm of market orientation and marketing concept is in the marketplace and not in the libraries and offices of universities. As such, the contribution of executives and practitioners is a critical ingredient for the development of a good definition. As a result of their superior research efforts and definitional development, this literature review will use their definition as a benchmark and basis for comparison.

**Evolution of the Market Orientation Construct**

It is worthy to note that Kohli and Jaworski (1990) were the first researchers to state that a market orientation was the implementation of the marketing concept. As such, a market-oriented firm is one whose actions are consistent with the philosophy of the marketing concept. Their research effort espoused a lofty goal. They intended to "...provide a foundation for the systematic development of a theory of market-
orientation" (p.1). Their plan for accomplishing this goal was the stated purpose of the article: 1.) delineate the domain of the market-orientation construct, 2.) provide an operational definition (discussed previously), 3.) develop a propositional inventory, and 4.) construct a comprehensive framework for directing future research. Their goal was successfully achieved.

First Step:

The operationalization of the Kohli and Jaworski (1990) definition resulted in a conceptual framework, Figure 2.1, that depicts the relationships involved in a firm being market oriented. The framework consists of four sets of factors.

![Figure 2.1 Antecedents and Consequences of a Market Orientation](image)

The first set of factors, Antecedents, is the organizational factors that either inhibit or encourage the implementation of the marketing concept philosophy. The market-orientation measure consists of the three behavioral characteristics of generation,
dissemination, and responsiveness to market intelligence. The third set consists of moderator variables that can either strengthen or weaken the relationship between market-orientation and business performance. The last set consists of consequences resulting from an organization that implemented a market-orientation and is composed of customer responses, employee responses, and business performance.

Second Step:

To build on their theory foundation, the next step involved the empirical testing of the conceptual framework. This was accomplished in a later study (Jaworski and Kohli 1993). Using two different national samples, they proposed to determine the affects of: 1.) the three sets of antecedents on a market-orientation, 2.) a market orientation on business performance and employees, and 3.) moderator variables on the market orientation—business performance relationship. The initial conceptual framework, Figure 2.1, was refined to develop a more testable framework, Figure 2.2.
The samples used were described in the previous section. Existing scales were used for measuring the antecedent organizational constructs of formalization, centralization, and departmentalization. Scales for all remaining constructs were developed through a rigorous four-phase iterative process. Their iterative procedure was as follows:

- The authors generated a large pool of items for each construct.
- Pretests were conducted with twenty-seven managers to ensure appropriateness and clarity in regards to market orientation. This yielded elimination, addition or modification of necessary items.
A second round of pretests for the scales was conducted with seven academic experts. These pretests resulted in the elimination and revision of some items to enhance specificity.

A final round of pretests was conducted through personal interviews with seven managers. Only very few minor refinements were made at this stage. (pp.58-59)

All analyses of data were conducted using multivariate regression procedures.

For the purposes of this literature review, the results of the market orientation—consequences relationship are of primary importance. Business performance, as a consequence, was modeled by two different items—a subjective measure of overall performance and an objective one of market share. There was a significant positive relationship for the subjective measure, but a non-significant relationship with the objective one. The former result was consistent with that of Narver and Slater's (1990) subjective measure. The inconsistencies of business performance results will be discussed in a later section, Firm Performance. Another interesting result was that there were no moderator variables with significant affects on this relationship. Thus, it appears that the market orientation—business performance relationship is robust across the contexts portrayed by market turbulence, competitive intensity, and technological turbulence. In addition, the relationships with employee consequences of organizational commitment and esprit de corps were significant. In short, the results of the empirical tests supported the theory development of market orientation.
Step Three:

The third and final step in the foundation enhancement process was the development of a valid measurement instrument for market orientation. Kohli, Jaworski, and Kumar (1993) developed a 20-item MARKOR scale to measure the existence of market orientation (see APPENDIX 1). Critical to this process was the research methodology rigor employed, which included several rounds of pretesting, single-informant assessment, and a multi-informant (both marketing and nonmarketing) replication and assessment. The testing was conducted and validated with the same samples as Jaworski and Kohli (1993). The MARKOR scale measures the degree and not the type of a firm's market orientation. In addition, the authors stated that market orientation operates on a continuum within an organization. The significant confirming result of this project was that the 20-item measure consisted of one general market-orientation factor and the sub-factors of generation, dissemination, and responsiveness to market intelligence. A key managerial benefit of the scale is that it focuses on the activities necessary for a firm to be market oriented.

Additional Item:

A discussion of the evolution of a market orientation construct would not be complete without including Narver and Slater's (1990) seminal work. Even though their procedures were not as rigorous, this pioneering article significantly supported the development of a theory of market orientation. Theirs was the first empirical study in the marketing literature linking market orientation and business profitability. The relationship is depicted by the model in Figure 2.3.
Their sample and research procedures were discussed in a previous section, but only in a cursory manner. Their fifteen-item scale (see APPENDIX 2) was developed as follows:

**Phase 1:**

- A review of the major conceptual literature of both strategic competitive advantage and market orientation to identify principal common threads.
- They hypothesized a one-dimension construct composed of three behavioral components (customer orientation, competitor orientation, and inter-functional coordination) and two decision criteria (long-term orientation and profit objective).
- A pool of items that characterized these five components was generated and submitted to a panel of three academics recognized as authorities. They rated these items for market orientation consistency and recommended additional items.
- A pool of highly rated items was submitted to a second panel of three academics for a similar process.
- A preliminary questionnaire was pre-tested by six managers.
- A final questionnaire was refined based upon the managers' comments.

Phase 2:
- The hypothesized scale was tested using a sample from a major western forest products corporation comprised of 140 strategic business units.
- Three hundred seventy-one usable questionnaires representing an 84% response were analyzed.
- A Reliability Analysis of the scale was performed which resulted in long-term orientation and profit objective measures being dropped.
- Evidence of Construct Validity was determined to exist.

In their scale, market orientation consisted of the behavioral aspects of customer orientation, competitor orientation, and inter-functional coordination, whereas in Kohli and Jaworski's, the behaviors representing a market orientation were generation of, dissemination across departments of, and organization-wide responsiveness to—market intelligence. The former scale consisted of 15 items, and the latter had 20 items in its final form.
To adequately understand the similarities of the two scales, an explanation of Kohli and Jaworski's behavior of *generation of market intelligence* is necessary. It is defined as organization-wide generation of market intelligence pertaining to current and future customers' needs. Significantly, the customer-only perspective was broadened to embrace competition, technology, and regulation (Jaworski and Kohli 1993, p.54). Thus, all three of Narver and Slater's behaviors are incorporated within Jaworski and Kohli's (1993) scale.

Their implicit focus, as compared to Kohli and Jaworski's (1990) explicit focus, on market intelligence becomes evident upon reviewing the items composing the scale. (see Appendices 1 and 2). In addition, Narver and Slater's results supported a significant impact on business profitability, but no definite conclusions could be drawn regarding the two decision criteria of long-term focus and profitability.

In an empirical study that both complemented and supplemented their first one, Slater and Narver (1994a) extended the previous finding of a positive relationship between a business's market orientation and profitability. In this study, profitability was measured by ROA, sales growth, and new product success, whereas, in their earlier work ROA was the only measure used for profitability. They supplemented their findings by studying the moderating effects of environmental variables on the business performance relationship (as Jaworski and Kohli 1993), and also how these moderators might affect the business's relative emphasis on market orientation. Their findings were consistent with those of Jaworski and Kohli (1993) in that a competitive environment was found to have little effect on the market orientation—performance relationship.
Supplementary Thoughts:

Two additional points should be considered before discussing the current state of market orientation literature. First, market orientation is inextricably linked to firm performance issues. Basically, why should a firm expend the resources necessary to develop a market orientation? The potential benefits to be gained must appreciably exceed the organization's inputs. The research efforts relating to the firm performance—market orientation relationship have only provided mixed support. (This statement is based upon a review of Tables 2.2 and 2.3.) This particular stream of research will be discussed after a complete examination of the market orientation literature has been developed.

Second, in a number of instances in the literature, a market orientation has been treated synonymously as a marketing orientation. While some authors have argued for their synonymity (e.g., Henderson 1998), Slater and Narver (1998) succinctly stated the differences, which were also echoed by additional authors (Gronroos 1989; Kohli and Jaworski 1990; Shapiro 1988; Sharp 1991). "Marketing is only one function of the business. A business is market-oriented only when the entire organization embraces the values implicit therein and when all business processes are directed at creating superior customer value." (Slater and Narver 1998, p.1003).

In other words, the orientation is not the domain of the marketing department. It is the responsibility of the entire organization from the shipping docks to the president's office.

Current State of the Literature

Based upon these pioneering contributions, the foundations were established for a theory of market orientation. Empirically-tested links had been established between a
market orientation and business performance. It appeared that a market orientation was a fairly robust business philosophy for a firm to adopt in most marketplace environments. What the marketing discipline now needed was for additional empirical validations to corroborate this evidence over different circumstances (Hunt 1991).

The crossroads that market orientation found itself at this point is reminiscent of the dilemma depicted by Stephen Brown's 1996 article "Art or Science?: Fifty Years of Marketing Debate." The marketing profession had been struggling for years attempting to bring validity and credibility to its efforts. According to numerous marketing scholars (e.g., Bartels 1951; Hunt 1983; Sheth and Sisodia 1999), appropriate theory development is a worthy quest. One element of that process is the establishment of the existence of underlying uniformity or regularities. In other words, as Hunt (1991) stated, additional empirical testing must be conducted in an attempt to either confirm or refute the results established to date.

Table 2.2 encapsulates the empirical efforts of researchers in quality academic journals and conference proceedings from the inception of market orientation work to date. There have been many conceptual articles which have appeared focusing on a variety of issues, such as, discussion of how an organization becomes market oriented (e.g., Harris 1998; Harris and Piercy 1997; Lichental and Wilson, 1992) as well as a new market-orientation construct (Cadogan and Diamantopoulos 1995). This table strictly focuses on empirical efforts; ones that should hopefully assist in measurement of the existence of market orientation. It summarizes the basic issues concerned with market orientation testing. The first column describes the researchers and sample, second is the national origin of the sample, third column is the instrument being tested, fourth defines
the firm performance relationship, and the fifth column is the result(s) of the test. Only domestic articles are listed for review because initial research efforts all involved American companies, and a consistent basis for comparison should be maintained at least for the first stage of analysis. Following this section, international research will be discussed.
<table>
<thead>
<tr>
<th>Study Sample</th>
<th>Country</th>
<th>Scale</th>
<th>Performance Measures (Consequences)</th>
<th>Market Orientation - Performance Relationship</th>
<th>Reasons for Selecting a Different Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Narver &amp; Slater (1990) 113 SBUs Forest product industry</td>
<td>USA</td>
<td>N&amp;S</td>
<td>ROA</td>
<td>P-Sig</td>
<td>Original research.</td>
</tr>
<tr>
<td>Ruekert (1992) 5 SBUs-multipurpose inform High tech industry</td>
<td>USA</td>
<td>New</td>
<td>Long Run Perform</td>
<td>P-? only correlations.</td>
<td>No widely accepted measure of MO.</td>
</tr>
<tr>
<td>Narver, Jacobsen &amp; Slater (1993) 35 SBUs Forest product industry</td>
<td>USA</td>
<td>N&amp;S</td>
<td>Sales growth ROI</td>
<td>P-Sig NS</td>
<td>Original research.</td>
</tr>
<tr>
<td>Jaworski &amp; Kohli (1993) 222 US companies 230 AMA members (two samples)</td>
<td>USA</td>
<td>K&amp;J</td>
<td>Market share Overall performance Org. commitment Espirit de corps</td>
<td>NS P-Sig P-Sig P-Sig</td>
<td>Original research.</td>
</tr>
<tr>
<td>Slater &amp; Narver (1994a) 81 SBUs Forest product 36 SBUs manufacturing</td>
<td>USA</td>
<td>N&amp;S</td>
<td>ROA Sales growth New product success</td>
<td>P-Sig P-Sig P-Sig</td>
<td>Original research.</td>
</tr>
<tr>
<td>Deshpande' and Farley (1996) 82 marketing executives various industries</td>
<td>USA, Europe</td>
<td>New (meta)</td>
<td>Sales growth Customer retention Profitability Market share</td>
<td>P-? correlations P-? P-? P-?</td>
<td>Synthesize for a parsimonious and predictive tool.</td>
</tr>
<tr>
<td>Study Sample</td>
<td>Country</td>
<td>Scale Basis</td>
<td>Performance Measures (Consequences)</td>
<td>Market Orientation - Performance Relationship</td>
<td>Reasons for Selecting a Different Scale</td>
</tr>
<tr>
<td>--------------</td>
<td>---------</td>
<td>-------------</td>
<td>-------------------------------------</td>
<td>-----------------------------------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>Han, Kim &amp; Srivasta (1998) 134 Midwest banks</td>
<td>USA</td>
<td>N&amp;S</td>
<td>Construct Construct-mediated</td>
<td>P-NS P-Sig</td>
<td>No defining statement.</td>
</tr>
<tr>
<td>Van Egeren &amp; O’Connor (1998) 289 execs Midwest commercial firms</td>
<td>USA</td>
<td>N&amp;S</td>
<td>Relative performance (S.E.M.)</td>
<td>P-Sig</td>
<td>N&amp;S only construct that empirically tested MO?</td>
</tr>
<tr>
<td>Baker &amp; Sinkula (1999) 411 execs various industries</td>
<td>USA</td>
<td>K&amp;J</td>
<td>Market share Overall performance New product success</td>
<td>P-Sig P-Sig P-Sig</td>
<td>No defining statement.</td>
</tr>
<tr>
<td>Pelham (1999) 229 SME presidents</td>
<td>USA</td>
<td>Comb</td>
<td>Marketing effectiveness Growth/share Profitability</td>
<td>P-Sig P-Sig P-Sig</td>
<td>Reliabilities in previous studies and similar context.</td>
</tr>
<tr>
<td>Wood, Bhuian &amp; Kiecker (2000) 237 hospital administrators</td>
<td>USA</td>
<td>New*</td>
<td>Organizational Performance (subjective)</td>
<td>P-Sig</td>
<td>Overcome limitations of previous scale development.</td>
</tr>
<tr>
<td>Slater &amp; Narver (2000) 53 single business units</td>
<td>USA</td>
<td>N&amp;S</td>
<td>ROI-relative</td>
<td>P-Sig</td>
<td>Original research.</td>
</tr>
</tbody>
</table>

K&J—MARKOR
N&S—Narver & Slater (1990)
Comb—Combination of K&J and N&S
New—Comb plus additional items
*—Similar 3 dimension construct to K&J
P—Positive
N—Negative
NS—Not significant
SIG—Significant
NR—Not reported
This table represents a total of 16 research articles. A cursory examination of the table highlights the limited use of the MARKOR measurement scale, as well as, the Narver and Slater instrument. One-third of the articles denote situations where the individual researchers attempted to establish their own position rather than focusing on activities that would have benefited the entire marketing discipline. The profession, as a whole, and the market orientation stream of research, in particular, are not advanced.

The far right column describes the researchers' comments about their choice of a scale. Original research refers to either the work of Kohli and Jaworski or Narver and Slater. No defining statement indicates the authors simply stated their choice of scale rather than basing it upon a complete explanation. Possibly the study that most closely resembles that of Jaworski and Kohli (1993) is that of Baker and Sinkula (1999). However, the purpose of their research effort was not to replicate, but it was to study the relationship between the organizational characteristics—learning orientation and market orientation—organizational performance. Thus, six years lapsed (1993 to 1999) before research was published that provided added confidence in the original examination. (The performance column will be discussed in a later section.)

The need for replication in theory development was well stated by Easley, Madden, and Dunn (2000) in the following quote:

...a paucity of studies exists in the extant consumer/marketing research literature that have attempted to replicate previous work. Consequently, the literature is replete with one-shot studies of phenomena whose veracity is unquestioned and whose findings are disseminated as implicit laws. If the goal of science is to produce universal truths, inherent to this goal is the task of adequate theory development and refinement, in which the criterion of reproducibility should be inextricably intertwined. (p.83).

The authors continued their analysis of the situation by stating that a number of factors probably are underlying the lack of replication work. First, there is a basic lack of
interest by the profession in replication. Second, there is a perceived lack of importance or creativity in such studies. Thirdly, a perception exists that reviewers and editors have a bias against such work. These are rather unfortunate comments since replication is helpful and necessary as it assists in theory development.

Easley et al. (2000) offer a classification system that potentially eliminates inconsistencies in replication work and provides for a "social science counterpart to a precise duplication replication from the natural sciences" (p.85).

**Figure 2.4 Replication Classification System**

<table>
<thead>
<tr>
<th>Replication Class</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type 0</td>
<td>A precise duplication of a prior study. Every nuance of the experimental setting is precisely reproduced.</td>
</tr>
<tr>
<td>Type I</td>
<td>A faithful duplication of a prior study. Considered &quot;purest&quot; form or replication. Most typical for marketing.</td>
</tr>
<tr>
<td>Type II</td>
<td>A close replication. Useful in testing phenomena in multiple contexts.</td>
</tr>
<tr>
<td>Type III</td>
<td>Threat of extraneous factors causes a concern in replication. Modification.</td>
</tr>
</tbody>
</table>

Narver and Slater (2000) added their thoughts to the replication debate when they reviewed and noted a number of shortcomings in their own original empirical work and other market orientation research. In addition, they raise concerns about the generalizability of their 1990 project. These authors offer a solution to the replication dilemma and term it—the *balanced replication*, which combines the exact replications of a previous study's conditions with manipulation of additional substantive and/or methodological variables. This would provide confidence in the previous results plus add nuances that would make the examination interesting, meaningful, and hopefully
publishable. The balanced replication could be used in conjunction with Easley et al.'s classification system to provide for credible theory development.

Development of the Hypotheses

The statement that the market orientation construct should be generalizeable across the domain of business has been made numerous times in the marketing literature (e.g., Jaworski and Kohli 1998; Slater and Narver 1994b; Wensley 1995). However, based on the results reported in Table 2.2, these statements lack solid empirical support. Additional Type I testing is still needed. A faithful duplication of the original Jaworski and Kohli (1993) work using the MARKOR instrument would support the initial findings. As such, the formal hypothesis is:

\[ H_{1.1}: \text{There will exist an overall market orientation factor, and within the overall factor, specific component factors corresponding to one of the three conceptual components: generation of, dissemination across departments of, or organization-wide responsiveness to—market intelligence. The covariation among the items can be accounted for by a four-factor model.} \]

Since the formalization of the marketing concept, an often unstated premise, is a firm that is focused on understanding and satisfying the needs of its target market should have enhanced business performance. The argument is a firm that is more "in tune" with its customers will operate more efficiently and effectively resulting in more satisfied customers and increased profits. Narver and Slater's (1990) study indicated that such a positive relationship existed, but their sample was limited to a single corporation with 140 business units. This result was not generalizeable.

The original Jaworski and Kohli (1993) sample was different as it was composed of two separate groups—1) executives from Dun and Bradstreet's Million Dollar Directory which represented the top 1000 United States companies in sales revenue and...
2) the American Marketing Association membership roster. A Type I examination would suggest other types of samples are needed (e.g., small company executives). The issue of national origin for the samples will be discussed in the next section in the hypotheses development section. A testable hypothesis for this consideration is:

\[ H_{1.2}: \text{The greater the MO of an organization, the higher its business performance. Business performance to be measured by the original items of: 1) overall performance last year and 2) overall performance relative to major competitors last year.} \]

The second set of consequences that were examined in the original 1993 study was related to the firm's employees. It was argued an organization that adopts a market orientation brought a focus to its activities from which employees were able to grasp a greater understanding of the firm's mission. Since the mission is to satisfy customers and it is a common goal of all, the individual employees should have a greater sense of being part of a purposeful team. As before, an accurate replication is needed to provide greater confidence in this supposition. A testable Type I hypothesis for this consequence is:

\[ H_{1.3}: \text{The greater the MO of an organization, the greater (1) esprit de corps and (2) organizational commitment of the employees.} \]

Marketing is a context-driven discipline (Sheth and Sisodia 1999). Consequently, the market-orientated activities of firm should be context or environment dependent. Jaworski and Kohli (1993) argued that firms operating in more turbulent environments most likely will find it necessary to modify their products and services continually to adequately serve their target markets. To enable these firms to properly modify their products and services, a market orientation will be required because they will constantly monitor customer preferences and marketplace competitors. More tranquil or stable
markets will not require such activities. Thus to provide additional confidence in this supposition, a faithful Type I replication is required. The formal hypothesis is:

\[ H_{1.4} \]: The greater the market turbulence, the stronger the relationship between a MO and business performance.

The second environmental factor argued by Jaworski and Kohli (1993) to moderate the relationship was the intensity of the marketplace competition. In other words, firms that operate in environs where customers do not have many alternatives probably will have profitable activities without extensive orientation towards the customers. However, when competition for customers increases, successful firms will find it necessary to adequately satisfy customers' needs. Thus, a truly market-oriented firm will attract customers from other organizations that lack this orientation. Again a Type I replication will provide support for this hypothesis. Formally stated:

\[ H_{1.5} \]: The greater the competitive intensity faced by an organization, the stronger the relationship between a MO and business performance.

**INTERNATIONAL ASPECTS OF MARKET ORIENTATION**

This literature review is purposely divided between domestic and international research efforts. The international empirical work investigating this activity is at best fragmented and inconsistent except for certain efforts in Britain and in continental Europe. The geographical separation of research highlights the paucity of work (particularly in the developing world), and it supports the comment by Selnes et al. (1996) that relatively little empirical research has been conducted on cross-national marketing management issues. The United States, albeit the most prosperous economy in the world, is just one of over 200 countries.
The "landscape" of the world marketplace is changing rapidly. Over the past decade, changes in technology along with the liberalization of trade barriers have brought businesses and competitors much closer together. No longer is "international business" only for the huge multinational enterprise. Many companies, with only a handful of employees, are daily engaged in global transactions. Marketing managers and CEOs require credible information about foreign marketplaces and requisite marketing practices to compete there efficiently. In other words, reliable international marketing research is critical for effective decision making. Thus, it is important to investigate the international market orientation literature separately.

Table 2.3 is similar to Table 2.2 in that it encapsulates the empirical efforts of researchers in quality academic journals and conference proceedings from the inception of market orientation work to date. It, however, has an international emphasis. This table focuses on empirical efforts; ones that should assist in measurement of the existence of market orientation. It summarizes the basic issues concerned with market orientation testing. The first column describes the researchers and sample, second is the national origin of the sample, third column is the instrument being tested, fourth defines how firm performance is measured, and the fifth column is the result(s) of the test. The sixth column is presented to highlight how the respective scales were developed.
### Table 2.3 International Empirical Studies of Market Orientation

<table>
<thead>
<tr>
<th>Study Sample</th>
<th>Country</th>
<th>Scale Basis</th>
<th>Performance Measures (Consequences)</th>
<th>Market Orientation Performance Relationship</th>
<th>Reasons for Selecting a Different Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>manufacturing</td>
<td></td>
<td></td>
<td>Size</td>
<td>Reject (accept supplier)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Market share</td>
<td>Reject (accept supplier)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Growth rate</td>
<td>Reject (accept supplier)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(compare to competitor)</td>
<td>Reject (accept supplier)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Profit margin</td>
<td>Moderated</td>
<td></td>
</tr>
<tr>
<td>Deng &amp; Dart (1994) 248 managers of various industries</td>
<td>Canada</td>
<td>New</td>
<td>Scale development only</td>
<td>None</td>
<td>No defining statement. Literature review.</td>
</tr>
<tr>
<td>Golden, Doney, Johnson, &amp; Smith (1995) 200 CEOs various</td>
<td>Russia</td>
<td>New</td>
<td>% of market</td>
<td>NR</td>
<td>No defining statement. Literature review.</td>
</tr>
<tr>
<td>industries</td>
<td></td>
<td></td>
<td>Sales growth</td>
<td>NR</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Market share growth</td>
<td>NR</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total profits</td>
<td>NR</td>
<td></td>
</tr>
<tr>
<td>Greenley (1995) 240 CEOs of large companies</td>
<td>UK</td>
<td>N&amp;S</td>
<td>ROI</td>
<td>NS</td>
<td>No defining statement. Literature review.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>New Product Success</td>
<td>NS</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sales Growth</td>
<td>NS</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Profit growth</td>
<td>P-mixed on size</td>
<td></td>
</tr>
<tr>
<td>Fritz (1996) 144 exec industrial firms</td>
<td>West Germany</td>
<td>New</td>
<td>ROI</td>
<td>P</td>
<td>Establish his work as a precedence.</td>
</tr>
<tr>
<td>mgrs.</td>
<td></td>
<td></td>
<td>Overall performance</td>
<td>P-Sig</td>
<td></td>
</tr>
</tbody>
</table>

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
<table>
<thead>
<tr>
<th>Study Sample</th>
<th>Country</th>
<th>Scale Basis</th>
<th>Performance Measures (Consequences)</th>
<th>Market Orientation Performance Relationship</th>
<th>Reasons for Selecting a Different Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appiah-Adu (1997) 110 directors various, SMEs</td>
<td>UK</td>
<td>New</td>
<td>ROI, New Product Success, Sales Growth</td>
<td>P-Sig (moderated), P-Sig (moderated), P-Sig (moderated)</td>
<td>Adapted Pelham's for SMEs.</td>
</tr>
<tr>
<td>Bhuian (1998) 115 CEOs manufacture companies</td>
<td>Saudi Arabia</td>
<td>K&amp;J adapt</td>
<td>Organizational performance</td>
<td>P-Sig</td>
<td>Primary objective to study in developing market.</td>
</tr>
<tr>
<td>Caruana, Ramaseshan, &amp; Ewing (1998) 2 samples of 192 public sector organizations</td>
<td>Australia</td>
<td>K&amp;J</td>
<td>Public Sector Perform (subjective)</td>
<td>P-Sig (both)</td>
<td>Instrument performs well, both overall and subscales.</td>
</tr>
<tr>
<td>Gray, Matear, Boshoff, &amp; Matheson (1998) 490 execs. of medium size firms</td>
<td>NZ</td>
<td>New</td>
<td>Brand awareness, Customer satisfied, Customer loyalty, ROI</td>
<td>Correlation, Correlation, Correlation, Correlation</td>
<td>Used parts of 3 scales because needed a non-American perspective.</td>
</tr>
<tr>
<td>Horng &amp; Chen (1998) 76 CEOs of SMEs</td>
<td>Taiwan</td>
<td>New</td>
<td>Overall, Org. Commitment, Espirit de Corp</td>
<td>P-Sig, P-Sig, P-Sig</td>
<td>Modified for local context.</td>
</tr>
<tr>
<td>Lado, Olivares, &amp; Rivera (1998) 32 &amp; 34 private insurance firms</td>
<td>Spain, Belgium</td>
<td>New*</td>
<td>None (Scale development)</td>
<td>None</td>
<td>Similar MO behaviors as K&amp;J, but their own scale.</td>
</tr>
<tr>
<td>Study Sample</td>
<td>Country</td>
<td>Scale Basis</td>
<td>Performance Measures (Consequences)</td>
<td>Market Orientation Performance Relationship</td>
<td>Reasons for Selecting a Different Scale</td>
</tr>
<tr>
<td>--------------</td>
<td>---------</td>
<td>-------------</td>
<td>-------------------------------------</td>
<td>---------------------------------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>Martin, Martin, &amp; Grbac (1998) 30 CEOs of small firms</td>
<td>Italy, Croatia, Slovenia</td>
<td>New</td>
<td>Sales growth Profit growth</td>
<td>P-Sig P-Sig</td>
<td>No defining statement. Literature review.</td>
</tr>
<tr>
<td>Ngai &amp; Ellis (1998) 73 directors in textile &amp; garment industries</td>
<td>Hong Kong</td>
<td>N&amp;S</td>
<td>Profitability construct Growth rate</td>
<td>P-Sig P-Sig</td>
<td>Replication.</td>
</tr>
<tr>
<td>Powpaka (1998) 318 MBA grad execs</td>
<td>Thailand</td>
<td>New</td>
<td>None (Scale development)</td>
<td>None</td>
<td>Literature review and based on local context.</td>
</tr>
<tr>
<td>Avlonitis &amp; Gounaris (1999) 444 marketing directors</td>
<td>Greece</td>
<td>New</td>
<td>None (examination of behaviors)</td>
<td>None</td>
<td>Developed their own due to context.</td>
</tr>
<tr>
<td>Deshpande &amp; Farley (1999) Samples not stated</td>
<td>Various</td>
<td>New</td>
<td>Performance Scale (subjective)</td>
<td>Acceptable reliabilities for scale development in 4 emerging countries</td>
<td>Used their own previously developed scale.</td>
</tr>
<tr>
<td>Joshi &amp; Sharma (1999) 94 CEOs large firms, various industries</td>
<td>Canada</td>
<td>K&amp;J Adapt</td>
<td>Performance scale (relative to competitor)</td>
<td>P-Sig to Agility</td>
<td>K&amp;J is an element of overall model being tested.</td>
</tr>
</tbody>
</table>

K&J—MARKOR (1993)  
N&S—Narver & Slater (1990)  
Comb—Combination of K&J and N&S  
New—Comb plus additional items  
*—Similar 3 dimension construct to K&J  
P—Positive  
N—Negative  
NS—Not significant  
SIG—Significant  
NR—Not reported
One can conclude upon examining this table that there is an imbalance in research efforts. Over 60% of the countries where the studies were conducted would be considered as developed economies. In 1997, the developed economies represented only 15% of the world’s population but accounted for 81% of the world’s gross national product (Keegan 1998). The developing or emerging countries represent considerable future opportunities. Seven of these studies, or approximately 30%, employed the MARKOR or Kohli and Jaworski conceptualization in their endeavors. Fifteen or roughly 60% of the studies developed their own scales for a variety of reasons. So again as with the domestic studies, there has been only marginal empirical support developed for the foundation of market orientation through re-examination of established constructs.

Three of the projects that adopted MARKOR would be considered as advancing theory development (Pitt et al. 1996; Bhuian 1998; Caruana et al. 1999). Of these, Saudi Arabia is the only developing country represented. As a consequence, how market orientation is perceived in the emerging markets is relatively unknown.

The United States represents the only marketplace where extensive testing of the theory has been conducted, but its business setting is fairly homogeneous. Such a limited sample does not provide a basis to generalize the benefits of this philosophy to other marketplaces. Yet managers from the developing nations, with their rapidly-changing business environments, cry out for credible information to assist them in making reasonable decisions (Appiah-Adu 1998).

Development of the Hypotheses

There has been a consistent call in the literature to consider the "hypothesized" market orientation—performance linkage in other non-Western business environments
It is important to consider whether (1) the scale items make sense in other languages and (2) subsequent measure assessment would produce similar results. For the former question, it may be the case that items need to reflect differing hierarchical and departmental arrangements. For the latter issue, it will be interesting to see if the positive effects of market orientation on performance generalize to non-U.S. economies, in particular developing economies. (p.475).

Deshpande and Farley (1996) stated that market orientation's theoretical underpinnings ought to be valid in all settings; however, this supposition still remains to be resolved.

Therefore, two developing nations in the South American continent will be the focus for this research project. In particular, Argentina and Paraguay represent significant contrasts, while they are both members of the MERCOSUR trading block. Argentina has progressed more rapidly in both economic development and political stability than Paraguay. These countries represent an outstanding possibility for a cross-cultural experiment. A more complete explanation of their business environments and economies is presented in Chapter III.

Cross-cultural research projects present challenges not encountered in domestic work, and one such challenge was aptly stated by the MARKOR authors—do the scale items make sense in other languages? Some of the research listed in Table 2.3 utilized English language questionnaires with slight semantic changes to collect data in non-English cultural settings (Bhuian 1998; Ngai and Ellis 1998). The authors of these studies stated that English was understood, as well as, was the language for business in the marketplaces. In other cases, the questionnaire was merely translated, back translated, and low correlation items removed (e.g., Selnes et al. 1996). In addition, generally no attempt was made to de-center MARKOR or reduce the amount of cultural
influence from the North American setting (e.g., Avlonitis and Gounaris 1999; Golden et al. 1995). Such a de-centering procedure would have required extensive qualitative research as the basis for questionnaire development. Thus, the question yet remains—do the scale items make sense in other languages?

The second question raised was whether—subsequent measure assessment would produce similar results? Generally, the previous research has not established a basis to assess whether similar results have been produced. In numerous cases, the authors, for whatever reason, generated their own market orientation scale and did not reconcile it with any previous research, such as Narver and Slater or MARKOR (e.g., Gray et al. 1998; Liu 1995). Their singular results did not advance marketing knowledge, nor did it assist in generating support for established market orientation measures. The reconciling procedure would require testing both their construct and the MARKOR in these different circumstances, and then comparing their findings. As a result, the question of subsequent measurements producing similar results has not been answered.

To accomplish a valid cross-cultural understanding of MARKOR, proper research procedures must be followed as delineated by Craig and Douglas (2000), as well as, including Easley et al.'s (2000) Type I replication considerations. This process will produce more than the "imposed etic" MARKOR, as had been the result of previous studies. It will produce a "derived etic" MARKOR (Berry 1989). "Derived etic" is defined as:

"[the] features that exist, not only within one culture, but also exist outside it (in the second culture). [A researcher] can derive these common features by doing emic research in [the two respective] cultures rather than the more common practice of doing emic research in only one's own culture and presuming that identical phenomena exist in other cultures..." (Berry 1989, p. 727.)
To complete the "derived etic" process, Berry stated that researchers should consider and reconcile the common features of both cultures to develop a valid cross-cultural understanding. Conversely, with an "imposed etic" process, the researcher merely "imposes" the conceptualizations of one culture on another without considering whether they actually exist in that second culture.

An "imposed etic" MARKOR will be developed in the process of generating the results for the hypotheses H₁ to H₅ (previous section) by strictly using a translation into Spanish and back translation method. However, the proper procedure, "derived etic," will require extensive qualitative research in an attempt to develop an understanding of market orientation's theoretical underpinnings in the Argentine and Paraguayan business environments. Next, item generation will be based upon both practitioner and academic input. Finally, proper pre-testing of the questionnaire and subsequent refinement will be undertaken. Both newly-developed items and initial MARKOR questions will be included in the instrument to provide a basis for reconciling the original construct with a context-specific one. Complete details of these procedures are developed in the methodology chapter. As such, the formal testable hypothesis for this process:

\[H_{2.1}:\text{The "derived etic" measure will better explain market orientation than the "imposed etic" measure.}\]

The arguments advanced in the previous section on domestic research efforts are valid in the international arena. To further provide confidence in a theory of market orientation as originally intended by Kohli and Jaworski (1990), its conceptualization must be tested in \textit{different circumstances}. As such, the marketplaces of Argentina and Paraguay will provide a testing platform for investigating the enhanced business performance supposition. Businesses, no matter where they are located, if they are
focused on satisfying the needs of its target market should reap benefits from this strategy. With a "derived etic" market orientation factor, this relationship should be more comprehensively described. A testable hypothesis for this consideration is:

\[ H_{2-2}: \text{The greater the "derived etic" MO of an organization, the higher its business performance. This relationship will be better explained than that relationship described with an "imposed etic" MO. Business performance to be measured by the original items of: 1) overall performance last year and 2) overall performance relative to major competitors last year.} \]

The second set of market orientation consequences, which relates to employees, can be especially critical in developing economies. Typically, such employees have not had the benefit of working for firms that are concerned about customers and the marketplace. Rather many firms existed at the pleasure of a dictator or military junta and did not have a focus on satisfying needs of customers, but only satisfying the demands of the ruling class. Consequently, an organization that is now directed towards the general public and their needs should be an improved environment for the average worker. With an improved environment, workers should be more satisfied, and thus be more efficient in their efforts. As a result, a healthier place overall for their laboring efforts. To test this supposition, the hypothesis is:

\[ H_{2-3}: \text{The greater the "derived etic" MO of an organization, the greater (1) esprit de corps and (2) organizational commitment of the employees. This relationship will be better explained than that relationship described with an "imposed etic" MO.} \]

Since Marketing is a context-dependent discipline (Sheth and Sisodia 1999), the activities of a market-oriented firm should be dependent upon the environment, no matter what its geographical location. As Jaworski and Kohli (1993) argued that turbulent marketplaces require organizations to constantly monitor customer preferences and competitors' action, firms in a developing economy should be no different.
etic" market orientation scale should more effectively measure these activities. The formal hypothesis is:

H₂₅: The greater the market turbulence, the stronger the relationship between a MO, as measured using a "derived etic," and business performance. This relationship will be better explained than that relationship described with an "imposed etic" MO.

The second environmental factor, argued by Jaworski and Kohli (1993) to moderate the relationship, was the intensity of the marketplace competition. With a "derived etic" market orientation scale, the relationship should be more appropriately described. This results in the following hypothesis:

H₂₆: The greater the competitive intensity faced by an organization, the stronger the relationship between a MO, as measured using a "derived etic," and business performance. This relationship will be better explained than that relationship described with an "imposed etic" MO.

Qualitative research has indicated that numerous domestic firms in emerging markets lack modern marketing knowledge and training. When multinational companies enter foreign markets, they are endowed with expertise developed in western markets. In addition, many times their managers have been trained in western institutions of higher learning. As a result, a strategy directed towards understanding the customer and the marketplace have been incorporated in previous business efforts. The Global Competitiveness Report 2000 measures microeconomic competitiveness in 59 countries based upon approximately 4,000 surveys. The survey responses are to questions about competitive environments and company practices. Argentina ranked 45th of 59 countries in competitiveness down from 40th in 1999 and 34th in 1998. This is indicative of a changing environment. However from a marketing standpoint, Argentina ranked 55th in
the Customer Orientation subcategory. The essence of this category is whether firms in the country pay close attention to customer satisfaction.

In addition, relatively new domestic firms do not have the legacy of being controlled or directed by an autocratic government. Such governments existed in both Argentina and Paraguay in the decades before 1990. At that point in time, two significant factors affected the southern cone of South America. First, Argentina adopted a stable currency by pegging their peso to the United States dollar and basically stopped inflation problems. Second, their markets became more "open" due to the globalization trends that were flowing throughout world marketplaces. As such, new and creative free-market business practices undoubtedly permeated management thought processes. Thus the following hypotheses:

**H$_{2.6}$**: Multinational companies will exhibit a higher level of MO, as measured using a "derived etic," than domestic firms will.

**H$_{2.7}$**: The younger domestic firms will exhibit a higher level of MO, as measured using a "derived etic," than the older domestic ones. (cutoff of 8 years)

**FIRM PERFORMANCE**

*Traditional financial measures fail to capture the true picture of value production by a firm because they focus on past transactions, focus on initial expenses and ignore what could be their long-term benefits.* (Kaplan 1994 p.15)

**Introduction**

Professor Kaplan's statement encapsulates the essence of this aspect of the literature review. Basically the empirical evidence suggests that a firm employing a
market-oriented philosophy should enhance its performance. However the link has been rather elusive. Numerous studies implicated firm performance measures as the weak link in adequately specifying the relationship. This section will explore the inconsistencies in the empirical studies, review the researchers' various statements concerning the problem, discuss possible alternatives for measuring firm performance, and conclude with hypotheses for testing a measurement instrument that should more effectively describe the market orientation—firm performance relationship (MO—FP).

Why A Market Orientation?

Any strategy, firm philosophy, or firm-wide activities have costs associated with them. As a consequence, a manager must perceive benefits that will exceed the costs. Thus, the premise that a firm employing market-oriented behaviors should enhance its profitability (Narver and Slater 1990). This premise is based upon the concept of sustainable competitive advantage. The market-oriented business would examine various strategic alternatives and select the actions that should maximize customer value for present and future target buyers (Aaker 1988; Day and Wensley 1988). This is the premise that Kohli and Jaworski (1993) and Narver and Slater (1990) independently attempted to empirically verify.

Another potential feature of the MO—FP relationship was that such an organizational philosophy should assist in focusing firm efforts, which in turn should have a positive impact on firm performance (Kumar et al. 1998; Lusch and Laczniak, 1987; Pelham 1999). In other words, most employees would be working towards one common goal of maximizing both present and future customer value. Such unifying efforts have typically produced reduced costs and improved revenues (Narver et
The bottom-line is that a market orientation, in theory, should provide evidence of enhanced firm performance.

Tables 2.2 and 2.3 list in the fifth column, the results of MO—FP empirical testing to date. A summarizing statement is that these studies provide only mixed support. The relationship is positive, but its strength is open for debate. Indeed, a researcher would prefer to be able to make the following statement—if a firm's market orientation is increased by X%, then its ROA, net profit, or customer satisfaction will consequently increase by Y% (Jaworski and Kohli 1996). So, what are some of the problems inherent in this dilemma?

Discussion Section Comments

Various authors have commented on the inconclusive aspects of their own findings. These can be summarized into two broad categories of issues: qualitative and quantitative. Qualitative statements have suggested more definitional type problems:

- ...may be market share does not measure market orientation (Jaworski and Kohli 1993)
- ...market orientation may be uneconomic in some market environments (Greenley 1995)
- ...possibly there is a lag effect on firm performance from becoming market oriented (Selnes et al. 1996)
- ... no main effect from market orientation to performance...suggests that firms operating in turbulent environments might not benefit economically from a market orientation (Siguaw et al. 1998)
Quantitative-type statements have related more to the calculational aspects of the firm performance measure:

- …market orientation—firm performance may be non-linear (Narver and Slater 1993)
- …market orientation measures the degree not quality of the process (Jaworski and Kohli 1996)
- …with a low $R^2$, much of the variance in dependent variables (firm performance) is explained by other variables (Greenley 1995)

A common thread running through these comments is: what is a market orientation intended to produce and then how can those intentions be measured?

**Firm Performance Description**

Narver and Slater (1990) conceptualized firm performance as profitability, which as such, is one-dimensional. They operationalized it as the assessment of the organization's return on assets (ROA) in relation to that of all other competitors in the firm's principal served market over the previous year. Respondents were asked to consider return on investment, return on assets, and return on net assets as equivalent (p.28). When the specifics of these operationalizations are considered, an immediate concern for comparability of results is raised. How do diverse managers measure their ROA and approximate the competitors' ROA consistently? As a result, a single item is grossly inadequate to describe the complexities of firm performance (Kaplan 1992; Pelham 1997).
In the majority of studies, firm performance was operationalized as multi-dimensional, but few authors have provided an explanation for their choice of items selected to describe it, or why they determined it was multi-dimensional. However, Siguaw and colleagues (1998) stated that their seven-item scale "provided the capability to measure the true multi-attribute (italics mine) nature of organizational performance rather than relying on a single measure" (p.105). The argument for a multidimensional nature of a business performance construct was restated by Jaworski and Kohli (1993) when they considered the inconsistency in their study's results. They emphasized that performance could be characterized in a number of ways.

The literature provides little unanimity for a description of firm performance. This state of affairs was suitably described by Venkatraman and Ramanujam (1986):

"...importance of the performance concept is widely recognized, the treatment of performance research in research setting is perhaps one of the thorniest issues....there appears to be little hope of reaching any agreement on basic terminology and definitions." (p. 801). The question that arises for market orientation researchers then is how to resolve this dilemma.

**How can Firm Performance be Measured?**

The first step in resolving this predicament is to determine what should be measured as a result of a firm being market oriented. At first thought, this appears to be a simple task, but a review of the Performance Measures in Tables 2.2 and 2.3 suggests otherwise. If a firm is market oriented, it creates superior customer value, which can have a multiplicity of manifestations. For example, it can mean an increase in customer
satisfaction, an increase in customer retention, more new products, more new markets, plus numerous financial measures, such as sales growth and net profit increase.

The answer to the question revolves around the particular strategy or anticipated goals of the organization. For example, if the firm's strategy were to penetrate additional markets by increasing customer satisfaction and retention, a strictly financial measure would not adequately measure whether management's objectives had been realized. In other words as Bititci (1994) stated, integrated performance measures must be driven from a business' vision and objectives. Generally, strategic concerns are focused upon future profit streams rather than past profits (Aaker 1988); therefore, financial measures (net profit or ROI), because they are calculated from historical information, are inadequate of themselves to assess a market orientation (Bititci 1994).

To properly measure performance, Dess and Robinson (1984) suggested that an appropriate conceptual framework be selected which would properly define organizational performance. Brown and Laverick (1994) stated that a composite measure, which captures the multi-factor function aspects, would more adequately explain firm performance. The latter authors suggested the Balanced Scorecard as a widely-accepted composite measure for performance.

**Balanced or Unbalanced Scorecard?**

The Balanced Scorecard (BSC) was introduced into the literature by Kaplan and Norton (1992). It is a multidimensional framework for describing, implementing, and managing strategy at all levels of a firm by linking objectives and measures to strategy. The BSC is not a static list of measures rather it integrates financial measures, customer
perspectives, internal business processes, and organizational innovation and learning. An outline of the categories is as follows:

I. Financial perspective—*how do we look to shareholders?*
   - Measures that indicate whether the company's strategy, implementation, and execution are contributing to bottom line improvement.

II. Customer perspective—*how do customers see us?* Customer concerns in four categories:
   - Time—measures time required for company to meet customers' needs.
   - Quality—defect level as sent to customers.
   - Performance—how company's products/services contribute to creating value for its customers.
   - Cost—not just price of goods/services, but what does it ultimately "cost" the customer.

III. Internal Business perspective—*what must be excelled at?*
   - Business processes that have the greatest impact on customer satisfaction.
   - What competencies are needed to maintain market leadership?

IV. Innovation and Learning perspective—*can we continue to improve and create value?*
   - Launch new products.
   - More value for customers.
   - Improve operating efficiencies.
   - Penetration of new markets.
The BSC meets the criteria of allowing the researcher to establish his or her own treatment of performance within the structure of the four categories, and latitude is allowed in basic terminology as each category can be diversely defined.

Slater, Olson, and Reddy (1997) integrated the BSC with various marketing strategies as proposed by Treacy and Wiersema (1995) to develop a Strategic Scorecard. This procedure used the BSC as the framework for firm performance and "unbalanced" it for various focuses that different marketing strategies entailed. For example, all formats included a Financial perspective, but different strategies emphasized one of the other three perspectives: Customer, Internal Business, or Innovation and Learning. Treacy and Wiersema's (1995) marketing strategies were Product Leaders, Customer Intimacy, and Brand Champions, which were integrated with the BSC to develop a Strategic Scorecard. To complete the explanation, the success of a Product Leader strategy implementation could be measured by using the BSC and emphasizing measures in category IV, Innovation and Learning.

Subjective Versus Objective Approach

This section addresses problems incurred in obtaining credible and reliable data in performance research. Although it would seem that objective data, representing the "facts," about a firm's performance would be preferable, some studies have questioned the use of such information (e.g., Covin, Prescott, and Slevin 1990; Kumar, Subramanian, and Yauger 1998). These researchers argued that often respondents are reluctant to provide objective data, or it is provided in such a manner that it is unrepresentative. In addition, performance data on privately-held companies is restricted, and even if the information were available, there could be a great risk of error (Dess and Robinson
1984). The situation is greatly compounded when considering data collection in developing nations. Based upon in-depth interviews conducted by the author in Paraguay and Argentina, numerous business managers stated that multiple sets of accounting records are being maintained. Their "results of operations" could vary markedly depending upon who required a specific report. Also, there is the issue of accounting standards. Emerging markets, as a general rule, do not maintain accounting standards consistent with those of industrialized nations. As such, the reports produced using those guidelines will seldom be comparable.

A solution is to incorporate subjective data with a validating mechanism to ensure accuracy (Siguaw et al. 1998; Selnes et al. 1996). Ngai and Ellis (1998) have suggested that requesting perceptions of performance from managers recognizes that they are "the people with a finger on the firms' marketplace pulse" (p.128). In addition, subjective performance measures have been demonstrated to strongly correlate with objective ones (Dess and Robinson 1984; Pelham and Wilson 1996).

Development of the Hypotheses

The test will be conducted employing the BSC framework emphasizing the market orientation strategy or Strategic Scorecard with the modified MARKOR ("derived etic"), and the results compared against those of the modified MARKOR ("derived etic") and original business performance measures tested previously. Based upon developing a more effective measure of firm performance, it is hypothesized that:

H₃.₁: The relationship between a modified MO, as measured using a "derived etic" method and Firm Performance composite will be positive.
**H 3.3:** The relationship between a modified MO and Firm Performance composite will be better explained than the relationship between a modified MO and original business performance measures.

Both sets of original market orientation researchers, Kohli and Jaworski (1993) and Narver and Slater (1990), recommended that MO—FP relationship be assessed over extended periods of time. However, empirical studies of market orientation still have universally suffered in that one aspect. They have all been cross sectional studies. It can be argued that for a firm to develop an impactful level of market orientation an extended period of time will be required. For an organization to adjust its strategies, top management to focus corporate activities on the marketplace, and personnel to reorient their thinking, an extensive amount of time will undoubtedly be necessary. The amount of time depends on the firm. Thus, for the reorientation of corporate activities to be evidenced in firm performance, a number of years will probably be required. It is hypothesized that:

**H 3.3:** With the passage of time (2-year cutoff) from the inception of a market orientation strategy, the level of MO will significantly increase.

**H 3.4:** With the passage of time (2-year cutoff), the Firm Performance composite value will be increasing if the organization's MO is significantly and positively related to Firm Performance.

All hypotheses will be tested with data from Paraguay and Argentina.

**MACROENVIRONMENTAL ISSUES**

...the literature pays little attention to the contextual factors that may make a market orientation either more or less appropriate for a particular business. (Kohli and Jaworski 1990, p.1)
Marketing, possibly more than other social sciences, is driven and affected by the aggregate of its surroundings. Social, cultural, and economic forces are continually influencing and shaping business and consumer communities. Marketing managers' plans and actions are continuously molded and the resulting outcomes influenced by both the external and internal environments of the firm (Varadarajan and Jayachandran 1999). Another perspective on the environmental issue is that uncertainties can plague a manager's decision making process and influence the development of strategic plans and programs. These uncertainties can be categorized, as: 1.) those at an industry level, 2.) those which are firm specific, and 3.) general environmental (Miller 1993). As such, the environment, however it may be defined, is a factor or series of factors which must be effectively understood by managers and firms that are market oriented.

**Micro and Macro Differences**

In many instances, the literature does not differentiate between firm level or external influences. Cadogan and Diamantaopoulos (1995) stated that "legal, political, economic, competitive, technological, and socio-cultural forces, as well as distribution structures and geographical differences, all affect the firm in unfamiliar ways" (p.51). The statement is correct, but without properly classifying them, the effects of these forces may not be adequately understood nor a proper strategic response developed. Varadarajan and Jayachandran (1999) developed a framework for organizing marketing strategy that was insightful and explicative of this situation. They organized the influences of the environment or context on an organization into three levels:
First, general environment comprised of (a) institutions that lay the guidelines to shape the behavior of firms and (b) macro-societal factors such as the prevailing culture.

Second, an industry environment that comprises the actors with an industry such as suppliers, customers, competitors, and channel partners.

Third, an internal environment that comprises its unique sets of skills and resources; collective beliefs about the market, competition, and industry, and culture. (pages 121-122)

By properly classifying the influence or uncertainty, a manager can develop a more perceptive understanding of the issues being confronted and devise an appropriate response. However, the beginning of an effective resolution is a proper classification of the issue. One purpose of this literature review section is to examine the overarching influences affecting an organization. Thus, the Second and Third environmental influences can be categorized as micro-environmental or market-level effects. The First one will be categorized as macro-environmental influences.

Micro-environmental factors have been addressed extensively in the market-orientation literature beginning with the first conceptual article by Kohli and Jaworski (1990), but the results have been rather inconclusive (Greenley 1995). These factors generally have been termed moderators in the studies. Sharma, Durand, and Gur-Arie (1982) defined a moderator variable as: "one which systematically modifies either the form and/or strength of the relationship between a predictor and a criterion variable" (p.291). In the context of this literature, a moderator variable is one which can modify the strength and/or form of the market orientation—firm performance relationship. It can
operate, at various levels or intensities, to affect the impact of a market orientation on the firm's performance. Managers can have control over these *micro* factors by planning appropriate responses (Dobscha, Mentzer, and Littlefield 1994; Slater & Narver 1994). Examples of micro-environmental factors that have been previously tested—competitive intensity, market turbulence, technological turbulence, and market growth (e.g., Greenley 1995; Jaworski & Kohli 1993; Narver & Slater 1994a). Since an emphasis of this research project is to examine the *overarching* context affecting the development or operation of a market orientation, these *micro*-environmental factors will not be addressed. However, the three environmental factors proposed by Jaworski and Kohli (1993) will be included for an effective *Type I* replication.

*Macro*-environmental factors are external phenomena that can influence a firm's operating efficiency because the firm is not an "end onto itself." It is an open system and cannot maintain itself (Lado et al. 1998). Management must be continually aware of these not so visible, intangible factors so that appropriate comprehensive responses can be prepared in seasons of change. The conceptual framework presented by Selnes et al. (1996) depicted the potential impact by these factors on a market orientation.

**Figure 2.5 Conceptual Framework**
Thus, the impact of macro-environmental influences can potentially be evidenced throughout the process, whereas moderator variables typically impact the strength of the market orientation—firm performance relationship at the "X." This is not to state a ranking of importance of either macro and micro factors, but rather to depict that their respective impacts are unique, necessary strategic responses will be different, and required comprehension levels will vary. In summary, a firm's performance is dependent upon how well it manages both the macro and micro influences (Dobscha et al. 1994)

**Macro-Environmental Factors**

There are no universally accepted measures of macro-environmental influences in the literature (Van Egeren and O'Connor 1998). A thorough search of the marketing literature produced two separate issues involving macro-environmental influences—first, most discussions were in internationally-oriented textbooks, and second, generally only economic issues received comprehensive coverage. To appropriately examine this topic and develop an operational list of prevalent macro factors, the following table (see Table 2.4) was developed to highlight the pertinent considerations:
Table 2.4 Macro External Factors

<table>
<thead>
<tr>
<th>Study</th>
<th>Variables</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berkowitz, Kerin, Hartley,</td>
<td>Social</td>
<td>nature of population, income, values</td>
</tr>
<tr>
<td>Rudelius (1997) pp 76-96</td>
<td>Economic</td>
<td>income, expenditures, resources</td>
</tr>
<tr>
<td></td>
<td>Technology</td>
<td>inventions &amp; innovations</td>
</tr>
<tr>
<td></td>
<td>Competitive</td>
<td>alternative firms to satisfy needs</td>
</tr>
<tr>
<td></td>
<td>Regulatory</td>
<td>restrictions of state &amp; federal government</td>
</tr>
<tr>
<td>Dalgic (1997)</td>
<td>Economical-competitive</td>
<td>Competition exist?, heavy regulation</td>
</tr>
<tr>
<td></td>
<td>Socio-cultural (historical)</td>
<td>c.o.o., protect tendencies, lang. diffs, busn.trad</td>
</tr>
<tr>
<td></td>
<td>Legal &amp; administrative</td>
<td>public sector involvement in markets</td>
</tr>
<tr>
<td></td>
<td>Technological</td>
<td></td>
</tr>
<tr>
<td>Johansson (1997)</td>
<td>Culture</td>
<td>Language differences, Hofstede, homo/hetero</td>
</tr>
<tr>
<td></td>
<td>Economics</td>
<td>Purchasing power, income distribution</td>
</tr>
<tr>
<td></td>
<td>Technology</td>
<td>Communication, transportation, information</td>
</tr>
<tr>
<td></td>
<td>Politics</td>
<td>Gov't regulation of marketplace, instability</td>
</tr>
<tr>
<td>Dobscha, Mentzer &amp;</td>
<td>Barriers to entry</td>
<td>Ease of entry of new competition</td>
</tr>
<tr>
<td>Littlefield (1994)</td>
<td>Seller concentration</td>
<td>Regulations, competition</td>
</tr>
<tr>
<td></td>
<td>Government constraints</td>
<td>High or low demand R&amp;D generation, stability</td>
</tr>
<tr>
<td>Miller (1993)</td>
<td>Political</td>
<td>Changes in political regimes</td>
</tr>
<tr>
<td></td>
<td>Governmental policy</td>
<td>Policy impact on business community</td>
</tr>
<tr>
<td></td>
<td>Macroeconomic</td>
<td>Foreign exchange</td>
</tr>
<tr>
<td>Huszagh, Huszagh &amp;</td>
<td>Socio-cultural environment</td>
<td>anti-consumption, customs, habits, religious aspect</td>
</tr>
<tr>
<td>Hanks (1992)</td>
<td>Macroeconomic environment</td>
<td>inflation, gov't mgmt of resources, market or</td>
</tr>
<tr>
<td></td>
<td>Technological environment</td>
<td>government driven, fiscal &amp; monetary policy</td>
</tr>
<tr>
<td>Sheth (1992)</td>
<td>Macroeconomic forces are:</td>
<td>i.e., ASEAN, NAFTA</td>
</tr>
<tr>
<td></td>
<td>Regional integration</td>
<td>trend to democracy and free market</td>
</tr>
<tr>
<td></td>
<td>Ideology-free-world</td>
<td>especially in electronics</td>
</tr>
<tr>
<td></td>
<td>Technology advances</td>
<td>global sourcing &amp; competition</td>
</tr>
<tr>
<td></td>
<td>Borderless economy</td>
<td></td>
</tr>
<tr>
<td>Cavusgil &amp; Nevin (1981)</td>
<td>Cultural environment</td>
<td>Adaptation, structures, technologies</td>
</tr>
<tr>
<td></td>
<td>Political environment</td>
<td>FDI, exporting, instability</td>
</tr>
<tr>
<td></td>
<td>Legal environment</td>
<td>GNP, foreign exchange risk</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>Market practices, product, communication</td>
</tr>
<tr>
<td>Keegan (1972)</td>
<td>Market characteristics</td>
<td>Size, stage of develop, buyer behavior, PLC</td>
</tr>
<tr>
<td></td>
<td>Marketing institutions</td>
<td>Distrib. systems, media, services available</td>
</tr>
<tr>
<td></td>
<td>Industry conditions</td>
<td>Competitive size, technical develop</td>
</tr>
<tr>
<td></td>
<td>Legal environment</td>
<td>Laws, regs., tariffs, taxes</td>
</tr>
<tr>
<td></td>
<td>Resources</td>
<td>Human-costs &amp; skills, capital availability</td>
</tr>
<tr>
<td></td>
<td>Financial environment</td>
<td>Balance of payments, exchange rate, regs.</td>
</tr>
<tr>
<td></td>
<td>Political environment</td>
<td>Gov't policies &amp; attitudes, long-range</td>
</tr>
<tr>
<td>Bartels (1968)</td>
<td>Societal environment</td>
<td>Family, school, church, gov't, leisure</td>
</tr>
<tr>
<td></td>
<td>Social environment</td>
<td>Social systems, roles, behavior, mgmt</td>
</tr>
<tr>
<td></td>
<td>Physical environment</td>
<td>Trans systems, institutions, markets</td>
</tr>
<tr>
<td></td>
<td>Economic environment</td>
<td>Size, population, GNP, PPP</td>
</tr>
</tbody>
</table>
A concise list of the macro factors, that will be both parsimonious as well as inclusive of most possible aspects, are the categories listed by Dalgic (1997), Johannson (1997), and Huszagh, Huszagh, and Hanks (1992). *Socio-cultural, economic, technological, and legal-political* environments are representative of the overarching influences confronting managers wherever their geographical locale. (See items *underlined* in the second column.) It is a manager's *perceptions* of these factors that are important in a strategic decision making process. For example, a one-percent increase in interest rates would be significant in the United States, but a similar change in Argentina or Brazil would be welcomed as rock-solid stability.

**Development of the Hypotheses**

Another purpose of this research project is to demonstrate that macro-environmental influences have an effect on a firm's degree or level of market orientation. The majority of published market orientation research is based upon firms from the United States or other industrialized nations. Their economic and political stability are taken for granted in many instances; whereas, managers from emerging markets are confronted with economic and governmental volatility, corruption, and inherent cultural issues that are unimaginable to a western manager. Thus, each of the four *macro* influences will be examined in the context of an emerging market perspective.

*Socio-Cultural*

This factor represents two basic segments—consumer and business communities. A broad spectrum of socio-cultural consumer aspects affects the manager's decision-making processes. Language and dialectical differences are obvious. Religious habits or
traditions affect consumers in South America particularly in how they perceive surrounding events, for example—fatalismo. Many consumers expect nothing that they do will change the outcome of the events affecting them. Also businesses are shaped from a basic lack of trust. Therefore once trust is established, relationships will be deepened. Argentina has a longer history of market reforms than Paraguay. Thus, this factor will be illustrated by the following hypothesis:

$H_{4.1}$: The relationship between the Generation sub-component of the "derived" MARKOR and Firm Performance composite will be better explained in Argentina than Paraguay.

Economic

The macro-economic forces affecting businesses are substantially impacted by stability or volatility. Apparent factors are inflation, fiscal and monetary policies, and level of income and how it is distributed. In some areas of South America, hyperinflation has been substantially tamed, and in other sections, their economies are cyclical and on a virtual roller coaster ride. In such instances, strategic decisions, that require significant investments in time and resources, are generally limited.

Legal-Political

Again, stability is vital for governmental operations. Many emerging markets are in a laborious transition from a highly regulated and paternalistic form of government to a democratic one that is espousing a free market economy. In some instances, corrupt governmental departments strangle business development. As a result, most operational decisions must have a short payback period, as major long-term ones may not be productive. Argentina began its transition to a democratic form of government more than
a decade ago. Whereas, Paraguay is struggling today with basic democratic reforms. For example, the vice-president was assassinated in March 1999, but a replacement election was not held until August 2000. Therefore, Argentine businesses have had the opportunity to make transitions themselves and reorient themselves to modern business practices. This supposition is formally stated as:

\[ H_{4.2} \]: The MO level, as measured by the "derived etic" method, will be higher in Argentina than Paraguay.

Since it can be argued that businesses in Argentina should be operating with more current business practices and strategies than Paraguayan counterparts, their operations should be more efficient. Thus, their results of operations should be better. The hypotheses are stated as:

\[ H_{4.3} \]: The "derived" MO—Firm Performance composite relationship will be stronger for Argentina than Paraguay.

During interviews with Paraguayan managers, numerous statements were made about the lack of reliable accounting records and extra "sets of books." Many relied on their own intuition and formulas for ascertaining the success of their operations. The situation in Argentina was considerably different in that those managers tended to rely on standard "western" measures of performance. The hypothesis to assess if a difference does exist between the countries is as follows:

\[ H_{4.4} \]: The individual metrics comprising the sub-components of the Firm Performance composite for each country will be different. Paraguay will demonstrate more subjective ones, while Argentina's will be more objective ones.
CHAPTER III
RESEARCH DESIGN AND METHODOLOGY

INTRODUCTION

A research design is basically the framework or blueprint for a study; however, the elements may vary depending upon the nature of the project. Since this dissertation is a cross-national study, a few of the steps vary and must include additional work to appropriately resolve issues faced in international marketing research. The first step in the research design includes three subsections as it involves testing formats for varying combinations of the MARKOR instrument and Jaworski and Kohli's (1993) market orientation conceptualization.

A. Original MARKOR and original conceptualization of consequences.
B. Modified MARKOR and original conceptualization of consequences.
C. Modified MARKOR and Firm Performance composite integrating four measures of performance.

The second section depicts the procedures for development of the measures used in the project. Thirdly, an explanation of the populations for the study and accompanying sample selection. Next, data collection issues will be addressed. Finally, data analysis procedures will be reviewed. The following Table 3.1 encapsulates the three different research approaches.
Table 3.1 Synopsis of Research Approaches

<table>
<thead>
<tr>
<th>Approach</th>
<th>Model A</th>
<th>Model B</th>
<th>Model C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market orientation measure</td>
<td>Original MARKOR with 20 questions. &quot;imposed etic&quot;</td>
<td>Modified MARKOR with 30 questions. &quot;derived etic&quot;</td>
<td>Modified MARKOR with 30 questions. &quot;derived etic&quot;</td>
</tr>
<tr>
<td>Hypotheses</td>
<td>1 2, 3, 4, &amp; 5</td>
<td>2-1 2-2 thru 5</td>
<td>2-6, 7 3-1 3-2, 3, &amp; 4</td>
</tr>
</tbody>
</table>

MO — represents market orientation

The overall process is similar to a staged approach in that the results from the previous step are the basis for comparison of the results of the current step. The research results from using Model B will be compared to Model A's results. The primary difference is that the market orientation measure will be represented as modified through qualitative and quantitative research. Similarly at the third step or Model C, the firm performance measures will be enhanced over those of the second step.

Section 1A: Original MARKOR

The first group of hypotheses embodies the replication of Jaworski and Kohli's (1993) study in support of their initial findings. Thus, the model as originally proposed and the MARKOR measure for market orientation will be used. A faithful Type I replication will be performed employing the original measures for the moderators, original firm performance indicators, and original employee consequence scales. The
questions representing these items were translated into Spanish and back translated into English and evaluated for nuances, naturalness, and cultural comprehensibility (Vijver and Leung, 1997). The basic premise to be evaluated with this model is the development of additional empirical support for the benefits of a firm adopting a market orientation.

The evaluation will be based upon the following hypotheses restated from Chapter II:

\[ H_{1-1}: \] There will exist an overall market orientation factor, and within the overall factor, specific component factors corresponding to one of the three conceptual components: generation of, dissemination across departments of, or organization-wide responsiveness to—market intelligence. The covariation among the items can be accounted for by a four-factor model.

\[ H_{1-2}: \] The greater the MO of an organization, the higher its business performance. Business performance to be measured by the original items of: 1) market share and 2) overall performance relative to major competitors last year.

\[ H_{1-3}: \] The greater the MO of an organization, the greater (1) esprit de corps and (2) organizational commitment of the employees.

\[ H_{1-4}: \] The greater the market turbulence, the stronger the relationship between a MO and business performance.

\[ H_{1-5}: \] The greater the competitive intensity faced by an organization, the stronger the relationship between a MO and business performance.
Section 1B: Modified MARKOR

This grouping of hypotheses represents the recognition that the market orientation construct, even though it may be captured by the same three sub-components, could be expressed somewhat differently. Extensive qualitative research was accomplished to develop a modified or "derived etic" MARKOR measure instead of the "imposed etic" one in the previous set of hypotheses. Identical procedures and scales (other than MARKOR) will be employed as in the previous step. The premise for this model is also to provide additional empirical support for the "hypothesized" market orientation—performance linkage in all business environments. The evaluation will be based upon these following hypotheses restated from Chapter II.

\( H_{2.1} \): The "derived etic" measure will better explain market orientation than the "imposed etic" measure.
**H 2-2**: The greater the "derived etic" MO of an organization, the higher its business performance. This relationship will be better explained than that relationship described with an "imposed etic" MO. Business performance to be measured by the original items of: 1) market share and 2) overall performance relative to major competitors last year.

**H 2-3**: The greater the "derived etic" MO of an organization, the greater (1) esprit de corps and (2) organizational commitment of the employees. This relationship will be better explained than that relationship described with an "imposed etic" MO.

**H 2-4**: The greater the market turbulence, the stronger the relationship between a MO, as measured using a "derived etic," and business performance. This relationship will be better explained than that relationship described with an "imposed etic" MO.

**H 2-5**: The greater the competitive intensity faced by an organization, the stronger the relationship between a MO, as measured using a "derived etic," and business performance. This relationship will be better explained than that relationship described with an "imposed etic" MO.

**H 2-6**: Multinational companies will exhibit a higher level of MO, as measured using a "derived etic," than domestic firms will.

**H 2-7**: The *younger* domestic firms will exhibit a higher level of MO, as measured using a "derived etic," than the *older* domestic ones. (cutoff of 8 years)

---

**Figure 3.2 Model B**

- **Intelligence Generation** (? questions)
- **Intelligence Dissemination** (? questions)
- **Responsiveness** (? questions)
- **MARKOR "derived etic"**
  - H2-1, H2-2, H2-7

**Employees Consequences**
- Organizational Commitment
- Esprit de Corps

**Business Performance**
- Overall Performance
- Overall Comparison

**Environment**
- Market Turbulence
- Competitive Intensity

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
Section 1C: Modified MARKOR and Firm Performance composite

This test will be conducted employing the BSC framework emphasizing the market orientation strategy or Strategic Scorecard with the modified MARKOR ("derived etic"), and the results compared against those of the modified MARKOR ("derived etic") and the original business performance measures developed in the previous test. Based upon developing a more effective measure of firm performance and valid measure of market orientation, the restated hypotheses from Chapter II are:

\( H_{3.1} \): The relationship between a modified MO, as measured using a "derived etic" method and Firm Performance composite will be positive.

\( H_{3.2} \): The relationship between a modified MO and Firm Performance composite will be better explained than the relationship between a modified MO and original business performance measures.

\( H_{3.3} \): With the passage of time (2-year cutoff) from the inception of a market orientation strategy, the level of MO will significantly increase.

\( H_{3.4} \): With the passage of time (2-year cutoff), the Firm Performance composite value will be increasing if the organization's MO is significantly and positively related to Firm Performance.

Figure 3.3 Model C
Section 1E: Macroenvironmental Issues

This grouping of hypotheses represents consideration of the influences of macroenvironmental factors on the market orientation—firm performance relationship. In essence this section tests the different perceptions that management has as a result of macroenvironmental influences. Some of the models developed in Sections A, B, and C will be used to test these hypotheses. As such, the models will not be restated.

A broad spectrum of socio-cultural consumer aspects affects a manager's decision-making processes. Much of the populace, especially in Paraguay, expect nothing that they do will change the outcome of the events affecting them. Therefore, they make no attempt to understand situations. Argentina has a longer history of market reforms than Paraguay. As such, the basis for comparison of the Socio-cultural influences on relationship development is:

**Figure 3.4 Model D**

\[ H_{4.1} \text{: The relationship between the Generation sub-component of the "derived" MARKOR and Firm Performance composite will be better explained in Argentina than Paraguay.} \]
The *Legal-Political* influences should be manifested less in Argentine business as they have had more of an opportunity to reorient themselves to modern business practices. This hypothesis is conceptualized in model B of *Section 1B*. The restatement of the hypothesis from Chapter II:

\[ H_{4.2}: \text{The MO level, as measured by the "derived etic" method, will be higher in Argentina than Paraguay.} \]

The model C from *Section 1C* is the base for the following hypotheses from Chapter 2:

\[ H_{4.3}: \text{The "derived" MO—Firm Performance composite relationship will be stronger for Argentina than Paraguay.} \]

During the qualitative research process, practitioners were asked to explain how they defined business success. Paraguayan managers, especially those from domestic firms, were more focused on the public's perception of their business enterprise. For them, developing new retail outlets (regardless of performance), being able to introduce new products or brands (this represented a connection with Western firms), and having a increasing sales of the market (because the public would be impressed) was success. Thus, their measures are subjective, i.e., relative sales growth, overall performance relative to competitors, image, customer awareness of brands, providing perceived value for customers, and penetrating new markets.

Since the Argentine managers have been influenced by Western business practices through foreign direct investment and university education programs, they defined success more in terms of how investors and the business community would evaluate them. Therefore, net profit, market share, customer satisfaction, and amount of repeat business are measures of success for them.
**H 4.4:** The individual metrics comprising the sub-components of the Firm Performance composite for each country will be different. Paraguay will demonstrate more subjective ones, while Argentina's will be more objective ones.

**MEASURE AND INSTRUMENT DEVELOPMENT**

Since the basis of this project is a *balanced Type I* replication, it will use the existing scales as developed by Jaworski and Kohli (1993) and Kohli et al. (1993) for the *Type I* replication aspect. However, the cross-cultural perspective will provide the *balanced* aspect by introducing additional substantive variables. The procedure followed for the instrument development was proposed by the psychologist Berry (1989) and further explained by Craig and Douglas (2000 p.156). It combines both the *emic* and *etic* viewpoints of cross-cultural research.
Table 3.2 Research Activity Flowchart

<table>
<thead>
<tr>
<th>Step</th>
<th>Research Activity</th>
<th>North America</th>
<th>Emerging Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Begin research in own culture</td>
<td>EMIC A</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Transport to other culture</td>
<td></td>
<td>IMPOSED ETIC</td>
</tr>
<tr>
<td>3.</td>
<td>Discover other culture</td>
<td></td>
<td>EMIC B</td>
</tr>
<tr>
<td>4.</td>
<td>Compare two cultures</td>
<td>EMIC A</td>
<td>EMIC B</td>
</tr>
<tr>
<td>5-1.</td>
<td>Comparison not possible</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5-2.</td>
<td>Comparison possible</td>
<td>EMIC A</td>
<td>EMIC B</td>
</tr>
</tbody>
</table>

Source: Berry 1989
Using this flowchart for guidance in developing the measures and instrument will help to establish a basis of comparability. However to maintain comparability, it must be assessed at different stages of the research (Craig and Douglas 2000). The comparability assessment is fully explicated after Step 5.

Step 1. The research project commenced by integrating and synthesizing the extant literature on market orientation and firm performance. Chapters I and II are the fruits of that effort.

Step 2. The procedures used in much of international research on market orientation (firm performance will be discussed in a following section) involves merely "transporting" a scale to another culture and translating it into that language and then back-translating to determine the adequacy of the translation. This situation is described in Chapter II, pages 57 and 58. As a result, an "imposed etic" market orientation scale is developed without appropriate consideration being given to whether it adequately taps the construct.

To fulfill the requirements of a Type I replication and to test whether market orientation, as conceptualized by Jaworski and Kohli (1993), is transportable into an emerging marketplace, this project followed a proper translation procedure. The measures for MARKOR, moderators, business performance, organizational commitment, and esprit de corps were translated into Spanish by a professional business translator who was a bilingual Paraguayan national. (A bilingual Argentine translator subsequently reviewed and contextualized the translation for Argentine cultural nuances.) The back translation was accomplished by two bilingual Americans (Vijver and Leung 1997 pp.39-
Only minor differences between the two versions and the initial English one were necessary to be reconciled.

*Translation equivalence* was then assessed via a heuristic approach whereby the reconciled Spanish version was pretested by bilingual nationals—two academics and three business professionals (Craig and Douglas 2000, pp.214-217). The concerns raised were idiomatic and were appropriately rectified.

**Step 3.** Qualitative research was conducted to acquire an understanding for the aspects and underlying meaning of market orientation in a developing marketplace. An additional purpose of this qualitative work was to collect information to create measures that are both pan-cultural and culture specific. In other words, the ultimate measures should be able to provide a comparison between Argentina and Paraguay, as well as be able to describe the market orientation concept within each country.

Methods of collecting qualitative material as outlined by Denzin and Lincoln (1998) were employed. A structured interviewing process with open-ended questions was followed. In Paraguay, 18 interviews with business professionals—owners, general managers, academics, and market researchers—were conducted primarily in Spanish with the assistance of an interpreter. In Argentina, 10 interviews with business professionals—owners, general and marketing managers, and an academic—were similarly conducted. Each of the samples reflects a diverse set of organizations and positions, as a consequence, was well suited to provide a rich set of thought and insight.
A standard format for the interviews was followed. After an explanation of the project, each interviewee was asked the following series of questions:

- What does the term marketing mean to you?
- What does the term "market/marketing orientation" mean to you? *
- What kind of things does a market/marketing oriented company do? *
- What organizational factors foster or discourage this orientation? *
- What does your company primarily do to develop information about the marketplace?
- How is information distributed throughout your company?
- What are the positive and negative consequences of a market orientation? *
- How does your company respond to information that it gathers?
- Situations in which this orientation may not be helpful? *
- Measurement of business performance or business success?
  * indicates issues addressed by Kohli and Jaworski (1990) in their field interviews.

Responses were recorded and tabulated. This qualitative work offered unique insights and understanding of what marketing means and the aspects of a market orientation in a developing marketplace.

**Step 4.** Based on this information, a pool of additional questions was developed to appropriately tap the market orientation domain. The items were reviewed by a panel consisting of one academic and two businesspeople in each country. Their concerns were addressed by eliminating apparently duplicate questions, clarifying the statements, or correcting idiomatic problems. The result was a total of 14 new questions were added to the original measures (see Appendix 5)—10 market orientation and 4 moderator.

This iteration was subsequently reviewed by a group of four academicians and two business professionals who were competent in Spanish or bilingual and knowledgeable of market orientation. This group reviewed— the wording of the questions for ambiguity and clarity, negative wording in order to minimize response set
bias, and the issue of the response range for the Likert style questions. As a result, the following issues were resolved.

*First*, a few minor changes were made for clarity and specificity.

*Second*, a few comments had been previously recorded regarding negatively worded questions. It was decided to maintain the questions as worded for two reasons—

1) These are questions as originally developed by Jaworski and Kohli (1993). Since a *Type I* replication is one aspect of this project, it is necessary to maintain as many original characteristics as possible. 2) There was a concern voiced that the cheerful Latin disposition might result in extensive "yea-saying" responses or acquiescence response tendency. As such, modifications must be included such as negatively worded questions, to guard against this situation (Churchill 1979). In regards to this issue, Herche and Engelland (1996) state there is a potential risk of reducing the unidimensionality of measures by using reversed-polarity items. To reduce this perceived risk, extreme statements were avoided and negatively worded items were not *artificially* introduced into the measures.

*Third*, the original Jaworski and Kohli instrument measured responses using a 5-point Likert scale. To increase variance in responses and enhance reliability of the measures, the panel decided that a 7-point scale would be more appropriate. An additional issue of the measurement scale is whether to use an explicit middle point. There is relatively little research assessing the direct effects of an explicit midpoint (or lack of one) for response categories in different national cultures (Si and Cullen 1998). In respect to the cheerful Latin disposition, a question had been raised whether offering a middle point would be advisable, and thereby "forcing" a response to be either positive or
negative. However, a midpoint was maintained (7-point scale) as it was determined to be an acceptable format within Argentina and Paraguay.

Step 5-2. The final iteration was subjected to pretesting with 17 business professionals—5 in Argentina and 12 in Paraguay. Only minor concerns were raised and readily resolved. The results of the pretests were heuristically analyzed due to the sample size. No conspicuous issues were evidenced except in the Organizational Commitment section. This issue is addressed in the next section. The final Argentine and Paraguayan questionnaires are at APPENDICIES 3 and 4.

In summary, based upon the research conducted to this point, it was determined that a comparison across cultures could be made, thus Step 5-2 was possible or a "derived etic" market orientation construct could be developed. Comparability had been maintained as determined by assessing that Measurement Equivalence and Construct Equivalence of the measure existed. The procedures of the research project are outlined in the following chart. The reliability and construct validity will be empirically assessed after data is collected. However, the content validity was qualitatively assessed to exist at this point.
<table>
<thead>
<tr>
<th>Step*</th>
<th>Research Activity</th>
<th>Equivalence Issue&lt;sup&gt;b&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Literature review</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Identify critical factors of market orientation construct (MARKOR)</td>
<td>Calibration, Translation</td>
</tr>
<tr>
<td>2.</td>
<td>Translate and back-translate. Pretest</td>
<td>Metric MEASUREMENT</td>
</tr>
<tr>
<td>2.</td>
<td>Develop questions to capture cultural aspects of market orientation</td>
<td>CONTENT validity assessed.</td>
</tr>
<tr>
<td>3.</td>
<td>Personal interviews to further identify cross cultural aspects</td>
<td>Functional, Conceptual</td>
</tr>
<tr>
<td>4.</td>
<td>Generate additional measurement items</td>
<td>Instrument</td>
</tr>
<tr>
<td>4.</td>
<td>Review and scrutinize with bilingual panel</td>
<td>CONSTRUCT equivalence assessed.</td>
</tr>
<tr>
<td>5-2.</td>
<td>Pretest in all cultures</td>
<td></td>
</tr>
<tr>
<td>5-2.</td>
<td>Refine and finalize questionnaire(s)</td>
<td></td>
</tr>
<tr>
<td>5-2.</td>
<td>Sample issues</td>
<td></td>
</tr>
<tr>
<td>5-2.</td>
<td>Collect data</td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup>refers to Research Activity Flowchart, p.89.  

**Organizational Commitment Concern**

The analysis of Jaworski and Kohli's (1993) original seven questions representing organizational commitment indicated that a problem could arise in the proper representation of the construct. Further discussion with bilingual business professionals suggested that the original questions did not appropriately capture the concept in the Latin-American context. To address this problem, the research work of Peterson, Cooke, and Smith (2000) was reviewed. It focuses on establishing a scale for organizational commitment.
commitment in cross-cultural settings. That research effort, plus a synthesizing process, provided a basis to develop a series of different questions to adequately capture the concept (see Appendix 6). The six new questions were pretested with a group of five academics.

Firm Performance

Additional consideration was given to the development of firm performance measures since this has been an area of weakness in the market orientation stream of research. This effort followed the procedure as outlined in the preceding Table 3.3. An extensive literature review of performance measures, summarized in Appendix 7, was followed by qualitative research. A structured interviewing process with open-ended questions was conducted. In Paraguay, 18 interviews with business professionals—owners, general managers, academics, and market researchers—were conducted primarily in Spanish with the assistance of an interpreter. In Argentina, 10 interviews with business professionals—owners, general and marketing managers, and academic—were similarly conducted.

The results of the literature review and interviews were synthesized, and questions created to capture the four aspects of the Balanced Scorecard. Realizing respondents may provide socially acceptable responses (Churchill 1979) especially in a Latin American context, three additional questions were included to validate the market orientation—firm performance relationship (see Appendix 5, Section VI). The two original Jaworski and Kohli (1993) measures, one objective and one judgmental, were included.

A group of six academicians, Spanish and English speaking, reviewed the measures. The resulting work was translated into Spanish and back translated into

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
English. Any differences in the Argentine or Paraguayan contexts were properly corrected in order to adequately capture the measures. A comparison of the English versions indicated that an appropriate translation had been accomplished.

These measures were included with the pretest outlined above at Step 5-2. Concerns were raised by some Paraguayan respondents that customer satisfaction was a relatively new concept for them and not readily being measured. However, the academic panel agreed that those questions should be maintained to provide a cross-cultural basis for comparison. Again, the pretest was heuristically analyzed due to the sample size. The analysis indicated no conspicuous issues.

Questions were worded, whenever possible, to control for industry and firm size effects. The wording—*as compared to our major competitor*—was used. The final result was a total of twelve questions, including the two original Jaworski and Kohli (1993) measures (see Appendix, Section IV)

**Macroenvironmental Influences**

Qualitative research was based upon the literature review in Chapter II which indicated four major categories of influences—socio-cultural, economic, technological, and legal-political. Interviewees were asked to describe two macroenvironmental factors that influenced their operational decisions. Their responses were synthesized into questions by two bilingual business professionals and subsequently translated and back translated. These questions were included in the pretest described at Step 5-2.

The responses were heuristically analyzed, which resulted in eliminating some questions. The final eleven questions are listed in Appendix, Section V of the questionnaire.
POPULATION FOR THE STUDY

Currently, many Latin American countries are approximately at the same state of development and economic liberalization that launched the dynamic growth in Eastern Asia two decades ago (Cateora and Graham 1999, p.243). This stage of transition towards a free market economy provides a rewarding, but yet challenging, basis for the study of market orientation. As Narver and Slater (2000) suggested for a balanced replication, additional substantive variables should be introduced. Marketplaces in transition provide just that—substantive new issues.

As such, the populations for this study are the marketplaces of Argentina and Paraguay. The Economist (December 6, 1997) described succinctly the business environment in Latin America during the last quarter century ("Survey Business in Latin American," p.4).

In the 1970s and 1980s, a combination of high inflation and protected markets produced perverse incentives for companies in Latin America. Costs or quality mattered less than the speed with which firms got goods into shops and invested the revenue in financial markets. A deeply unequal income distribution inhibited the growth of consumer markets, so firms had little incentive to develop branding and marketing skills. Profits had much more to do with government regulation than with business efficiency.

Therefore, it is only within the last decade that market-orientation issues have become relevant.

The following Table 3.4 provides a basic comparison/contrast of the two countries.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
Table 3.4 Summary of Economic Factors of Argentina and Paraguay

<table>
<thead>
<tr>
<th>Year</th>
<th>Argentina Population (millions)*b</th>
<th>GDP per capita ($)ab</th>
<th>Unemployment (%)ab</th>
<th>Index of Economic Freedom c</th>
<th>Gov't Intrusion Economy c</th>
<th>Black Market c</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>36.6</td>
<td>$7,990</td>
<td>14.5</td>
<td>2.10</td>
<td>2.5</td>
<td>3.0</td>
</tr>
<tr>
<td>1998</td>
<td>35.5</td>
<td>$8,253</td>
<td>13.5</td>
<td>2.30</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>1997</td>
<td>35</td>
<td>$8,210</td>
<td>14.9</td>
<td>2.60</td>
<td>2.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Current FDI - $4.3 billion (net) c

<table>
<thead>
<tr>
<th>Year</th>
<th>Paraguay Population</th>
<th>GDP per capita ($)</th>
<th>Unemployment (%)</th>
<th>Index of Economic Freedom</th>
<th>Gov't Intrusion Economy</th>
<th>Black Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>5.4</td>
<td>$1,552</td>
<td>17.0</td>
<td>2.80</td>
<td>3.0</td>
<td>5.0</td>
</tr>
<tr>
<td>1998</td>
<td>5.26</td>
<td>$1,585</td>
<td>15.0</td>
<td>2.80</td>
<td>2.0</td>
<td>5.0</td>
</tr>
<tr>
<td>1997</td>
<td>5.23</td>
<td>$1,634</td>
<td>12.0</td>
<td>2.65</td>
<td>3.0</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Current FDI - $187.6 million (net) c

c 2001 Index of Economic Freedom

In many respects, these two countries are on the opposite ends of an emerging market continuum. Based on GDP per capita, Argentina is close to the World Bank's classification for high-income countries as those above $9,656 per capita, whereas, Paraguay is below $2,000 per capita. The economic climate depicted by the Heritage Foundation's Index also portrays opposites. Argentina's rank places it the 34th freest marketplace in the world and rising, but Paraguay is 75th and declining. An overall index below 2.0 is considered free economically, 2.0 to 2.95 is mostly free, but 3.0 and above is mostly unfree. The lower the overall index factor is the more conducive the marketplace is to free market practices. The index is comprised of 10 sub-indices or factors. Each one is a necessary component of economic freedom, such as, a low level of government burden and intervention, openness to FDI, wages, and absence of black market.

Government Intrusion into Economy represents the consumption of the Federal government of the GDP (Table 3.4). Paraguay's current consumption is 10.5% of GDP and increasing rapidly and is the country's largest employer. Argentina's current
consumption is 11.9% of GDP and moderately increasing and plays only a very minor role in the economy with state-owned enterprises. The Black Market is a challenge (very high level of activity) for Paraguay because it ranks as the regional center for piracy, counterfeiting, and transshipment point for infringed goods. The Black Market or informal economy is worsening for Argentina. It is estimated that 37.1% of the country's workforce is employed informally. A result of three difficult years of severe recession.

Argentina has developed a strong infrastructure in telecommunications, energy, and transportation due to its aggressive privatization programs of the past decade. Inflation has been "caged" as a result of the Convertibility Plan of 1991 which pegs the peso to the dollar and bans printing of unbacked currency. In addition, the Argentine government has removed most restrictions on foreign trade and allows for the free flow of FDI and repatriation of funds. (Country Commercial Guide: Argentina for Fiscal Year 2000). The net result is a marketplace positioned to join the ranks of developed countries.

The contrast with Paraguay is with a country that, due to a number of internal governmental problems, has been largely unable to take advantage of the globalization of world marketplaces. The government is not very stable, which has resulted in a lack of necessary investment in infrastructures, both public and private. The president was impeached in 1999 and then fled the country in March 1999 after the assassination of the vice-president. An election was finally held in August 2000 to resolve the lack of leadership, but that election process proved to be questionable and ineffective. Thus, the Paraguayans still do not have the needed leader to strategically direct them into the 21st century. (Country Commercial Guide: Paraguay for Fiscal Year 2000)
The target populations for this research project are the business organizations in Argentina and Paraguay. A nation is often used as a surrogate for culture, in this instance the culture of basic business practices (Malhotra et al. 1996). The geographical boundaries are appropriate as they dictate legal requirements of business and political influences. Moving beyond country borders, business operations will be managed differently even though there may be some similarity of cultural aspects.

Table 3.5 Sampling Plan Summary

<table>
<thead>
<tr>
<th>Sampling procedure</th>
<th>Data collection procedure</th>
<th>Email and fax</th>
</tr>
</thead>
<tbody>
<tr>
<td>All AMCHAMB members</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Mindful that constructing comparable sampling frames is a difficult task in developing countries, the samples will be drawn from the members of the American Chambers of Commerce in Argentina and Paraguay (Kumar 2000, p.237). A major goal of both Chambers is promoting bilateral trade and FDI between the respective country and the United States. Consistent with other cross-cultural studies (e.g., Doyle et al. 1986 and 1992; Parameswaran and Yaprak 1987), these are matched samples. They are matched as it is difficult, if not impossible, to draw probabilistic samples in developing economies (Malhotra 1991). The basis for comparability will be enhanced over non-
random samples, thus helping to maintain data equivalence. The *key informant*, director of marketing or general manager, will be similar in both cultures.

The 2000 membership directory for "La Cámara de Comercio de los Estados Unidos en la República Argentina" contains 527 listings. The 2000 membership directory for "Cámara de Comercio Paraguayo-Americana" contains 251 listings. Both membership directories were purchased. The *final samples* will include all listings from each directory. The members are *not* primarily United States firms that are conducting business in each country. Rather they are firms that have an interest in business relationships with United States markets. The members represent a broad spectrum of manufacturers, service organizations, exporters, and importers. Thus, more of a generalization of the marketplace can be drawn versus being limited to a single industry focus (Balakrishnan 1996). The industry effects on performance are controlled by the wording of the questions.

The unit of analysis is defined as the firm-level and not SBU, which is consistent with the organization-level study of numerous authors (e.g., Greenley 1995; Jaworski and Kohli 1993; Ngai and Ellis 1998). This emphasis is more appropriate when studying market orientation because it is the operationalization of a firm-wide philosophy. In addition, most of the Chamber members have few, if any, SBUs.
DATA COLLECTION

The concern of comparability is an issue that must be addressed in data collection as well (Craig and Douglas 2000, p.163). The method and implementation should be similar in all cultures that are researched. Based upon initial qualitative research, interviewees expressed their apprehension about the reluctance of Latin American businesses to complete questionnaires. A number of reasons were expressed—1) concern that the information would be supplied to governmental authorities, 2) lack of understanding for the need of quality market research, and 3) lack of an established relationship with respondents. To overcome this problem, many interviewees, during the qualitative stage, suggested that an electronic survey would be appropriate.

A non-random sample of 121 firms subscribing to an Argentine employment recruiting publication was conducted. 80 replies were obtained that solicited the respondent's preferred method to answer a questionnaire. 52% preferred email, 32% stated via a fax machine, and 16% wanted a telephone interview. No one preferred using the postal system. Based upon these results, an electronic data collecting method was developed.

Consistent with a recommendation of Sudman and Blair (1999), two web based questionnaires were developed, one for each country. The key informant in each company will be sent an electronic cover letter requesting their participation through a hyperlink to the questionnaire. To encourage participation, the respondents will be offered a complimentary seminar to explain the research results and the impact of market orientation on business operations. A safeguard will be added to the website to eliminate multiple responses by one individual.
A review of both Chamber directories indicated that not all members listed an email address for their firm. However, all members listed a fax telephone number. Therefore a mixed mode of data collection, email and fax, will be necessary as suggested by Sudman and Blair (1999, p.275). The Argentine membership has 313 email addresses or 59% of their members, and 160 Paraguayan members or 63% have email addresses.

A convenience sample of five members, without an email address, from each Chamber was contacted. They were questioned about the lack of an email address in their Chamber directory listing. In each instance the member had chosen, for various reasons, to not list the firm's email address even though they had one. Consistent with the procedure followed by Matsuno et al. (2000, p.531), a quantitative basis for the comparability of the two respondent subsets, email and fax, will be established by applying an ANOVA analysis between the subsets after the data is collected.

As with mail surveys, multiple follow-ups will be made. Email follow-up efforts will use the original cover letter, but the subject line will be changed. Fax follow-ups will resend the cover letter only for a reminder, not the entire questionnaire. After the completion of at least two follow-ups, telephone calls will be made to nonrespondents in an attempt to secure their responses to the questionnaire. Any nonresponse bias will subsequently be examined based upon the procedures outlined by Armstrong and Overton (1977). In summary, an attempt will be made to minimize the total error of this cross-cultural research project in order to maintain comparability.
PROCEDURE FOR DATA ANALYSIS

The hypotheses, stated previously in Section 1, will be tested by estimating the following general regression equation. Tabachnick and Fidell (1996, p.132) recommend a minimum sample size of 98 responses \( N \geq 50 + 8m \), where \( m \) = number of independent variables) for full testing of the regression equation, and 110 responses \( N \geq 104 + m \) for testing individual predictors.

**General Regression Equation**

\[
Y = \beta_0 + \beta_1(MO) + \beta_2(COM) + \beta_3(TURB) + \beta_4(FS) + \beta_5(AGE) \\
+ \beta_6(MKT1) + \epsilon_i
\]

**Dependent Variables**

- **MS** = Market share (relative)  
- **OP** = Overall performance (relative)  
- **ORG** = Organizational commitment  
- **ESP** = Esprit de Corps  
- **FP** = Financial perspective  
- **CP** = Customer perspective  
- **IBP** = Internal business perspective  
- **ILP** = Innovation and learning perspective  
- **FPC** = Firm performance composite

**Independent Variables (MO)**

- **MOI** = MARKOR ("imposed etic")  
- **MOD** = MARKOR ("derived etic")  
- **GEN** = Generation of market intelligence

**Control Variables**

- **COM** = Competitive intensity  
- **TURB** = Market turbulence  
- **FS** = Firm size  
- **AGE** = Years of operation in country  
- **MKT** = Existence of a marketing department (dichotomous variable)

As previously stated, an element of this research project is a *Type I* replication; therefore, the basic analytical process of the data will use least squares regression to test the hypotheses (Jaworski and Kohli 1993). The various tests will be evaluated based
upon the each model's fit diagnostics. Each of the tests will be conducted using data from both Argentina and Paraguay.

The following Synopsis is an extension of the first one, Table 3.1, as it encapsulates the three approaches plus includes the quantitative analysis procedures to be utilized.

Table 3.6 Synopsis of Completed Research Approaches with Analysis Procedures

<table>
<thead>
<tr>
<th>Model A</th>
<th>Model B</th>
<th>Model C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market orientation measure</strong></td>
<td>Original MARKOR with 20 questions. &quot;imposed etic&quot;</td>
<td>Modified MARKOR with 30 questions. &quot;derived etic&quot;</td>
</tr>
<tr>
<td><strong>Hypotheses</strong></td>
<td>1-1, 1-2, 1- 3, 1- 4, 1-5</td>
<td>2-1, 2-2 thru 5, 2-6, 2-7</td>
</tr>
<tr>
<td><strong>Quantitative analysis procedures</strong></td>
<td>CFA, Multiple regression</td>
<td>CFA, Multiple regression</td>
</tr>
</tbody>
</table>

MO— represents market orientation
CFA— represents confirmatory factor analysis

The initial step will be to analyze the market orientation factor by conducting a confirmatory factor analysis based on hypotheses $H_1$ and $H_{2-1}$. Each model will be evaluated using a sequence of traditional fit indices. This step will help to develop an understanding of the market orientation in Argentina and Paraguay.
Subsequently, an estimate of the market orientation factor will be calculated based upon equally weighting the item scores from individual respondents using the "imposed etic" measures. They will be totaled for a market orientation composite (Jaworski and Kohli 1993). These composites will be used in testing $H_2$, $H_3$, $H_4$, and $H_5$ using Equations 1, 2, 3, and 4 and evaluating the estimated coefficients generated by the regression equations and fit characteristics. Similar procedures will be followed for testing $H_{2.2}$ through $H_{2.5}$ based upon the "derived etic" market orientation composites and the same Equations.

Following the process of Jaworski and Kohli (1993, p.62) for testing the impact of moderator variables on the market orientation—firm performance relationship, a split group analysis will be conducted for hypotheses $H_4$, $H_5$, and $H_{2.4}$, $H_{2.5}$. The split group procedure is as follows:

- Each sample is sorted in ascending order of moderator variable.
- Split at the median to form two sub-groups (relatively high values and other low values).
- Series of regressions of performance on market orientation with the moderators.
- Regression coefficients analyzed across the sub-groups.

An analysis will be conducted to assess the statistical significance of any differences.

Hypotheses

Hypothesis $H_{3.1}$ will be tested by regressing the "derived etic" market orientation on each of the individual firm performance perspectives (Equations 5 through 8). It is anticipated that Equation 7 will yield nonsignificant results. A Firm Performance composite will then be calculated by equally weighting and adding each respondent's average significant performance perspectives. Hypotheses $H_{3.1}$ and $H_{3.2}$ will
be tested through Equation 9 by evaluating the estimated coefficients generated by the regression equations and fit characteristics. To test hypothesis $H_{4.1}$, Equation 9 with the sub-component, GEN, as independent variable will be regressed on the Firm Performance composites. The respective Argentine and Paraguayan results will be compared using an ANOVA.

Hypotheses $H_{2.6}$, and $H_{2.7}; H_{3.2}$ through $H_{3.4}; H_{4.2}$ and $H_{4.3}$ will be tested using an ANOVA as a basis to compare differences between the groups. However, hypothesis $H_{4.4}$ will be tested applying an ANOVA statistical procedure as there will be individual control groups representing the subjective and objective measures plus the results of Firm Performance composites from Argentina and Paraguay.
CHAPTER 4
RESULTS OF THE RESEARCH PROJECT

Introduction

The nucleus of the results presentation is based upon the structure of the hypothesis development in Chapter 3 which is formatted in three stages. First, the results of the data collection in Argentina and Paraguay are explicated. Second, the common procedures for the numerous constructs developed and validated are discussed along with their results. This particular discussion is irrespective of the model or stage to which it applies. Consolidating the discussions on all scale and measure development provides parsimony as well as focus to this critical subject. Next, the nucleus of the project or results of hypothesis testing is discussed by stage. Finally, a summary of the hypothesis results is presented in a table format.

DATA COLLECTION AND RESPONSE RATES

Argentina

Consistent with the argument offered by Sudman and Blair (1999), in order to obtain sufficient response rates, multiple methods were required to adequately collect the data. As stated in Chapter 3, members of La Cámara de Comercio de los Estados Unidos en la República Argentina were contacted by email and fax. Three waves produced 115 responses from a membership list of 527. Sixty-six emails were returned as undeliverable for numerous reasons. Seven responses were unusable for a net of 108 and response rate of 23.4%. Since additional responses were required for data analysis purposes, a third method or "snowball sampling" was employed (Craig and Douglas...
2000, p.237). With the assistance of Universidad Torcuato Di Tella, previous respondents and others were contacted and requested to provide referrals representative of the sample population. 352 contacts (with 9 returned as undeliverable) produced an additional 47 completed questionnaires (2 not usable) for a response rate of 12.6% on this wave.

Finally, to consider nonresponse bias, an additional wave of emails was sent to the original membership list (net of completed responses) two months after the snowball sampling wave. The assumption is that these questionnaires would represent the responses of "nonrespondents." 383 email coverletters were sent with 37 being returned as "bad addresses." Ten completed questionnaires were received through the website for an effective response rate of 2.9%.

The bottomline of the multiple waves and multiple methods was 172 completed questionnaires returned with 9 not usable for a net of 163 for an overall response rate of 22.2%.

**Figure 4.1 Summary of Responses**

<table>
<thead>
<tr>
<th>Wave</th>
<th>Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>First wave of emails and faxes</td>
<td>23.4%</td>
</tr>
<tr>
<td>Snowball sampling wave</td>
<td>12.6%</td>
</tr>
<tr>
<td>Nonresponse wave</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Method</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Email coverletter</td>
<td>19.7%</td>
</tr>
<tr>
<td>Fax/phone/contact</td>
<td>28.9%</td>
</tr>
</tbody>
</table>

The potential for nonresponse bias was assessed over both Wave and Method. In one respect, the Waves represent the timing of receipt of the questionnaires. Thus, there are four periods since the First Wave is characterized by two events. The respondents of the four periods and their method of contact were compared on their answers to the
business performance questions (dependent variables) using MANOVA. There were no statistically significant differences across the periods (F=.610 and p=.834) and methods (F=.1.29 with p=.224) compared among the four groupings of dependent variables.

Appropriate demographic variables were compared across the respondents of the four periods and their method of contact using MANOVA. The result for the main effect of the four periods was F=1.996 with a p=.024, which indicates there is sufficient evidence the some group means are different. Subsequent review revealed a concern between 2 periods (1 and 2) on one demographic variable (years in Argentina), or one possible combination out of 24. The results for the main effect of four methods was F=2.32 with p=.007, which indicates there is sufficient evidence the some group means are different. Subsequent review revealed a concern with one method (fax) on one demographic variable (firm size). Possible explanation is that the sample size for this method is substantially smaller, and consequently statistically anomalies can arise. Another statistical difference between methods, email and snowball, with one demographic variable (years in profession). As a result of these minor concerns, the potential for nonequality of means with demographic variables is only minor. Consequently, there were no differences of means based upon the responses of the participant and only minor concerns with demographic variables, the overall nonresponse bias for this sample is judged not to be a serious concern.

In addition, a MANOVA was calculated for Waves (period) among the business performance responses to determine whether the data collected via the snowball sampling method is representative of the original sampling frame. There was only one concern raised regarding the Internal Business variable responses between Waves 3 and 2. With a
significant result in MANOVA ($F=5.19$ with $p=.002$), this provides insufficient evidence that the means (Internal Business) can all be considered similar. However, since this is only one combination of twenty-four, nonrepresentativeness is judged not to be a concern.

**Paraguay**

Initial contact with the 251 members of Cámara de Comercio Paraguayo-Americana produced seven interested parties in the research project. A broader sampling frame was necessary to capture sufficient responses for appropriate data analysis. With the assistance of the Centro de Investigaciones Economicas y Financieras of the Universidad Americana, the database of the Union Industrial Paraguaya was obtained. The database of 3,524 firms represents almost all businesses in Paraguay, including Chamber members. (This is reasonable for a country with a population of 5.5 million.) 62.6% of all the firms in the country are located in Asuncion and surrounding area. After eliminating firms with a gross income of less than $50,000, a net of 1,324 existed. Telephone calls were made to these 1,324 firms soliciting their involvement in the research project. 261 committed to cooperate or 19.7%. Questionnaires were mailed to these firms and numerous follow-up telephone calls were made to secure a final total of 136. Of this total eleven were judged not usable, due to the low position of responsibility of the respondent, for a net 125 questionnaires and an effective response rate of 74.9%. Thirty-nine of the responses (31.2%) were found to be from Chamber members.

The potential for nonresponse bias was assessed due to the extended period of time necessary for collecting the completed questionnaires. The responses were basically received in four groupings. Early and late respondents were compared on the business performance questions (dependent variables) using MANOVA. There was only one
concern raised regarding the Financial variable responses between the 2\textsuperscript{nd} and 4\textsuperscript{th} periods. With a significant result in MANOVA, this indicates evidence that the means (Internal Business) cannot be considered equal. However since this is only one combination of twenty-four in total, nonresponse is judged not to be a concern.

The representativeness of the Chamber members to the overall sample was assessed through MANOVA by comparing the respective responses (chamber members versus overall) to the business performance questions (dependent variables). There were no statistically significant differences found across the two groups (Chamber and overall) for the four groupings of dependent variables. Therefore nonrepresentativeness is judged not to be a serious concern.

Since comparable sampling frames were not able to be maintained, appropriate comparisons between the Argentine and Paraguayan data cannot be developed. Rather they can provide a reasonable perspective for discussion and understanding.

**Sample Characteristics**

The following Table 4.1 provides a summary of the characteristics of the respondent populations. It is presented in a percentage format in order to allow for meaningful comparisons between Argentina and Paraguay and secondly because some of the questionnaires had incomplete classification responses. Firm size based upon number of employees was used due to the difficulty of obtaining credible gross revenue information in South America. The majority of the firms involved are considered small based upon a developed country's perspective and are in a broad spectrum of industries. The low proportion of multinational firms in Paraguay was expected since a free-market environment has existed less than a decade. It is interesting to note that 74.7\% of the
MNCs in Argentina had marketing departments as opposed to only 54.8% for those in Paraguay.

Consistent with the market orientation stream of literature, both marketers and nonmarketers were included in the sample (Jaworski and Kohli 1993; Baker and Sinkula 1999). To be considered a usable questionnaire, the respondent had to be in a responsible position such that appropriate answers could be provided. The majority of the questionnaires deemed unusable resulted from low level respondents. In the situation where the respondent was in his/her position for a relatively short period of time, he/she either had to have been in the company for a longer period of time or had to have considerable experience in the profession for the response to be considered usable. Since market orientation is a business-level phenomena, the respondent had to be in a position to be familiar with such practices to appropriately respond to the questionnaire. Consequently, presidents or CEOs or large businesses would have been considered unsuitable candidates, but no such responses were received. In addition, 95% of the respondents valued education having completed at least four years of university level work. Since both Latin American countries are patriarchal societies, it is not surprising that males comprise 77.6% of the respondents in Argentina and 85.6% in Paraguay.
Table 4.1 Summary of Respondent and Firm Characteristics

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Factor</th>
<th>Argentina</th>
<th>Paraguay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm size</td>
<td>&lt;100</td>
<td>50.9%</td>
<td>70.4%</td>
</tr>
<tr>
<td>(number of employees)</td>
<td>100 to 500</td>
<td>24.8%</td>
<td>18.4%</td>
</tr>
<tr>
<td></td>
<td>501 to 1000</td>
<td>7.9%</td>
<td>4.0%</td>
</tr>
<tr>
<td></td>
<td>&gt;1,000</td>
<td>16.4%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Range</td>
<td></td>
<td>4 to 16,000</td>
<td>2 to 1,500</td>
</tr>
<tr>
<td>Industry</td>
<td>Retail</td>
<td>3.7%</td>
<td>20.5%</td>
</tr>
<tr>
<td></td>
<td>Service</td>
<td>77.5%</td>
<td>53.0%</td>
</tr>
<tr>
<td></td>
<td>Manufacturing</td>
<td>18.8%</td>
<td>26.5%</td>
</tr>
<tr>
<td>Multinational</td>
<td>Yes</td>
<td>54.7%</td>
<td>29.6%</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>45.3%</td>
<td>70.4%</td>
</tr>
<tr>
<td>Marketing department</td>
<td>Yes</td>
<td>56.1%</td>
<td>33.9%</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>43.9%</td>
<td>66.1%</td>
</tr>
<tr>
<td>Respondent position</td>
<td>President, CEO, GM</td>
<td>30.7%</td>
<td>51.4%</td>
</tr>
<tr>
<td></td>
<td>Marketing department</td>
<td>22.9%</td>
<td>5.5%</td>
</tr>
<tr>
<td></td>
<td>High level executive</td>
<td>46.4%</td>
<td>43.1%</td>
</tr>
<tr>
<td>Years in position</td>
<td>&lt;3</td>
<td>30.8%</td>
<td>25.0%</td>
</tr>
<tr>
<td></td>
<td>3 to 5</td>
<td>37.1%</td>
<td>34.3%</td>
</tr>
<tr>
<td></td>
<td>&gt;5</td>
<td>32.1%</td>
<td>40.7%</td>
</tr>
<tr>
<td>Mean</td>
<td></td>
<td>6.4 (.5 to36 yrs)</td>
<td>8.4 (.5 to 53 yrs)</td>
</tr>
<tr>
<td>Years in company</td>
<td>&lt;3</td>
<td>13.2%</td>
<td>19.1%</td>
</tr>
<tr>
<td></td>
<td>3 to 5</td>
<td>30.5%</td>
<td>34.8%</td>
</tr>
<tr>
<td></td>
<td>&gt;5</td>
<td>56.3%</td>
<td>46.1%</td>
</tr>
<tr>
<td>Mean</td>
<td></td>
<td>8.7 (1 to 40 yrs)</td>
<td>8.7 (1 to 53)</td>
</tr>
<tr>
<td>Education</td>
<td>4 years university</td>
<td>95.2%</td>
<td>95.6%</td>
</tr>
</tbody>
</table>

DEVELOPMENT OF CONSTRUCTS AND VALIDATION

Scales for the research project consisted of newly-generated items and items that were previously used by Jaworski and Kohli (1993) and Kohli et al. (1993). Since the newly-developed and original scales are used throughout the three stages of the research, their psychometric properties are all assessed in this section to provide continuity. As a consequence of this consolidation, efforts can then be focused on hypothesis testing.
In accordance with accepted practice in the marketing discipline, scale properties are assessed for reliabilities and construct validity and then compared to previous research efforts or accepted guidelines (Churchill 1979). Where appropriate, the data were separated into theoretically related constructs for more explicit analysis.

**Market Orientation Construct**

According to Churchill (1979), Cronbach's *coefficient alpha* should be the first test conducted to assess the quality of an instrument, as it is relatively easy to calculate. The coefficient alpha represents how well the measure is capturing the underlying construct, and a low score indicates that the measure is performing poorly. The recommended reliability level for preliminary research is .7 and basic research is .8 (Nunnally 1978). To reduce measurement error and unreliability, items with low interitem correlations were pruned during the first step by eliminating those listed as enhancing the "Alpha if deleted." Intelligence generation began with 11 eleven items with 6 items being listed as enhancing the "Alpha if deleted" resulting in five, intelligence dissemination began with 8 items, and responsiveness began with 11 items. (These items are listed in Appendix 5.) The resulting number of items in the new construct, labeled *Modified Markor*, is listed in the right-hand columns of Table 4.2. Based upon the reported levels (α ranging from .62 to .86) in Table 4.2, all the scales are considered internally consistent. The validity of the measure can next be determined once an internally consistent (reliable) measure has been made efficient through purification. Comment— the "imposed etic" MARKOR scale for both Argentina and Paraguay had internal consistency similar to that reported for Jaworski and Kohli's (1993) initial scale.
Table 4.2 Summary of Reliability Levels as Measured by Coefficient Alpha

<table>
<thead>
<tr>
<th>Construct</th>
<th>Original MARKOR</th>
<th>Modified MARKOR</th>
<th>MARKOR ¹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Argentina</td>
<td>Paraguay</td>
<td>Argentina</td>
</tr>
<tr>
<td>Overall factor</td>
<td>.83</td>
<td>.88</td>
<td>.85</td>
</tr>
<tr>
<td>Intelligence gen</td>
<td>.62</td>
<td>.64</td>
<td>.63</td>
</tr>
<tr>
<td>Intelligence dis</td>
<td>.76</td>
<td>.83</td>
<td>.78</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>.80</td>
<td>.77</td>
<td>.78</td>
</tr>
</tbody>
</table>

¹ Kohli and Jaworski (1993)

Second, construct validities were assessed by determining convergent validity and discriminant validity of each of the measures. Discriminant validity is the "extent to which a measure is novel and not simply a reflection of some other variable" (Churchill 1979, p.70). Exploratory factor analyses were conducted through Principal Components Analysis (PCA) on all measures to ensure high loadings on the hypothesized factors and low cross-loadings (unidimensionality).

Whenever a PCA extraction was employed for data analysis, the factorability of data was evaluated by first examining the Kaiser-Meyer-Olkin measure of sampling adequacy to determine that it met the minimum acceptable level of .6. Second, the Measures of Sampling Adequacy (MSA) were reviewed to determine they all exceeded the minimum acceptable of .5. Also factors were assessed for internal consistency and definition.

Table 4.3 reports the results of the analyses. The notation, reverse code, indicates situations with two factors that were split precisely between reversed-coded items and positively-stated items. Mixed refers to the factors having no particular pattern of item loadings. The proportion of variance, as indicated by the SSLs (Sum of Squared Loadings), extracted in each instance ranged between .5 to .6, which is the minimum recommended (Tabachnick and Fidell 1996, p.677). (See Appendix 10.)
Table 4.3 Summary of the Number of Factor Loadings for Each Construct

<table>
<thead>
<tr>
<th>Sample</th>
<th>MARKOR</th>
<th>Generation</th>
<th>Dissemination</th>
<th>Responsiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original - PY</td>
<td>1 factor</td>
<td>2- reverse code</td>
<td>1 factor</td>
<td>2- reverse code</td>
</tr>
<tr>
<td>Original - AR</td>
<td>1 factor</td>
<td>2- mixed</td>
<td>1 factor</td>
<td>2- mixed</td>
</tr>
<tr>
<td>Enhanced - PY</td>
<td>1 factor</td>
<td>2- reverse code</td>
<td>2- reverse code</td>
<td>2- reverse code</td>
</tr>
<tr>
<td>Enhanced - AR</td>
<td>1 factor</td>
<td>2- reverse code</td>
<td>2- reverse code</td>
<td>2- reverse code</td>
</tr>
</tbody>
</table>

Evidence of *convergent validity* is provided by the particular construct correlating highly with another factor that is designed to measure the same phenomena—market orientation (Churchill 1979). Each of the market orientation constructs was regressed on a self-reported factor of the respondent firm's level of market orientation. In all instances, the results of the least squares regression analyses were significant ($p < .01$), and the amount of variance explained in the dependent variable (self-explicated market orientation) ranged from 18% to 29.5%. Thus, all constructs demonstrated adequate convergent validity.

To complete the construct validation process, each of the four second-order constructs was evaluated through confirmatory factor analysis (CFA) procedures. The results are summarized in Table 4.4 below. All the measurement models represent one general factor and three uncorrelated market orientation component factors. Marketing discipline guidelines for acceptable fit indices are: GFI of $>.9$, TLI of $>.9$, RMSEA $<.08$ to $.1$, and CFI of $>.8$. These guidelines are used when the $\chi^2$ is significant ($p < .000$) which is the situation for all the models in the table. These indices indicate, in each individual case, low evidence of fit.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
<table>
<thead>
<tr>
<th>Model</th>
<th>( \chi^2 )</th>
<th>df</th>
<th>GFI</th>
<th>TLI</th>
<th>RMSEA</th>
<th>CFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina-original</td>
<td>394.37</td>
<td>170</td>
<td>.781</td>
<td>.730</td>
<td>.091</td>
<td>.759</td>
</tr>
<tr>
<td>Argentina-modified</td>
<td>584.25</td>
<td>275</td>
<td>.759</td>
<td>.698</td>
<td>.083</td>
<td>.723</td>
</tr>
<tr>
<td>Paraguay-original</td>
<td>398.17</td>
<td>170</td>
<td>.744</td>
<td>.726</td>
<td>.10</td>
<td>.755</td>
</tr>
<tr>
<td>Paraguay-modified</td>
<td>477.38</td>
<td>189</td>
<td>.705</td>
<td>.736</td>
<td>.11</td>
<td>.730</td>
</tr>
<tr>
<td>MARKOR (MOD5)*</td>
<td>718.95</td>
<td>432</td>
<td>.779</td>
<td>.797</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Kohli et al.1993, p.470

**Employee Consequences and Moderator Constructs**

The constructs, Organizational commitment, Esprit de corps, Market turbulence, and Competitive intensity were also developed through the process outlined by Churchill (1979). They are integral elements in the overall hypotheses testing process but are secondary in importance as they are not the primary domains under consideration. Nevertheless psychometric integrity is important. The final items comprising the respective constructs are listed in Appendices 8 and 9. The results of internal consistency for all these constructs are adequate, except for Paraguayan Competitive intensity which is marginal (see Table 4.5). According to Peterson (1994), Nunnally initially listed a necessary reliability level of .5 to .6 for preliminary research in his first edition on psychometric guidelines. Subsequently in his second edition, the level was raised to .7 without explanation.

**Table 4.5 Summary of Reliability Levels**

<table>
<thead>
<tr>
<th>Construct</th>
<th>Argentina</th>
<th>Paraguay</th>
<th>Original*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>( \alpha )</td>
<td>Items</td>
<td>( \alpha )</td>
</tr>
<tr>
<td>Organizational commitment*</td>
<td>.82</td>
<td>6</td>
<td>.90</td>
</tr>
<tr>
<td>Esprit de corps*</td>
<td>.89</td>
<td>6</td>
<td>.89</td>
</tr>
<tr>
<td>Market turbulence*</td>
<td>.66</td>
<td>3</td>
<td>.77</td>
</tr>
<tr>
<td>Competitive intensity*</td>
<td>.69</td>
<td>3</td>
<td>.51</td>
</tr>
</tbody>
</table>

*Employee consequences

Moderating variables

Kohli and Jaworski (1993)
Convergent and discriminant validities were assessed by conducting exploratory factor analyses through PCA on each of the constructs to ensure high factor loadings on the hypothesized components and low cross-loadings. In all instances, the constructs are unidimensional. In addition, the proportion of variance (SSL) extracted with each component was greater than the recommended minimum of .5 to .6. (See Appendix 11.) Therefore based on adequate internal consistent and possession of convergent and discriminant validity, they exhibit adequate psychometric properties.

Firm Performance Measures

The following constructs were developed through the process outlined by Churchill (1979). Initially items were developed through qualitative research and literature review. This process is fully explained in Chapter 3. Appropriate and adequate performance measures are key to properly explaining a firm's purposes for a market orientation. As such, psychometric integrity is necessary. The final items comprising the respective constructs are listed in Appendices 8 and 9. The results of internal consistency for all the following constructs are adequate as depicted in Table 4.6.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Argentina</th>
<th>Paraguay</th>
<th>Original</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>α</td>
<td>Items</td>
<td>α</td>
</tr>
<tr>
<td>Performance composite</td>
<td>.80</td>
<td>4</td>
<td>.80</td>
</tr>
<tr>
<td>Financial component</td>
<td>.78</td>
<td>4</td>
<td>.88</td>
</tr>
<tr>
<td>Customer component</td>
<td>.80</td>
<td>4</td>
<td>.88</td>
</tr>
<tr>
<td>Innovation and learning</td>
<td>.68</td>
<td>3</td>
<td>.71</td>
</tr>
<tr>
<td>Internal business</td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
</tbody>
</table>

* Kohli and Jaworski (1993)
Convergent and discriminant validities were assessed by conducting exploratory factor analyses through PCA on each of the constructs to ensure high factor loadings on the hypothesized components and low cross-loadings. In all instances, the constructs are unidimensional. In addition, the proportion of variance (SSL) extracted with each component was greater than the recommended minimum of .5 to .6. (See Appendix 12.) Therefore, they exhibit adequate psychometric properties.

Additional Discussion on Market Orientation Construct's Psychometric Properties

Due to a possible concern with discriminant validities and overall fit of the data to the construct, coefficient alpha was calculated for the overall market orientation construct based on the individual items that compose the three sub-components. For the 21 item Argentine construct, the alpha is .89, and all the ten reverse-coded items loaded on unique factors when a PCA was conducted with Varimax rotation. One positively-stated item loaded strongly (.5) on a reverse-coded component. The situation was practically identical for the twenty-four item Paraguayan construct. The alpha is .91, and all eleven reverse-coded items loaded uniquely however without any crossover from a positively-worded item. Both constructs exhibit a high level of internal consistency. Thus, the underlying items for market orientation are inclusive in the proper domain.

As further evidence of the underlying items exclusively representing the domain of market orientation, Table 4.7 displays the Pearson Correlations. Strong correlations among the subcomponents of market orientation suggest they represent a common construct.
Table 4.7 Construct Correlations

<table>
<thead>
<tr>
<th>Construct</th>
<th>Argentina</th>
<th></th>
<th>Paraguay</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.</td>
<td>2.</td>
<td>3.</td>
<td>4.</td>
</tr>
<tr>
<td>1. market orientation</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. generation</td>
<td>.832</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. dissemination</td>
<td>.886</td>
<td>.571</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>4. responsiveness</td>
<td>.919</td>
<td>.742</td>
<td>.686</td>
<td>1.00</td>
</tr>
</tbody>
</table>

All correlations are significant at p < .01

Finally, a recent study by Herche and Engelland (1996) on the effects of reverse-coded items on scale unidimensionality suggests that even though the use of such items has become widespread, there exists a threat to scale validity. Their test assessment of a PCA experiment revealed a "clear and consistent tendency to load according to statement polarity" (p.369). The authors expressed this final thought:

"asymmetry will adversely affect the measured unidimensionality of the scale and will cause measures that may have been deemed adequate (i.e., were single-polarity construction employed) to test as two dimensional" (p.372).

This is precisely the situation with both sets of data in this project. The researcher made extensive use of this widespread practice in an attempt to avert the potential problems of perceived response acquiescence of Latin Americans. Thus, it is reasonable to assume that if a single-polarity construct had been employed, unidimensionality and discriminant validity would not have been a challenge. In summary, considering all circumstances and analytical procedures, all the above constructs demonstrated sound psychometric properties for purposes of testing the research hypotheses.
HYPOTHESIS TESTING - STAGES 1 AND 2

Hypotheses 1-1 and 2-1

The first hypothesis predicts that an overall market orientation factor with three specific subcomponent factors will exist and the covariation among the items can be accounted for by a four-factor model. The results of the CFA indicate that low levels of fit exist as shown in Table 4.4 (Argentina: GFI= .781, CFI= .759, $\chi^2$= 394.4, p= .000 and Paraguay: GFI= .744, CFI= .755, $\chi^2$= 398.17, p=.000). Sufficient evidence does not exist to support the factor structure of $H_{1-1}$. However, the three sub-components of: generation of, dissemination across departments of, and organization-wide responsiveness to—market intelligence exist independently of each other.

$H_{2-1}$ proposes that the modified MARKOR ("derived etic") better explains market orientation than the original MARKOR ("imposed etic"). As presented in Tables 4.2, 4.3, and 4.4, sufficient evidence does not exist in support of a better explanation of the market orientation domain by the "derived etic" construct (Argentina: GFI= .759, CFI= .723, $\chi^2$= 584.3, p=.000 and Paraguay: GFI= .705, CFI= .73, $\chi^2$= 477.4, p=.000). However, the constructs are reliable and valid for use in hypothesis testing.

Since a strong correlation exists between the three sub-components (see Table 4.7), this suggests that they converge to a common construct for both sets of data. Consequently, each scale can be operationalized as an unweighted sum of the items. The results of this process are summarized in Table 4.8. This procedure is consistent with prior research (Jaworski and Kohli 1993; Kohli et al. 1993; and Narver and Slater 1990). Each scale exhibits a sufficient level of internal consistency.
Table 4.8 Construct Characteristics

<table>
<thead>
<tr>
<th></th>
<th>Original MARKOR</th>
<th>Modified MARKOR</th>
<th>MARKOR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Argentina</td>
<td>Paraguay</td>
<td>Argentina</td>
</tr>
<tr>
<td>Mean</td>
<td>95.7</td>
<td>95.9</td>
<td>98.8</td>
</tr>
<tr>
<td>Range</td>
<td>45 - 137</td>
<td>29 - 139</td>
<td>48 - 142</td>
</tr>
<tr>
<td>Coefficient alpha</td>
<td>.83</td>
<td>.88</td>
<td>.89</td>
</tr>
</tbody>
</table>

\* Kohli and Jaworski (1993) with 5 point Likert scale
\* 7 point Likert scale

**General Discussion**

The tests of the hypotheses will be considered in three stages. Each prior stage provides a basis for analyzing the following one. Ordinary least squares (OLS) regression was employed to test the majority of the hypotheses. The remainder of the tests utilized an ANOVA procedure. See Table 4.21 for summary of quantitative analysis procedures used. Separate regression equations were specified for the Argentine and Paraguayan data for each of the hypotheses, but in all instances, the covariates were identical. The covariates—competitive intensity, market turbulence, firm size (as measured by the number of employees), length of time established in the country, and the existence of a marketing department were included to control for other compelling explanations of the market orientation—firm performance relationship. These covariates are different than the ones used by Jaworski and Kohli (1993) because theirs were primarily insignificant in the regression results and did not provide additional insight.

The covariates included in the present project were chosen based upon an understanding of the business environment in the developing marketplaces and the additional influences that might impact firm performance.
In each case, a series of regression diagnostics were reviewed to verify model adequacy. Tolerance estimates were evaluated for multi-collinearity. No VIFs were recorded that exceeded the recommended maximum of 5. Normality was assessed by evaluating the respective Histograms of the standardized residuals for each regression calculation. No aberrant patterns were noted. Thus, the normality was not violated in any of the cases. Scatterplots of each independent variable against the dependent variables were evaluated for abnormal patterns. None were noted, therefore the linearity assumption was not violated within either data set. Finally, the standardized predicted values were plotted against the standardized residuals for each regression calculation. All plots were noted as normal. Therefore no evidence of heteroscedasticity was detected. A review of individual outlier cases suggested that none yielded disproportionate influence on any regression analyses.

As stated in Chapter 3, the minimum sufficient data set needed to perform a full testing of the general regression equation is 98 and 110 responses are needed for testing individual predictors. The minimum responses were exceeded for both Argentina with 163 and Paraguay with 125.

Results

The results of regression analyses are presented in Tables 4.9 and 4.11 for Argentine data and Paraguayan data respectively. In all sixteen cases, the models are significant. The use of standardized regression coefficients normally provides a basis for comparison of results. However in this situation, the sample frames for the Paraguayan and Argentine data are not properly comparable, as explained earlier. Thus, a standardized coefficient provides a perspective for discussion between the samples.
The four sets of regression analyses in each table are similar to the ones originally calculated by Kohli and Jaworski (1993). The dependent variables—overall performance, market share, organizational commitment, and esprit de corps—are all consequences related to the independent variable, market orientation. The independent variable is modeled as either Original or Modified. Original or "imposed etic" is based on the 20 question MARKOR scale. The validity of these scales was discussed previously at $H_{1-1}$ and $H_{2-1}$. Modified, or "derived etic" is based on the construct developed with the Argentine or Paraguayan data. The validity of these scales is discussed later at $H_{1-2}$ and $H_{2-2}$.

Since a Type I replication is one purpose of this project, Table 4.10 is presented as a source for contrast to the seminal market orientation effort. Kohli and Jaworski (1993) incorporated two samples (I and II) in their research. Sample I was chosen because it included marketing and nonmarketing executives which are similar to the type of respondents in the two present samples.

### Table 4.9 Consequences of a Market Orientation: Standardized Regression Coefficients Estimated with Argentine Sample

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Overall Performance</th>
<th>Market Share</th>
<th>Organizational Commitment</th>
<th>Esprit de Corps</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Modified</td>
<td>Original</td>
<td>Modified</td>
</tr>
<tr>
<td>Market orientation</td>
<td>.38 ***</td>
<td>.39 ***</td>
<td>.32 ***</td>
<td>.34 ***</td>
</tr>
<tr>
<td>Competitive intensity</td>
<td>-ns</td>
<td>-ns</td>
<td>-ns</td>
<td>-ns</td>
</tr>
<tr>
<td>Market turbulence</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>Firm size</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>Time in country</td>
<td>-ns</td>
<td>-ns</td>
<td>-ns</td>
<td>-ns</td>
</tr>
<tr>
<td>Marketing dept.</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>$R^2$</td>
<td>.160</td>
<td>.167</td>
<td>.155</td>
<td>.167</td>
</tr>
<tr>
<td>$R^2_{ADJUSTED}$</td>
<td>.124</td>
<td>.132</td>
<td>.12</td>
<td>.132</td>
</tr>
<tr>
<td>F statistic</td>
<td>4.49 ***</td>
<td>4.76 ***</td>
<td>4.33 ***</td>
<td>4.73 ***</td>
</tr>
<tr>
<td>N</td>
<td>158</td>
<td>158</td>
<td>154</td>
<td>155</td>
</tr>
</tbody>
</table>

*p < .001; **p < .01; *p < .05

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
Table 4.10 Consequences of a Market Orientation:
Standardized Regression Coefficients Estimated with Sample 1

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Overall Performance</th>
<th>Market Share</th>
<th>Organizational Commitment</th>
<th>Esprit de Corps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market orientation</td>
<td>.23***</td>
<td>ns</td>
<td>.44***</td>
<td>.51***</td>
</tr>
<tr>
<td>Competitive intensity</td>
<td>ns</td>
<td>-.39***</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>R²</td>
<td>.18</td>
<td>.06</td>
<td>.31</td>
<td>.40</td>
</tr>
<tr>
<td>N</td>
<td>145</td>
<td>112</td>
<td>153</td>
<td>153</td>
</tr>
</tbody>
</table>

p <.001; * p <.01; * p <.05; * * Jaworski and Kohli (1993), p.62

Table 4.11 Consequences of a Market Orientation:
Standardized Regression Coefficients Estimated with Paraguay Sample

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Overall Performance</th>
<th>Market Share</th>
<th>Organizational Commitment</th>
<th>Esprit de Corps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market orientation</td>
<td>.43***</td>
<td>.44***</td>
<td>.43***</td>
<td>.45***</td>
</tr>
<tr>
<td>Competitive intensity</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>R²</td>
<td>.22</td>
<td>.225</td>
<td>.233</td>
<td>.532</td>
</tr>
<tr>
<td>R² ADJUSTED</td>
<td>.18</td>
<td>.186</td>
<td>.194</td>
<td>.51</td>
</tr>
<tr>
<td>F statistic</td>
<td>5.56***</td>
<td>5.71</td>
<td>5.99***</td>
<td>22.39***</td>
</tr>
<tr>
<td>N</td>
<td>125</td>
<td>125</td>
<td>125</td>
<td>125</td>
</tr>
</tbody>
</table>

p <.001; * p <.01; * p <.05

For hypotheses H₂ through H₅ and H₂ through H₂, refer to Tables 4.9, 4.10, and 4.11 for statistical support.

Hypothesis 1-2

This hypothesis predicts that firms with higher levels of market orientation (MO), as measured with the original MARKOR, will exhibit higher levels of business...
performance. For both Argentina (AR) and Paraguay (PY) the MO coefficient is positive and significant for both Market Share (AR: $\beta = .32$, $R^2 = .155$, $F=4.33$, $p<.001$; PY: $\beta = .43$, $R^2 = .225$, $F=5.71$, $p<.001$) and Overall Performance (AR: $\beta = .38$, $R^2 = .16$, $F=4.49$, $p<.001$; PY: $\beta = .43$, $R^2 = .22$, $F=5.56$, $p<.001$), which indicates solid support for the hypotheses. These results are consistent with Jaworski and Kohli's (1993) findings for Overall Performance but not Market Share. The MO has significant impact on the Market Share relationships in the current study. The difference possibly arises due to how the market share item was operationalized in the respective studies as the original authors noted concern for the appropriateness of market share as an indicator of performance.

The control variable, time in country, is significant and negative for the PY sample ($\beta = -.2$, $p<.05$), which could indicate that a firm's MO diminishes the longer it operates in Paraguay. This can be explained if one looks from today backwards. During the past decades, the government has had strong influence on the marketplace and consumers were not first in a company's goals, rather a solid relationship with governmental officials who strongly influenced the marketplace was of primary importance. Therefore, older firms, whether domestic or multinational, were not inclined to focus on the consumer. However, during the past decade, more free market policies have been instituted, and younger firms realize the importance of being market oriented.

Hypothesis 2-2

This hypothesis predicts that the modified MARKOR or "derived etic" determined MO scale will better describe the MO—FP relationship due to the extensive qualitative development of the construct. For both AR and PY the MO coefficient is
positive and significant for both Market Share (AR: $\beta=.34$, $R^2=.167$, $F=4.73$, $p<.001$; PY: $\beta=.45$, $R^2=.233$, $F=5.91$, $p<.001$) and Overall Performance (AR: $\beta=.39$, $R^2=.167$, $F=4.76$, $p<.001$; PY: $\beta=.44$, $R^2=.223$, $F=5.64$, $p<.001$). There is a minimal improvement exemplified by comparing—regression coefficient, $R^2$, $R^2_{\text{ADJUSTED}}$, and the F statistic. In all cases there is a marginal improvement in all of these factors. The regression coefficient is possibly more descriptive and supportive of this hypothesis because the larger the coefficient, the greater the impact the independent variable MO has on the dependent business performance for each unit increase of MO. Based upon the consistency of these factors, sufficient evidence is available to support this hypothesis.

**Hypothesis 1-3**

This hypothesis proposes that the employee's organizational commitment and the firm's esprit de corps will be heightened the more market oriented a business enterprise is. For both AR and PY the MO coefficient is positive and significant for Organizational Commitment (AR: $\beta=.51$, $R^2=.296$, $F=9.97$, $p<.001$; PY: $\beta=.66$, $R^2=.532$, $F=22.39$, $p<.001$) and for Esprit de Corps (AR: $\beta=.56$, $R^2=.331$, $F=11.71$, $p<.001$; PY: $\beta=.61$, $R^2=.437$, $F=15.29$, $p<.001$), which is consistent with Jaworski and Kohli's (1993) results. Thus, this hypothesis is supported.

A number of covariates must be considered when interpreting the results of this hypothesis. First, the existence of a marketing department negatively influences the relationships in Argentina ($\beta=-.10$, $p<.05$ and $\beta=-.16$, $p<.01$). This basically indicates that firms without a marketing department will experience more of an increase in organizational commitment and esprit de corps as the firm's market orientation increases. Second, in Paraguay, the existence of market turbulence ($\beta=-.21$, $p<.001$) detracts from
the development of organizational commitment as market orientation increases. In the
tumultuous past, Paraguayan employees were not highly valued by their employers and
demed dispensable, especially when rapid changes occurred in the marketplace and
government policies. Therefore when faced with a changing marketplace, they are more
concerned about their own future than the firm that employs them. Third, in Paraguay,
larger firms have less esprit de corps (β = -.16, p<.05) as market orientation increases.
Thus in larger firms, employees possibly feel more a "number" than a valued member of
the team. This could be the result of unskilled management or the hierarchical structure
of firms in Paraguay.

Hypothesis 2-3

This hypothesis predicts that the modified MARKOR or "derived etic"
determined MO scale will better describe the MO—organizational commitment and
esprit de corps relationships due to the extensive qualitative development. For both AR
and PY the MO coefficient is positive and significant for both Organizational
Commitment (AR: β = .53, R² = .313, F = 10.8, p<.001; PY: β = .68, R² = .554, F = 24.41,
p<.001) and Esprit de Corps (AR: β = .55, R² = .324, F = 11.32, p<.001; PY: β = .62, R² =
.447, F = 15.93, p<.001). There is a minimal improvement exemplified by comparing—
regression coefficient, R², R²\text{ADJUSTED}, and the F statistic. For example in Argentina, a
comparison for Organizational Commitment is—β = .51 to .53, R² = .296 to .313, F = 9.97
to 10.8. In all cases there is at least marginal improvement in these factors. Based upon
the consistency of these factors, sufficient evidence is available to support this
hypothesis.
Again the same covariates as previously used in Hypothesis 3 must be considered when interpreting the results of this hypothesis. These covariates all have a significantly negative influence on the described relationship—for AR, $\beta = -.17$, $p<.05$ and $\beta = -.20$ for existence of marketing department; for PY, $\beta = -.02$, $p<.01$ for market turbulence; for PY, $\beta = -.18$, $p<.05$ for firm size. The previous explanations are adequate to describe these situations.

**Hypothesis 1-4**

This hypothesis proposes that turbulence in the marketplace creates an environment where a firm's market orientation is augmented possibly due to survival tactics, and this increase in MO positively influences business performance. To test this hypothesis, it was necessary to split the samples and review MO levels. The data were sorted in ascending order of the market turbulence construct. An appropriate cutoff, one that would not disrupt natural groupings, was selected near the median (See last row of the table). The results of the respective regression analyses are presented in the following Table 4.12:

**Table 4.12 Summary of Market Turbulence Influence**

<table>
<thead>
<tr>
<th>Independent variable is split on: Market turbulence</th>
<th>Overall Performance (dependent variable)</th>
<th>Argentina</th>
<th>Paraguay</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overall Performance</td>
<td>Original</td>
<td>Modified</td>
</tr>
<tr>
<td></td>
<td>(dependent variable)</td>
<td>Original</td>
<td>Modified</td>
</tr>
<tr>
<td>Low</td>
<td>Market orientation</td>
<td>.331***</td>
<td>.335***</td>
</tr>
<tr>
<td></td>
<td>$R^2$</td>
<td>.159</td>
<td>.154</td>
</tr>
<tr>
<td></td>
<td>F statistic</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>High</td>
<td>Market orientation</td>
<td>.40***</td>
<td>.419***</td>
</tr>
<tr>
<td></td>
<td>$R^2$</td>
<td>.192</td>
<td>.20</td>
</tr>
<tr>
<td></td>
<td>F statistic</td>
<td>2.65</td>
<td>2.83</td>
</tr>
<tr>
<td></td>
<td>N= low/high</td>
<td>77/82</td>
<td>77/82</td>
</tr>
</tbody>
</table>

$p<.001$; $p <.01$; $p<.05$
Hypothesis 1-4 refers to the columns labeled "Original" for the market orientation construct with the dependent variable, Overall Performance. For both data samples, the relationship MO—FP increases with the higher turbulence. The coefficient of market orientation increases (AR: $\beta=.331$ to $.40$; PY: $\beta=ns$ to $.539$) indicating that MO has a greater impact on performance. The $R^2$ is greater (AR: $R^2=.159$ to $.192$; PY: $R^2=.145$ to $.366$), and the relationship is significant as exemplified by the F statistic. This hypothesis is supported.

Hypothesis 2-4

This hypothesis predicts that the modified MARKOR or "derived etic" determined MO scale will better describe the MO—FP relationship when market turbulence is experienced. Table 4.12 contains the appropriate information for the analysis. There is minimal improvement from the Original column to the Modified column for both AR (High turbulence: $\beta=.40$ to $.419$, $R^2=.192$ to $.20$, $F=2.65$ to $2.83$, $p<.05$) and PY (High turbulence: $\beta=.539$ to $.55$, $R^2=.366$ to $.376$, $F=5.39$ to $5.62$, $p<.001$). Therefore this hypothesis is not supported probably due to the marginal difference between the "derived etic" and "imposed etic" market orientation construct.

Hypothesis 1-5

This hypothesis proposes that competition in the marketplace creates an environment where a firm's market orientation is augmented possibly due to survival tactics, and that this increase in MO positively influences business performance. To test this hypothesis, it was necessary to split the samples and review MO levels. The data were sorted in ascending order of the competitive intensity construct. An appropriate
cutoff, one that would not disrupt natural groupings, was selected near the median. The results of the respective regression analyses are presented in the following Table 4.13:

Table 4.13 Summary of Competitive Intensity Influence

<table>
<thead>
<tr>
<th>Independent variable is split on:</th>
<th>Overall Performance (dependent variable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitve intensity</td>
<td>Argentina</td>
</tr>
<tr>
<td>Low</td>
<td>Original</td>
</tr>
<tr>
<td>Market orientation</td>
<td>.355**</td>
</tr>
<tr>
<td>R²</td>
<td>.15</td>
</tr>
<tr>
<td>F statistic</td>
<td>ns</td>
</tr>
<tr>
<td>High</td>
<td>.392***</td>
</tr>
<tr>
<td>R²</td>
<td>.184</td>
</tr>
<tr>
<td>F statistic</td>
<td>2.65*</td>
</tr>
<tr>
<td>N- low/high</td>
<td>77/82</td>
</tr>
</tbody>
</table>

This hypothesis refers to the columns labeled "Original" for the market orientation construct with the dependent variable, Competitive Intensity. The Argentina analysis supports the hypothesis as the R² increased approximately 20% from .15 to .184, the "stronger" relationship is significant, β increased from .355 to .392. Thus, for the AR sample, the hypothesis is **supported**.

The result for the Paraguayan analysis is "significantly opposite" to the proposed effects (β=.616 to .324, R²=.448 to .131, F=7.4 to ns, p<.001). Therefore, the hypothesis is **not supported** for PY data. A plausible explanation based upon a review of the items composing the Competitive Intensity construct is: when competition intensifies in Paraguay, firms respond by appreciably increasing marketing expenses. Increased expenses reduce net profit and business performance. Even though market orientation may be increasing, the performance of the firm is declining.
Hypothesis 2-5

This hypothesis predicts that the modified MARKOR or "derived etic" determined MO scale will better describe the MO—FP relationship when competition is experienced. Table 4.13 contains the appropriate information for the analysis. There is minimal improvement for the AR sample when the respective regression statistics are compared between Low: original to modified (β= .355 to .365, R²= .15 to .167, F= ns to 2.24 for p<.05) and High: original to modified (β= .392 to .394, R²= .184 to .182, F= 2.65 to 2.52 for p<.05). For the AR sample, there is not sufficient evidence to support nor to reject the hypothesis probably due to the marginal improvement between the "derived etic" and "imposed etic" market orientation construct.

Again the results for the Paraguayan analysis is "significantly opposite" to the proposed effects Low (β= .616 to .61, R²= .448 to .441, F= 7.4 to 7.23 for p<.001) and High (β= .324 to .292, R²= .131 to .116, F= ns to ns). Therefore the hypothesis is not supported for PY data.

Hypothesis 2-6

This hypothesis posits that multinational firms will exhibit a higher level of MO than domestic firms. To test this, an ANOVA was performed on the "derived etic" market orientation data and MNC variable for classification. Covariates—firm size, length of time in country, respondents length of time in his/her profession, and existence of a marketing department—were included to provide additional explanation.

For the PY sample, the results of the main effect, F=5.37 with a p=.022, indicate that there is sufficient evidence that the means of the multinational and domestic groups' market orientations are not equal. The mean of the multinational group is 111.9 and the
mean of the domestic firms is 96.7. The hypothesis is supported. Among the covariates, the coefficient for the marketing department is significant with $p=.015$. This suggests, not surprising, that the existence of a marketing department is a factor of the multinational group.

For the AR sample, the results of the main effect, $F=2.89$ with a $p=.092$, indicates that the means of the two groups may be different at the $p<.10$ level. The mean of the multinational group is 119.3 with a mean of 111.1 for the domestic group. The hypothesis is supported. None of the covariates were significant.

Hypothesis 2-7

This hypothesis predicts that younger domestic firms will exhibit a higher level of MO than older ones will. To test this, an ANOVA was performed on the "derived etic" market orientation data and for classification the domestic group sorted by length of time of operation. Covariates—firm size, length of time in country, respondents length of time in his/her profession, and existence of a market department—were included to provide potential additional explanation.

For the PY sample, the results of the main effect, $F=.134$ with a $p=.715$, indicates that the means of the young and old groups' market orientation may be equal. The mean of the young group is 98.4 and the mean of the older firms is 93.9. The hypothesis is not supported. Although this hypothesis is not statistically supported, the means are in the proper direction.

For the AR sample, the results of the main effect, $F=.988$ with a $p=.325$, indicates that the means of the young and old groups' market orientation may be equal. The mean of the young group is 107.3 and the mean of the older firms is 113.5. The hypothesis is
not supported. A plausible explanation is that Argentina has had the benefits of a free market for a longer period of time than Paraguay and market orientation activities are not completely developed or are lagging. With this free market, the domestic firms have adopted western business practices for a number of years, longer than the cutoff period of 8 years.

**HYPOTHESIS TESTING - STAGE 3**

**Hypothesis 3-1**

Modeling business performance has been an elusive link in adequately explaining the MO—FP relationship. The current study uses a composite that is aggregated based upon marketing strategy and the Balanced Scorecard. As noted in Table 4.5, there are four subcomponents—financial with 4 items, customer with 4 items, innovation and learning with 3 items, and internal business with 1 item. The psychometric properties of the overall performance composite were earlier addressed with all components of the construct exhibiting sufficient properties.

To operationalize the performance composite, all items are summed. Since strong correlations exist between the four sub-components (see Table 4.14), this suggests that they converge to one common construct and can be totaled. This method of operationalization is consistent with other market orientation research (Fahy et al. 2000; Ngai and Ellis 1998; Siguaw et al. 1998).

### Table 4.14 Firm Performance Composite Correlations

<table>
<thead>
<tr>
<th>Construct</th>
<th>Argentina</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Paraguay</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.</td>
<td>2.</td>
<td>3.</td>
<td>4.</td>
<td>5.</td>
<td>1.</td>
<td>2.</td>
<td>3.</td>
<td>4.</td>
</tr>
<tr>
<td>1.Composite</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.867</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.Financial</td>
<td>.877</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.901</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.Customer</td>
<td>.915</td>
<td>.707</td>
<td>1.0</td>
<td></td>
<td></td>
<td>.390</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.Innovation</td>
<td>.887</td>
<td>.633</td>
<td>.796</td>
<td>1.0</td>
<td></td>
<td>.555</td>
<td>.658</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>5.Internal business</td>
<td>.526</td>
<td>.288</td>
<td>.387</td>
<td>.512</td>
<td>1.0</td>
<td>.361</td>
<td>.516</td>
<td>.455</td>
<td>1.0</td>
</tr>
</tbody>
</table>

All correlations are significant at p < .01

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
This hypothesis (3-1) predicts that firms with higher levels of market orientation (MO) will exhibit higher levels of business performance as measured with the Firm Performance composite. To test this hypothesis, the regression analysis process, as previously explained, was used. For both Argentina ($\beta = .56$ with $p<.001$, $R^2 = .393$, $F=15.0$, $p<.001$) and Paraguay ($\beta = .64$ with $p<.001$, $R^2 = .452$, $F=16.2$, $p<.001$) the MO coefficient is positive and significant, which indicates solid support for the hypotheses (see Table 4.15). The covariate, Market Turbulence, is positive and significant for the AR sample data ($\beta = .17$, $p<.05$). This follows the thought of Hypothesis 4 that firms in a more turbulent marketplace will exhibit higher levels of MO to be successful. The covariate, Time in country, is negative and significant for the PY sample ($\beta = -.17$, $p<.05$). The older firms, ones operating in the country longer, have not been as receptive to free market business practices. Thus, their levels of market orientation are lower.

**Table 4.15 Consequences of a Modified Market Orientation and Selected Performance Measures: Standardized Regression Coefficients Estimated**

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variables</th>
<th>Firm Performance Composite</th>
<th>Overall Performance</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>AR</td>
<td>PY</td>
<td>AR</td>
</tr>
<tr>
<td>Modified market orientation</td>
<td></td>
<td>.56***</td>
<td>.64***</td>
<td>.39***</td>
</tr>
<tr>
<td>Competitive intensity</td>
<td></td>
<td>-ns</td>
<td>-ns</td>
<td>-ns</td>
</tr>
<tr>
<td>Market turbulence</td>
<td></td>
<td>.17*</td>
<td>-ns</td>
<td>ns</td>
</tr>
<tr>
<td>Firm size</td>
<td></td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>Time in country</td>
<td></td>
<td>-ns</td>
<td>-.17*</td>
<td>-ns</td>
</tr>
<tr>
<td>Marketing dept.</td>
<td></td>
<td>ns</td>
<td>-ns</td>
<td>ns</td>
</tr>
<tr>
<td>$R^2$</td>
<td></td>
<td>.393</td>
<td>.452</td>
<td>.167</td>
</tr>
<tr>
<td>$R^2$ ADJUSTED</td>
<td></td>
<td>.367</td>
<td>.424</td>
<td>.132</td>
</tr>
<tr>
<td>F statistic</td>
<td></td>
<td>15.0***</td>
<td>16.2***</td>
<td>4.76***</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>153</td>
<td>125</td>
<td>158</td>
</tr>
</tbody>
</table>

p <.001;  p <.01;  p <.05

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
Hypothesis 3-2

This hypothesis posits that the modified MARKOR or "derived etic" determined MO scale will better describe the MO—FP relationship with the Firm Performance composite than the original business performance measures. (See Table 4.15 above) For both AR and PY, the MO coefficient is positive and significant and sufficiently larger than the comparable statistic for either Overall Performance— AR(β= .56 to .39) and PY (β=.64 to .44) or Market Share— AR(β=.56 to .34) and PY (β=.64 to .45). There is substantial improvement exemplified by comparing— coefficient of market orientation, \( R^2 \), \( R^2_{\text{ADJUSTED}} \), and the F statistic for both sets of data. Solid support is exhibited for this hypothesis.

Hypothesis 3-3

This hypothesis predicts that after a market orientation strategy has been adopted by a firm, there will be a significant increase in MO level as measured by the "derived etic" model. To test this hypothesis, the data were sorted on the respondent's self-reported level of market orientation. An ANOVA was performed on this subset of data with the dependent variable as the "derived "etic" score and independent variable as the 2-year cutoff category.

For the AR sample, the results of the test, F=1.26 with a p=.288, indicates there is not sufficient evidence that there are differences in group means. The hypothesis is not supported. With an insignificant F, unequal group sizes, and self-reported level of market orientation, the possibility exists of an anomaly in the analysis. A second possibility is that Argentina has been experiencing three years of severe recession which
was exacerbated by the devaluation of the Brazilian real. Due to survival techniques, newly adopting firms of a market orientation strategy may be aggressively implementing their plans and reaping immediate rewards of enhanced firm performance.

For the PY sample, the results of the test, $F=1.61$ with a $p=.172$, indicates there is not sufficient evidence that there is a difference in group means. Thus, the hypothesis is not supported. Even though the hypothesis is not statistically supported, the group means are in the proper direction.

**Hypothesis 3-4**

This hypothesis predicts that two years after adopting a market orientation strategy, a firm's level of performance will increase. To test this hypothesis, the data were sorted on the respondent's self-reported level of market orientation. An ANOVA was performed on this subset of data with the dependent variable as the Firm Performance composite and independent variable as the 2-year cutoff.

For the AR sample, the results of the test, $F=.778$ with a $p=.569$, indicates there is not sufficient evidence that there are differences in group means. The hypothesis is not supported. A different result would be inconsistent with the AR sample results in Hypothesis 3-3. This statement is based upon the finding that market orientation is positively and significantly related to firm performance. Therefore, if the prediction for group means of market orientation is not supported, it should follow that the prediction for group means of firm performance would not be supported.

For the PY sample, the results of the test, $F=1.55$ with a $p=.191$, indicates there is not sufficient evidence that there are differences in group means. The hypothesis is not supported. A different result would be inconsistent with the PY sample results in
hypothesis 3-3. This statement is based upon the finding that market orientation is positively and significantly related to firm performance. Therefore, if the prediction for group means of market orientation is not supported, it should follow that the prediction for group means of firm performance would not be supported.

MACROENVIRONMENTAL ISSUES

Hypothesis 4-1

This hypothesis speculates that the Generation sub-component of the "derived etic" MARKOR for the AR sample will have a greater impact on the Firm Performance composite relationship than the firms in PY. (Please note that direct comparisons cannot be drawn. Because of lack of comparability, only a perspective of the contrasts can be developed. Therefore the following hypotheses "tests" are only examinations for discussion purposes.) To test this hypothesis, the Generation sub-component was regressed on the Firm Performance composite for both data sets with all the original covariates included for consistency.

Table 4.16 displays a summary of the results. For both Argentina ($\beta = .484$ with $p < .001$) and Paraguay ($\beta = .508$ with $p < .001$), the Generation sub-component coefficient is positive and significant, which indicates that collection of information on the marketplace has an important impact on performance. However, the PY results explain more of the GEN—FP relationship as revealed by these statistics for PY versus AR ($R^2 = .331$ to $.31$, $R^2_{\text{ADJUSTED}} = .293$ to $.283$, $F = 8.67$ to $11.68$ with $p < .001$). This hypothesis is not supported.

A plausible explanation for this situation is based upon the conditions of the respective marketplaces during the recent past. Argentina has made great strides towards
adopting free market policies, and the business sector and consumers have embraced the free market and open competition. As a result, many industries are "forced" to implement free market business practices to succeed or possibly survive. Whereas in Paraguay, the move towards the free market environment has been stifled in many respects. Some businesses still operate there as they have for decades with strong patronage from governmental officials, but in some instances globalization of the Paraguayan marketplace has had limited acceptance. Therefore, the firms that do adopt market orientation behaviors are reaping the benefits. These firms are not "forced" to implement a market orientation due to a necessity to survive, rather their adoption of these practices yields rewards. They are not "lost in a competitive forest" as they might be in Argentina. Consequently their activities should be more pronounced or impactful in Paraguay and probably in the data sample.

Table 4.16 Comparison of Generation Sub-component Regressed on Performance

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Firm Performance Composite</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation of</td>
<td>AR</td>
</tr>
<tr>
<td>intelligence</td>
<td>.484***</td>
</tr>
<tr>
<td>Competitive intensity</td>
<td>-ns</td>
</tr>
<tr>
<td>Market turbulence</td>
<td>.15</td>
</tr>
<tr>
<td>Firm size</td>
<td>ns</td>
</tr>
<tr>
<td>Time in country</td>
<td>-ns</td>
</tr>
<tr>
<td>Marketing department</td>
<td>ns</td>
</tr>
<tr>
<td>R²</td>
<td>.31</td>
</tr>
<tr>
<td>R²ADJUSTED</td>
<td>.283</td>
</tr>
<tr>
<td>F statistic</td>
<td>11.68***</td>
</tr>
<tr>
<td>N</td>
<td>163</td>
</tr>
</tbody>
</table>

*p <.001; **p <.01; ***p <.05
Hypothesis 4-2

This hypothesis posits that MO level, as measured by modified MARKOR, will be demonstrably higher in Argentina than Paraguay. To test this hypothesis, an ANOVA was performed on the "derived etic" market orientation data with a classification variable used for each country.

The results of the test, F=35.7 with a p=.000, indicates there is sufficient evidence that there are differences in group means. The hypothesis is supported. The mean values of the respective market orientation levels are presented in a percentage format in Table 4.17 for comparison.

Table 4.17 Mean Values of Market Orientation Measures

<table>
<thead>
<tr>
<th>Measure</th>
<th>Argentina</th>
<th>Paraguay</th>
<th>United States a</th>
<th>Scandinavia a</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original MARKOR</td>
<td>68.4%</td>
<td>68.6%</td>
<td>73.7%</td>
<td>74.1%</td>
</tr>
<tr>
<td>Modified MARKOR</td>
<td>69.3%</td>
<td>59.8%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Selnes, Jaworski and Kohli (1996), p.149

The data on the United States and Scandinavia are presented for comparison and validation. The mean scores for firms in developing economies should be on the average less than those of firms from market driven economies.

Hypothesis 4-3

Argentina is expected to demonstrate a "derived etic" MO—Firm Performance composite relationship stronger than that of Paraguay's sample. To test this hypothesis, a standard regression analysis was performed with market orientation as the independent variable and Firm Performance composite as dependent variable and the covariates tested in all previous full regressions.
Table 4.18 Comparison of Argentine and Paraguayan Firm Performance Composite Results

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>AR</th>
<th>PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modified market orientation</td>
<td>.56**</td>
<td>.64***</td>
</tr>
<tr>
<td>Competitive intensity</td>
<td>-ns</td>
<td>-ns</td>
</tr>
<tr>
<td>Market turbulence</td>
<td>.17*</td>
<td>-ns</td>
</tr>
<tr>
<td>Firm size</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>Time in country</td>
<td>-ns</td>
<td>-.17*</td>
</tr>
<tr>
<td>Marketing dept.</td>
<td>ns</td>
<td>-ns</td>
</tr>
<tr>
<td>( R^2 )</td>
<td>.393</td>
<td>.452</td>
</tr>
<tr>
<td>( R^2_{\text{ADJUSTED}} )</td>
<td>.367</td>
<td>.424</td>
</tr>
<tr>
<td>F statistic</td>
<td>15.0***</td>
<td>16.2***</td>
</tr>
<tr>
<td>N</td>
<td>153</td>
<td>125</td>
</tr>
</tbody>
</table>

\( p < .001; \quad ^{*} p < .01; \quad ^{*} p < .05 \)

Table 4.18 displays a summary of the results. For both Argentina (\( \beta = .56 \) with \( p < .001 \)) and Paraguay (\( \beta = .64 \) with \( p < .001 \)) the market orientation coefficient is positive and significant. However, the PY results explain more of the MO—FP relationship as revealed by the \( R^2 \), \( R^2_{\text{ADJUSTED}} \), and F statistic, and a stronger impact is demonstrated by the Paraguayan market orientation coefficient. In each case, the Paraguayan statistics are a minimum of 10% greater. This hypothesis is not supported. Again, a plausible explanation for the results of this test is couched in terms of difference in competitive intensity of the respective marketplaces. (See hypothesis 4-1.) The results of a market orientation effort are more visible in Paraguay than in Argentina. Therefore a minimal effort will be more rewarded in the less competitive Paraguayan environment.

The covariate, Market Turbulence, is positive and significant for the AR sample data. This follows the thought of Hypothesis 4 that firms in a more turbulent marketplace will exhibit higher levels of MO to be successful. The covariate, Time in country, is negative and significant for the PY sample. The older firms, ones operating in the
country longer, have not been as receptive to free market business practices. Thus, their levels of market orientation are relatively lower.

**Hypothesis 4-4**

This hypothesis posits that the Paraguayan firms use more subjective measures of performance than Argentine companies. The sub-components are reviewed individually for evidence to evaluate this hypothesis. To test this hypothesis, each of the individual performance items was regressed on the respective "derived etic" market orientation construct with the identical five covariates included for consistency. Whether firms value and use the individual item for firm performance evaluation purposes will be indicated by the strength of the relationship between the dependent variable and the independent variable. Therefore the usual regression analysis statistics of—$R^2$, $R^2_{\text{ADJUSTED}}$, F statistic, and market orientation's coefficient—are evaluated.

Based upon qualitative research in both countries, performance measures were developed to capture firm performance information as expressed by practitioners. (This process is fully explained in Chapter 3.) The Paraguayan practitioners generally preferred more subjective measures while Argentine practitioners preferred objective ones evidenced in western business practices. For each performance item, the country is *bolded* to indicate the preference of the practitioners.
Two of the four financial measures were properly classified—Relative Sales Growth (PY β = .287 versus AR β = .15) and Relative Overall Performance (PY β = .42 versus AR β = .39). The R², R² ADJUSTED, F statistic are correspondingly higher for PY than AR. The two more objective measures of Net Profit and Market Share were not correctly categorized.

Two of the four customer performance measures were properly classified—Image (PY β = .44 versus AR β = .40) and Awareness (PY β = .46 versus AR β = .45). The R², R² ADJUSTED, F statistic are correspondingly higher for PY than AR. The two more objective measures of Customer Satisfaction and Repeat Business were not correctly categorized.
Table 4.21 Internal Business and Innovation Measures Preferences

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Use of budgets</th>
<th>New product launches</th>
<th>Value for customer</th>
<th>Penetration of new markets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AR</td>
<td>PY</td>
<td>AR</td>
<td>PY</td>
</tr>
<tr>
<td>Market orientation</td>
<td>.47</td>
<td>.55</td>
<td>.397</td>
<td>.657</td>
</tr>
<tr>
<td>R²</td>
<td>.386</td>
<td>.353</td>
<td>.228</td>
<td>.451</td>
</tr>
<tr>
<td>R²ADJUSTED</td>
<td>.36</td>
<td>.316</td>
<td>.195</td>
<td>.42</td>
</tr>
<tr>
<td>F statistic</td>
<td>14.9***</td>
<td>9.62***</td>
<td>6.97***</td>
<td>14.54***</td>
</tr>
</tbody>
</table>

p < .001;  p < .01;  p < .05

The singular Internal Business measure is correctly categorized as the type selected by Argentine practitioners. Two of the three Innovation and Learning measures were properly classified—Value for Customer (PY β=.569 versus AR β=.30) and Penetration of New Markets (PY β=.51 versus β=.396). The more objective measure of New Product Launches was not correctly categorized. Seven of the twelve individual performance items are properly categorized. Thus, there is mixed evidence in support of this hypothesis.

A reasonable explanation for the results displayed in the three tables is similar to that stated previously in Hypothesis 4.1. The limited number of firms that espouse a market oriented strategy in Paraguay reap substantial benefits due to few competitors who are market focused. Therefore their strategic efforts are potentially multiplied with corresponding rewards. However, in Argentina the firms must compete in a market-driven environment, and it is necessary to adopt a market-oriented strategy to survive with no resulting extraordinary benefits.
SUMMARY

To provide an understandable perspective to the numerous tests conducted on the two different data sets, a visual summary is developed using the Synopsis from chapter 3. This includes a concise outline of the stages, approaches, and measures employed in the research project.

Table 4.22 Summarization of Hypothesis Results by Stage

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market orientation measure</strong></td>
<td>Original MARKOR with 20 questions. &quot;imposed etic&quot;</td>
<td>Modified MARKOR—maximum of 30 questions. &quot;derived etic&quot;</td>
</tr>
<tr>
<td><strong>Quantitative analysis procedures</strong></td>
<td>CFA Multiple regression</td>
<td>CFA Multiple regression</td>
</tr>
<tr>
<td><strong>Hypotheses</strong></td>
<td>1-1 1-2 thru 5</td>
<td>2-1 2-2 thru 5 2-6, 7</td>
</tr>
<tr>
<td><strong>Argentina</strong></td>
<td>1-1 1-2*, 1-3* 1-4*, 1-5*</td>
<td>2-1 2-2*, 2-3* 2-4#, 2-5# 2-6* 2-7</td>
</tr>
<tr>
<td><strong>Paraguay</strong></td>
<td>1-1 1-2*, 1-3* 1-4*, 1-5</td>
<td>2-1 2-2*, 2-3* 2-4#, 2-5 2-6* 2-7</td>
</tr>
</tbody>
</table>

* support for the hypothesis
# mixed support for hypothesis

The topic of Stage 4 is Macroenvironment Issues which involves a comparison of the results between Argentina and Paraguay. As stated in the initial section in this chapter, the sample frames are not comparable. Accordingly no direct comparisons can
be drawn, only an overall perspective of business practices in the two countries. The "results of the hypotheses" are: 4-1, 4-2*, 4-3, and 4-4#.

Nineteen of the 36 hypotheses were completely supported, and four hypotheses displayed mixed support. The nonsupport is the result of primarily two aspects—1) the challenges of the reverse-coded items and 2) the unpredictable influence of the macroenvironment. Even though the results are consistent with those of Jaworski and Kohli's (1993), they should be interpreted cautiously. A more comprehensive explanation of the issues and results of this study follows in the next chapter.
CHAPTER 5
DISCUSSION AND IMPLICATIONS

In this final chapter, discussions of results and implications are presented. First, the results of the research project are discussed in the broader context of the three stage approach. Next, the unique implications of this study are addressed. Third, the managerial implications developed from the project are discussed. Finally, the limitations of the study along with possible suggestions for future areas of research are highlighted.

DISCUSSION OF RESULTS

The bottomline of any research endeavor is—SO WHAT? Or, as a result of this project what do we know now about market orientation and firm performance that we did not know previously? To adequately answer those questions, the results are discussed in the context of the three stages or approaches that were utilized.

Stage 1

Objective—Test Jaworski and Kohli (1993) as originally hypothesized in a developing economy marketplace, in particular Argentina and Paraguay. The five original hypotheses were retested with positive and significant findings that supported all the hypotheses in both countries, except for one hypothesis not supported in Paraguay regarding the effect of competition on the MO—FP relationship. These results indicate that:

1a. There is evidence that the theory of market orientation as conceptualized by Kohli and Jaworski (1990) is robust and possibly generalizable to emerging markets of South America.
1b. There is evidence that market orientation is a predictor of firm performance in emerging markets.

1c. Results confirm that a market-oriented strategy is supportive in—a firm's employees developing commitment to the organization and building an environment of esprit de corps environment within a company.

1d. In the presence of increasingly turbulent markets or intense competition, a market orientation fosters improved firm performance. This finding is contrary to Jaworski and Kohli (1993) wherein they discovered no moderating effect and concluded that market orientation is robust for all market environments. However, the current findings suggest that market environments do influence the development and result of a market orientation strategy. This result is probably more intuitive for a marketplace in emerging countries.

In summary, an adequate Type I replication of MARKOR was completed with interpretable findings that provide support for implementation of the scale beyond advanced marketplaces.

Stage 2

Objective—Develop a "derived etic" measure of market orientation through qualitative research in the cross-cultural settings of Argentina and Paraguay. This enhanced measure was subjected to the identical testing format as in Stage 1. The five original hypotheses were retested with mixed results, and two micro-environmental context tests produced mixed results. The findings are as follows:

2a. The "derived etic" measure did not provide more of an explanation for the MO—FP relationship, probably due to the problem encountered of reverse-coded items. Due to this consequence, the results of the tests were mixed. The psychometric properties of the "derived etic" and "imposed etic" measures were similar. The predicted enhanced explanatory relationships with firm performance, organizational commitment, and esprit de corps did not materialize. Only marginal improvements were demonstrated for both the Argentine and Paraguayan samples.

2b. Explanations for the MO—FP relationship in market turbulence and intense competitive situations were not improved, as the tests produced only marginally
different results. Again the lack of improvement is possibly due to the consequence of a not sufficiently better "derived etic" measure.

2c. Multinational firms demonstrated a higher level of market orientation in both countries, but younger domestic firms did not exhibit higher levels of market orientation than older firms, as predicted. The second result is counter-intuitive to what would be anticipated from the affects of globalization on an emerging marketplace.

An overall encouraging aspect of this stage is that qualitative research into the domain of market orientation was beneficial, albeit limited in this instance. There are two possible conclusions: 1) the robustness of MARKOR was further developed and 2) the effective use of MARKOR in a cross-cultural setting should include prior qualitative research to adequately explore and capture its domain.

Stage 3

Objective—Develop a firm performance composite, as opposed to single or duplex measures used in Jaworski and Kohli's (1993) original article. This composite was tested with the "derived etic" measure, and the comparison against the Stage 2 yielded positive results. Two micro-environmental context tests produced mixed results. These results indicate that:

3a. The firm performance composite provides a more complete basis of an explanation of the MO—FP relationship than singular items. There was a 100% improvement in the $R^2$ and a 50% increase in the coefficient of market orientation for both Argentina and Paraguay over their respective statistics. In the original Kohli and Jaworski (1993), there was an insignificant relationship when firm performance was operationalized with market share, and a low explanation ($R^2=.18$) when modeled as a two-item Overall Performance.

3b. Firms' market orientation levels, for both countries, did not increase after the passage of time based upon a 2-year cutoff. This is counter-intuitive.

3c. Firms' performance composite values did not increase with the passage of time either. However, these results are consistent with a lack of increase in market orientation levels discussed at 3b. One should follow the other.
The unquestionable outcome of this stage is that an improved performance measure provides a substantial increase in the explanatory power in the MO—FP relationship.

*Macroenvironmental issues* are the subjects of the last section of empirical tests. The intent was to contrast and compare two similar (geographically and Latin culture), yet different (economically and ancestrally) emerging markets. The perspective between the countries that is developed is interesting from the standpoint that intuitively Argentine firms should display enhanced market orientation results over Paraguayan ones. However, with the Generation subcomponent in the MO—FP relationship, the results were contrary to what was expected. Also subjective measures of performance versus objective ones were not predominant in explaining the MO—FP for Paraguayan firms as originally anticipated. However, the overall market orientation level, as explained by the "derived etic" measure, was higher in Argentina. All in all, the macroenvironment situations provide interesting challenges for adequate interpretation and managerial decisions.

Significant results of control variable coefficients provide perspectives into varying factors that have influence on the MO—FP relationship. These influences are both positive and negative or ones that can be supportive or detrimental in a firm developing a market orientation. They provide unique insights into the respective marketplace environments.

- Negative coefficient (β = -.2) for *time in country* in Paraguay. This suggests that older established firms in Paraguay are less market oriented, or that a strategic orientation focused on the customer has not provided increased firm performance for firms that have been operating in Paraguay over a long period of time. During the past decades,
the government has had strong influence on the marketplace and consumers were not first in a company's goals. Rather a relationship with government officials who strongly influenced the marketplace was of primary importance. Therefore, older firms, whether domestic or multinational, were not inclined to focus on the consumer.

- Negative coefficient (β = -.10 or -.16) for *marketing department* in Argentina. This is a dichotomous variable that must be interpreted in the context of the complete regression equation, but this suggests that the existence of a marketing department within a firm detracts from development of an organizational commitment.

- Negative coefficient (β = -.21 or -.02) for *market turbulence* in Paraguay. Turbulence inhibits the development of organizational commitment as market orientation increases. In the tumultuous past, Paraguayan employees were not highly valued by their employers and deemed dispensable, especially when rapid changes occurred in the marketplace and government policies. Therefore when faced with a changing marketplace, they are more concerned about their own future than the firm that employs them.

- Negative coefficient (β = -.16 or -.18) for *larger firms* in Paraguay. Larger firms have less esprit de corps as market orientation increases. Thus in larger firms, employees possibly feel more a "number" than a valued member of the team. This could be the result of unskilled management or the hierarchical structure of firms in Paraguay.

In addition, an interpretation of some unsupported hypotheses can provide unique insights into the respective marketplace environments.

*First*, the results of an increasingly competitive environment in Paraguay challenge conventional wisdom in regards to the benefits for market-oriented firms. The
results indicated that higher levels of competition were not supportive of the MO—FP. A plausible explanation based upon a review of the items composing the Competitive Intensity construct is: when competition intensifies in Paraguay, firms respond by appreciably increasing marketing expenses. Increased expenses reduce net profit and business performance. Even though market orientation may be increasing, the performance of the firm is declining.

Second, the results that generation of marketplace intelligence has a greater impact on performance for Paraguayan firms than Argentine firms also challenges conventional wisdom. During the qualitative research phase, professionals in the Paraguayan marketplace indicated that such information generally was suspect and of little value to them. A plausible explanation for the research results is based upon the conditions of the respective marketplaces during the recent past. Argentina has made great strides towards adopting free market policies, and the business sector and consumers have embraced the free market and open competition. As a result, many industries are "forced" to implement free market business practices to succeed or possibly survive. Whereas in Paraguay, the move towards the free market environment has been stifled in many respects. Some businesses still operate there as they have for decades with strong patronage from governmental officials, but in some instances globalization of the Paraguayan marketplace has had limited acceptance. Therefore, the firms that do adopt market-oriented behaviors are reaping the benefits. These firms are not "forced" to implement a market orientation due to a necessity to survive, rather their adoption of these practices yields rewards. They are not "lost in a competitive forest" as they might
be in Argentina. Consequently their activities should be more pronounced or impactful in Paraguay.

SUBSTANTIVE ISSUES

Due to the findings of this research project, three unique marketing theory implications are apparent:

1) Market Orientation and MARKOR

Both the market orientation construct and MARKOR scale displayed convincing strength as they were tested in South American contexts. The theory of market orientation, as defined by the generation of, dissemination of, and responsiveness to marketplace intelligence, retained sound properties in its ability to describe corporate behaviors that are focused on understanding consumers and satisfying their needs and preferences. Also Kohli et al.'s (1993) MARKOR scale demonstrated its ability to capture the market orientation domain beyond the markets of the industrialized world.

These statements are based upon the results described in Stages 1a. and 2a. First, the "imposed etic" MARKOR, which represents the original 20 questions in the seminal article, demonstrated sound psychometric properties without any modifications. Then after extensive qualitative research exploring the domain of market orientation, the "derived etic," which was anticipated to more appropriately capture the construct, exhibited only marginally improved results. As a consequence, the stability of the MARKOR scale and robustness of market orientation are supported in the South American context.
These results are important to the marketing discipline as they provide more evidence towards the development of a theory of market orientation as Kohli and Jaworski (1990) had originally envisioned. These results move market orientation one step further on the path towards being "highly confirmed or corroborated by the evidence" (Hunt 1991), especially over different circumstances. The call for enhanced scientific efforts in marketing has been echoed for decades, and this research project and its results are one answer to that appeal.

2) Market Orientation—Firm Performance Relationship

Enhanced firm performance has been championed as a benefit of a market orientation. The results of this relationship have proved to be positive in numerous empirical research projects, but the relationship has not exhibited robust consequences. It has been described as the weak link in the relationship (Jaworski and Kohli 1993; Narver and Slater 1990). Thus, the question, why would business managers develop and implement a strategy that could only produce marginal results?

Combining the findings of Stages 1b, 2a, and 3a provides an answer to that question. However, the response comes in the form of two questions—1) what is a market-oriented strategy attempting to achieve? and 2) how is success of that achievement best described? First, if market-oriented behaviors were only attempting to increase net profit, increased sales, or other financial results, then findings depicted as Stages 1b and 2a would be completely descriptive, and market-oriented efforts would explain less than 20% of the performance relationship. Second, market orientation, by definition, is concerned with short-term results (financial), as well as the long-term impact on the consumer and marketplace (which are not measured strictly in financial
terms). When long-term measures are combined with short-term ones, as in Stage 3a, the explanatory power is substantially improved from 20% to more than 40%. This represents a 100% increase in understanding.

The basis for the increase is appropriately measuring what the strategy is intended to produce, which extends beyond financial improvement by itself. The implication for marketers is clear—the development of meaningful marketing metrics is critical. Marketers must effectively measure their contributions in creating firm value in order to support their efforts (Srivastava et al. 1998).

3) Organization of Market Orientation Literature

Without entering into the ongoing debate of whether marketing is a science or not, marketers are in agreement that we need to be more "scientific" in the development and testing of marketing theories (Wrenn 1997). To become more rigorous in the testing stage, it is necessary—1) to understand the results of what has been tested and 2) to look at the remaining gaps yet to be filled in order to provide a solid foundation for the particular theory. Tables 2-2 (empirical domestic studies) and 2-3 (international empirical studies) bring to focus such remaining gaps for the appropriate development of market orientation. The needs are—longitudinal studies, industry specific studies, and geographical specific ones, i.e., Triad countries and developing economies.

In addition, the current study provides support for the benefits to be reaped from Type I replications in theory development (Easley et al. 2000; Narver and Slater 2000). The results of Stages 1a, 1b, 1c, and 1d provide support for Type I replications. There is improved understanding to be gained when a faithful duplication of a previous study is undertaken but enhanced with manipulation of additional substantive and/or
methodological variables. In this instance, the study was conducted in countries with developing economies.

**METHODOLOGICAL ISSUES**

This research project involved a number of methodological challenges. In the process of resolving those challenges, two distinctive implications became apparent:

1) **Reverse-coded Items**

There is concern in scale development procedures for the challenge of dealing with response acquiescence, on the one hand, and scale unidimensionality on the other (Herche and Engelland 1996). The results in Stage 2a poignantly underscore the reality of that challenge in the South American environment. Six of the six PCA procedures produced two factors—one with positive terms and one negatively-worded. (One PCA did have a crossover of one positive item to the negative factor.) This raises a concern about the validity of the construct and the symmetrical imbalance of the items.

The present issue is two-fold: 1) in international marketing, "yea-saying" or response acquiescence can be a cultural problem that researchers must address, especially in Latin American countries, and 2) Sudman and Blair (1999) suggest that multiple methods probably will be required to adequately collect data in order to obtain sufficient response rates. Extra effort was invested by this researcher to appropriately structure negatively-worded items. The results of that effort are evident and require revisiting those procedures. Second, with multiple collection methods being used, as in this project, the opportunity for this challenge to manifest itself is increased.
2) Western Scales in Cross-cultural Settings

As many firms follow the globalization mandate, more credible information about unknown marketplaces is required to make informed corporate decisions. As a result, many existing scales developed in western markets are employed to collect data without appropriate assessment of the scale's reliability and validity in the foreign environment. Maintaining comparability of the data is also critical if subsequent findings of the research are to be generalizeable.

Chart 3-3 was developed to provide appropriate procedures necessary to maintain comparability and assess scale content validity. This Chart 3-3, Cross-Cultural Development of an Existing Instrument, synthesizes the guidance provided by Churchill (1979), Craig and Douglas (2000), Mullen (1995), and Singh (1995) into an efficient format for cross-cultural assessments. It proved invaluable in this project.

**MANAGERIAL IMPLICATIONS**

The following are a series of managerial implications which flow from this research:

1) Generation Sub-component

*Generation of marketplace intelligence is a critical managerial behavior, and managers should comprehend appropriate industry-specific processes.* Three general elements or behaviors are described in Jaworski and Kohli's (1990) definition of market orientation. The first one—organization-wide generation of market intelligence pertaining to current and future customer needs—was indicated to be rather important in explaining market-oriented behaviors in both Argentina and Paraguay. The
subcomponent in Argentina ($R^2=0.393, \beta=0.56$ with $p<0.001$) was not as strong as in Paraguay ($R^2=0.452, \beta=0.64$ with $p<0.001$), but nevertheless both provide substantial explicability.

On the other hand, during the process of measure refinement, the Generation measure was difficult to describe in that a number of items were pruned in the purification process. This situation implies that the Generation of intelligence process has a few core elements, but complete explanation is undoubtedly industry specific. In other words, Generation of marketplace information could be the most critical of the three elements of a market orientation, but to properly implement this behavior, the manager is faced with a challenge. He must focus on and understand the appropriate processes to collect marketplace intelligence within his industry.

2) International Expansion

Mangers will receive multiple benefits when they develop intimate versus cursory knowledge of potential international expansion candidates. For numerous firms, large and small, expanding into the international marketplace is a necessity for survival. Business journals are replete with reports of firms venturing into distant markets only to report failure due to unexpected circumstances. Cautions have been raised from both practitioners and academics alike about challenges and pitfalls resulting from cultural differences, operational misunderstandings, and governmental hurdles. The findings of this project underscore the need for mangers to spend time in the "international trenches." More than just reviewing and comprehending available information on targeted distant markets is required, which in itself is an absolute necessity. Personal inspection of the
marketplace should follow, and then reconciling the original thoughts, assumptions, and data to the actualities of what was discovered.

This counsel is not new, but the seriousness is the point being stressed. This research project is based upon extensive qualitative research undertaken in the two countries. In depth interviews were held with academics as well as numerous practitioners to establish solid and robust hypotheses. Yet when the analysis was completed, many results, especially those concerning macroenvironmental issues, were not supported. In some instances, the findings were surprising, such as: the Generation subcomponent was found to be more impactful in Paraguay than Argentina and the MO-FP was found to be better explained in Paraguay than Argentina. First, the assumption was that Paraguay distantly trailed Argentina in the development of free market business practices as the Argentine government has been aggressively pursuing necessary reforms for the past decade. Second, discussion with market research firms in Paraguay indicated that Paraguayan firms were skeptical of research, had little use for it, and followed their own instincts of the marketplace. Thus, the counsel is clear—time spent on developing an intimate versus a cursory understanding of international marketplaces is a necessary investment that should produce multiple returns.

3) Western Business Practices

Managers should feel confident that implementing the concept and principles espoused by market orientation will yield enhanced firm performance. A closely-related implication to the previous one is the applicability of western business practices in developing markets. Little research has been conducted regarding extending techniques, tools, or procedures used in developed economies beyond their original borders. Yet,
American business textbooks are traditionally used throughout the world, and the concepts and principles taught *carte blanche*. The results of this project provide managers with some sense that the concept and principles espoused by market orientation have validity and applicability in South American markets. Practitioners should have comfort in applying the principles of market orientation and anticipate enhanced firm performance from their efforts.

4) Market Orientation Benchmark

*Managers can assess their firms' strategic posture against the current situation in Argentina and Paraguay and develop appropriate competitive adjustments.* Following the previous implication, the findings of this research project can be the first step towards developing a benchmark of market orientation levels in Argentina and Paraguay. This can assist both domestic managers as well as international managers. The former will be able to assess their position in the local marketplace and make necessary strategic corrections, and the latter will have a better sense of what to expect of the competition before entering the respective markets. The following table represents the relationship to a 100% market-oriented company.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Argentina</th>
<th>Paraguay</th>
<th>United States</th>
<th>Scandinavia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original MARKOR</td>
<td>68.4%</td>
<td>68.6%</td>
<td>73.7%</td>
<td>74.1%</td>
</tr>
<tr>
<td>Modified MARKOR</td>
<td>69.3%</td>
<td>59.8%</td>
<td>73.7%</td>
<td>74.1%</td>
</tr>
</tbody>
</table>

*Selnes, Jaworski and Kohli (1996), p.149*

Based upon the results presented in this table, firms in Argentina and Paraguay understand about market orientation, and apparently that understanding is rather
comprehensive when compared to firms in developed countries. Thus, potential entrants into these South American markets should have a better understanding of the marketplace environments.

5) Firm Performance Composite

*For a manager to reap benefits of a market-oriented strategy, an appropriate explication of performance measures is crucial.* The bottomline of instituting a strategic direction or adopting corporate goals is to enhance the performance of the company and to increase stakeholder wealth. Enhancing firm performance through a market orientation strategy had intuitive underpinnings, but the complete explanation has been an elusive link. The results of this project indicate that the link is not elusive, but positive and significant. For a manager to reap the benefits of this understanding, appropriate explication of performance measures is the key. In other words, the implications of the strategy being employed, market orientation, must be properly described so it can be suitably measured.

The results in Argentina and Paraguay poignantly underscore this procedure. When performance measures included ones to assess market-oriented behaviors (customer satisfaction, repeat business, and customer value), the relationship explained between market orientation and performance increased 100%. What this indicates is: 1) practitioners manage what they can measure and 2) measurement must include both short-term financial aspects and longer-term value-building activities.

A quote from Narver and Slater's (1990) seminal article succinctly summarizes these managerial implications:
"If the findings in replications...support our findings, the message to managers is clear. A substantial market orientation must be the foundation for a business's competitive advantage strategy" (p.33).

The message of these research findings are unambiguous—market orientation is positively and significantly related to firm performance in the Argentine and Paraguayan marketplaces, and these managers should develop appropriate items to measure market-oriented performance.

PROJECT LIMITATIONS AND RESEARCH DIRECTIONS

As in most research efforts, the ideals for sample considerations and methodology issues are not always attained. Such are the circumstances for this project. By recognizing the shortcomings and the respective implications, future research endeavors can benefit by reconsidering aspects where necessary and correct procedures if appropriate.

Sample Issues

The first limitation is the lack of generalizability of the results between Argentina and Paraguay. Due to sample shortcomings, this project fell short of its goal. Members of Cámara de Comercio Paraguayo-Americana were in the minority in the final sample population. As a result, the basis for cross-national comparability was lost. To possibly resolve this problem, the Paraguayan Chamber could be approached again, with these results in hand, for support and sponsorship of the project. Then with the Chamber's understanding of the importance and benefits of the study, members contacted directly from the chamber offices may be more agreeable to participate in the program.
Another aspect of generalizability of results is that the findings are only instructive of the business activities in the particular countries tested. Even though, these are two South American countries, additional studies are necessary in other countries to effectively describe market orientation there. Hence, the procedures that have been developed for cross-cultural assessment of an existing scale can be extended across national borders to Chile, Uruguay, or Brazil.

Another sample consideration is the data collected used a multi-industry approach. Market-oriented behaviors may vary by industry, and some activities may be considered to be proprietary. As a consequence, major industries in Argentina could be targeted as there are a greater number of firms there than in Paraguay.

**Longitudinal Analysis**

The topic of a lag effect in reaping the benefits of a market orientation has been discussed in the literature (Greenley 1995; Jaworski and Kohli 1996; Narver, Jacobsen and Slater 1993). Lag effect involves the complexities in implementing market-oriented activities and extends to a lag in the timing of receipt of benefits from instituting such a strategy. To understand more of the ramifications of market-oriented behaviors, a longitudinal analysis is required versus the cross-sectional nature of this study. To resolve this challenge, a panel of firms should be assembled involving a multi-informant format. One informant should be from the marketing department to provide input on market-oriented behaviors and another from the accounting or finance functions to supply accurate information on firm performance. As a criteria, a baseline should be established for all panel firms. This baseline would represent their position on a market orientation assessment scale. Progress would be requested on a regularly scheduled basis.
Reverse-polarity Items

A challenge encountered in this project evolved in the form of reverse-coding of questionnaire items. Reverse-coded items loaded separately from positive ones resulting in a type of "polarization" based upon wording of questions rather than intended responses of participants. Such a result can call into question the unidimensionality and validity of a scale. This challenge was prevalent in the "imposed etic" and "derived etic" construct development and the confirmatory factor analysis process used for Hypotheses 1-1 and 2-1. Within the context of this problem, sufficient evidence for the support of satisfactory scale development was compromised. As a consequence, a robust statement on the domain of market orientation and psychometric properties of MARKOR is challenged.

To develop an additional perspective on this situation, a short questionnaire can be submitted to participants of the original samples. The questionnaire would only include carefully worded items to the original reverse-coded ones plus an appropriate validation mechanism that would be related to firm performance. The data would be analyzed in two steps—first, attain a perspective on whether reverse-coding created asymmetrical factors, and second, if the result of the first step is affirmative, then rerun the entire analysis to reconfirm the existence of an "imposed etic" MARKOR and an enhanced "derived etic" one.

Additional Research Directions

- The need for performance measures that truly describe market-oriented behaviors is demonstrated by this research study. To satisfy this need, additional qualitative research is required in both countries. The requisite performance items are culture-
specific as depicted by findings for Hypothesis 4-4. The qualitative work should be comprehensive in nature and would establish trust relationships with participants as well as institute solid validation procedures for the information received. The results of such a project would provide a substantial foundation for understanding firm performance in Latin America, where in many instances transparency is lacking.

- Empirical evidence that a market orientation is robustly related to firm performance has been presented. However, are the behaviors of generation, dissemination, and responsiveness of equal importance? Which one has a greater impact? Why? Is there an orderly development to these three behaviors? Answers to these questions would be helpful for firms making a transition to a market orientation. They would also be helpful for firms that have adopted a market-oriented strategy and have limited resources but need to focus their strategy for the best return.

- Jaworski and Kohli (1993) identified factors that are antecedents to a market orientation—top management, interdepartmental dynamics, and organizational systems. Do these antecedents apply to firms in emerging markets? Or are there different factors that influence market orientation in South American firms? Again, answers would be beneficial for market orientation adopting firms.

Conclusion

The value provided by this research project can be best expressed by revisiting the Purpose and Objectives stated in Chapter 1. The Purpose was two fold—First, bring focus to the troublesome issues of the lack of consistent testing of a primary market orientation definition and the lack of testing of the phenomenon in different circumstances. The inconsistency in testing was highlighted in the tables that were
organized into domestic and international research efforts. From this information, it was determined there was little evidence for the domain of market orientation in emerging markets. As a consequence to the research effort, market orientation and MARKOR were empirically validated in Argentina and Paraguay. Second was to investigate the elusive relationship between market orientation and firm performance. This purpose was successfully accomplished by developing a firm performance composite and testing the relationship with market orientation. The results of this empirical investigation were very encouraging.
BIBLIOGRAPHY


Bartels, Robert (1976), The History of Marketing Thought. Columbus, Ohio: Grid, Inc.


"Business in Latin America," *The Economist*, (December 6, 1997), survey insert section.


Deshpande, Rohit (1999), "Foreseeing Marketing," *Journal of Marketing*, vol 63 (Special Issue), 164-167.


Henderson, Steven (1998), "No Such thing as market orientation - a call for no more papers," *Management Decision*, v36n9, 598-609.


Hise, Richard T. (1965), "Have Manufacturing Firms Adopted the Marketing Concept?," *Journal of Marketing*, vol. 29, 9-12.


APPENDIX I

MARKET ORIENTATION MEASURE

MARKOR-first twenty items
Source: Kohli, Jaworski, and Kumar, 1993
Five-point Likert response scale—Strongly Disagree to Strongly Agree
(R) - signifies reverse coded question.

In responding to the following questions, please focus on your strategic business unit (SBU) rather than the corporation as a whole. If a question is not applicable, leave blank.

Intelligence generation:
1. Representatives from our company meet with customers at least once a year to find out products or services they will need in future.
2. In our company, we do a lot of in-house market research.
3. We are slow to detect changes in our customers' product preferences. (R)
4. We question end users at least once a year to assess the quality of our products and services.
5. We are slow to detect fundamental shifts in our industry (e.g. competition, technology, and regulation). (R)
6. We periodically review the likely effect of changes in our business environment (e.g. regulation) on customers.

Intelligence dissemination:
1. We have interdepartmental meetings at least once a quarter to discuss market trends and developments.
2. Marketing personnel in our company spend time discussing customers' future needs with other functional departments.
3. When something important happens to a major customer or market, the entire company knows about it in a short period.
4. Data on customer satisfaction are disseminated at all levels in this company on a regular basis.
5. When one department finds out something important about a competitor, it is slow to alert other departments. (R)

Responsiveness:
1. It takes us forever to decide how to respond to our competitors' price changes. (R)
2. For one reason or another we tend to ignore changes in our customers' product or service needs. (R)
3. We periodically review our product development efforts to ensure that they are in line with what customers want.
4. Several departments get together periodically to plan a response to changes taking place in our business environment.
5. If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.
6. The activities of the different department in this company are well coordinated.
7. Customer complaints fall on deaf ears in this company. (R)
8. Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion. (R)
9. When we find that customers would like us to modify a product or service, the departments involved make concerted efforts to do so.

Source for the following items: Jaworski and Kohli, 1993

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
CONSEQUENCES

Organizational commitment:
1. Employees feel as though their future is intimately linked to that of this organization.
2. Employees would be happy to make personal sacrifices if it were important for the well being of this company.
3. The bonds between this organization and its employees are weak. (R)
4. In general, employees are proud to work for this company.
5. Employees often go above and beyond the call of duty to ensure this organization's well being.
6. Our people have little or no commitment to this business unit. (R)
7. It is clear that employees are fond of this company.

Esprit de corps:
1. People in this company are genuinely concerned about the needs and problems of each other.
2. A team spirit pervades all ranks in this company.
3. Working for this organization is like being a part of a big family.
4. People in this company feel emotionally attached to each other.
5. People in this organization feel like they are "in it together."
6. This company lacks an "esprit de corps." (R)
7. People in the company view themselves as independent individuals who have to tolerate others around them. (R)

Performance:
1. Overall performance of the company last year.
2. Overall performance relative to major competitors last year.

MODERATORS

Market turbulence:
1. In our kind of business, customers' product preferences change quite a lot over time.
2. Our customers tend to look for new products all the time.
3. New customers tend to have product-related needs that are different from those of our existing customers.

Competitive intensity:
1. Competition in our industry is cutthroat.
2. There are many "promotion wars" in our industry.
3. Anything that one competitor can offer, others can match readily.
4. Price competition is a hallmark in our industry.
5. One hears of a new competitor action almost every day.

Technological turbulence:
1. The technology in our industry is changing rapidly.
2. Technological changes provide big opportunities in our industry.
3. It is very difficult to forecast where the technology in our industry will be in the next 2 to 3 years.
4. A large number of new product ideas have been made possible through technological breakthroughs in our industry.
5. Technological developments in our industry are rather minor.
APPENDIX 2

MARKET ORIENTATION MEASURE

Source: Narver and Slater, 1990

In answering, please use the following response scale and place the most appropriate number to the left of each statement. Please respond to each statement.

<table>
<thead>
<tr>
<th>Not at all</th>
<th>To a very slight extent</th>
<th>To a small extent</th>
<th>To a moderate extent</th>
<th>To a considerable extent</th>
<th>To a great extent</th>
<th>To an extreme extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

In our strategic business unit—

1. Our salespeople regularly share information within our business concerning competitors' strategies.
2. Our business objectives are driven primarily by customer satisfaction.
3. We rapidly respond to competitive actions that threaten us.
4. We constantly monitor our level of commitment and orientation to serving customers needs.
5. Our top managers from every function regularly visit our current and prospective customers.
6. We freely communicate information about our successful and unsuccessful customer experiences across all business functions.
7. Our strategy for competitive advantage is based on our understanding of customers' needs.
8. All of our business functions (e.g., marketing/sales, manufacturing, R&D, finance/accounting, etc.) are integrated in serving the needs of our target markets.
9. Our business strategies are driven by our beliefs about how we can create greater value for customers.
10. We measure customer satisfaction systematically and frequently.
11. We give close attention to after-sales service.
12. Top management regularly discusses competitors' strengths and strategies.
13. All of our managers understand how everyone in our business can contribute to creating customer value.
14. We target customers where we have an opportunity for competitive advantage.
15. We share resources with other business units.

Summary of items representing the three behaviors identified by Narver and Slater.

<table>
<thead>
<tr>
<th>Behaviors</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer orientation</td>
<td>2, 4, 5, 7, 9, 10, 11</td>
</tr>
<tr>
<td>Competitor orientation</td>
<td>1, 3, 12, 14</td>
</tr>
<tr>
<td>Inter-functional coordination</td>
<td>6, 8, 13, 15</td>
</tr>
</tbody>
</table>
APPENDIX 3

PRACTICAS COMERCIALES COMUNES EN ARGENTINA

(R) - signifies a reverse coded question.

En relación a las afirmaciones que se enuncian a continuación, piense la forma en que actúa su unidad de negocios tomando como referencia el año pasado. Cuando describa su negocio use la PERCEPCIÓN REAL de su firma en la Argentina, no la forma en la que le gustaría ver a su empresa.

SECCIÓN I - MARKET ORIENTATION

Indique la manera en que las siguientes afirmaciones corresponden al accionar de su empresa durante los años 1998-1999, asignando el número apropiado a cada pregunta.

<table>
<thead>
<tr>
<th></th>
<th>Firmemente en desacuerdo</th>
<th>Desacuerdo</th>
<th>Ni de acuerdo - ni en</th>
<th>De acuerdo en cierto modo</th>
<th>De acuerdo</th>
<th>Firmemente de acuerdo</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>3.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>4.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>5.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>6.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>7.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>8.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>9.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>10.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>11.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>12.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>13.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>14.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>15.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>16.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>
17. No tenemos un programa preestablecido dentro de la firma para distribuir la información que obtenemos del mercado.

18. La información sobre los consumidores y competidores es retenida por la alta gerencia y no es compartida con los demás miembros de la empresa (R).

19. Los managers toman la mayor parte de las decisiones de mercado sin consultar fuentes de información adicionales. (R)

20. Nos lleva demasiado tiempo decidir como responder a los cambios de precios de nuestros competidores. (R)

21. Tendemos a no responder a los cambios en las necesidades de productos o servicios de nuestros clientes. (R)

22. Periodicamente revisamos nuestros esfuerzos en el desarrollo de productos para asegurarnos que éstos están en línea con lo que los clientes quieren.

23. Varios departamentos se reúnen periódicamente para planear una respuesta a los cambios que están ocurriendo en el entorno empresarial.

24. Si un competidor importante fuera a lanzar una campaña intensiva dirigida a nuestros clientes, inmediatamente implementaríamos una respuesta.

25. Las actividades de los diferentes departamentos en esta empresa no están bien coordinados. (R)

26. Las quejas de los clientes caen en oídos sordos en esta empresa. (R)

27. Aun si ideáramos un fabuloso plan de marketing, probablemente no podríamos implementarlo en tiempo y forma. (R)

28. Cuando encontramos que a los clientes les gustaría que modificáramos un producto o servicio, los departamentos involucrados hacen grandes esfuerzos para concretarlos.

29. Nosotros raramente respondemos a la información que viene de fuera de la organización (R)

30. Nuestra organización solo reacciona a las situaciones del mercado, no se anticipa a ella (R)

**SECCIÓN II - CONSECUENCIAS**

**Espíritu de compañerismo o solidaridad**

1. La gente en esta empresa se preocupa realmente por las necesidades y problemas de los otros.

2. Un espíritu de equipo invade todos los rangos en esta empresa.

3. Trabajar para esta organización es como ser una parte de una gran familia.

4. La gente en esta empresa se siente emocionalmente ligada el uno al otro.

5. Esta compañía carece de un espíritu de compañerismo. (R)

6. La gente en esta empresa se ve a sí misma como individuos independientes quienes tienen que tolerar a los otros que los rodean. (R)

**Compromiso Organizacional**

7. Los empleados estarían dispuestos a trabajar más de lo necesario para contribuir al éxito de esta organización.

8. Los empleados harían casi cualquier tipo de tarea que les sea asignada con tal de seguir trabajando para esta organización.

9. Los valores de los empleados son similares a los de la organización.

10. Los empleados tienen puesta la camiseta de la empresa.

11. Aún si les ofreciesen un trabajo con un salario mayor, los empleados preferirían seguir trabajando para esta empresa.

12. Nuestros empleados no son leales a la empresa. (R)
### SECCION III - MODERADORES

1. En las empresas de nuestro tipo, las preferencias de los clientes acerca de nuestros productos varían continuamente.  
2. Nuestros clientes tienden a buscar nuevos productos continuamente.  
3. Las necesidades de nuestros nuevos clientes tienden a ser diferentes de las de nuestros clientes existentes.  
4. Muchos de los clientes a los que abastecemos en la actualidad son los mismos a los que hemos abastecido en el pasado. (R)  
5. Nuestra perspectiva de planeamiento no tiene un horizonte mayor a 12 meses.  
7. En nuestra industria, hay muchas “guerras promocionales” intensivas.  
8. Cualquier cosa que un competidor pueda ofrecer, otros pueden equipar fácilmente.  
9. La competencia de precios es moneda corriente en nuestra industria.  
10. Nuestros competidores locales son relativamente débiles. (R)  
11. Los competidores extranjeros son la mayor amenaza en nuestra industria.  
12. Las empresas multinacionales no satisfacen las necesidades del consumidor local en forma efectiva. (R)  

### SECCION IV - PERFORMANCE

Al contestar las siguientes preguntas, por favor dé su mejor estimación en lugar de tratar de determinar un valor exacto tomando como referente a otra fuente. Para hacerlo asigne el número correspondiente a cada pregunta.

Las respuestas deben referirse al período 1999 respecto de 1998.

<table>
<thead>
<tr>
<th>Firmemente en desacuerdo</th>
<th>En desacuerdo</th>
<th>En desacuerdo en cierto modo</th>
<th>Ni de acuerdo ni en desacuerdo</th>
<th>De acuerdo en cierto modo</th>
<th>De acuerdo</th>
<th>Firmemente de acuerdo</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

13. La calidad de nuestros productos/servicios ha aumentado.  
14. La satisfacción de los clientes de nuestra firma ha aumentado.  
15. Nuestra compañía continuó introduciendo productos/servicios en forma exitosa.  
16. La proporción de nuestros clientes “leales” ha aumentado.  
17. En 1999, la firma ha sido capaz de penetrar en más mercados nuevos que nuestro principal competidor.  
18. La empresa usó su presupuesto de publicidad en forma más efectiva.  

Use las calificaciones de la siguiente tabla para responder a las preguntas que se exponen a continuación.

Las respuestas deben referirse a 1999 comparado con 1998.

<table>
<thead>
<tr>
<th>Declinó Substancialmente</th>
<th>Declinó</th>
<th>Declinó levemente</th>
<th>Sin cambio</th>
<th>Aumentó levemente</th>
<th>Aumentó</th>
<th>Aumentó substancialmente</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

7. El volumen de ventas de la firma:  
8. El resultado neto de la firma:  
9. La performance global de nuestra firma con respecto a nuestro principal competidor:  
10. El market share de nuestro producto principal (estrella) ha:  
11. La imagen que los demás perciben de nuestra firma:  
12. El reconocimiento de nuestras marcas en el mercado, respecto de nuestro principal competidor:  

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
### SECCION V - FACTORES MEDIO AMBIENTALES DE LA ARGENTINA

Por favor evalúe la forma en que Usted PERCIBE que éstos Factores Medio Ambientales Externos influyen de manera de conducir su negocio, tomar decisiones o desarrollar estrategias.

<table>
<thead>
<tr>
<th>No Influencia</th>
<th>Influencia en ciertas ocasiones</th>
<th>Influencia moderada</th>
<th>Influencia a menudo</th>
<th>Influencia fuertemente</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>1. Inestabilidad de los mercados financieros (por ej. hiperinflación).</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2. La proximidad con Brasil.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>3. Estabilidad del tipo de cambio.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>4. La existencia significativa del mercado negro o contrabando en el mercado.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5. La ejecución desigual de leyes y regulaciones existentes por parte del gobierno en beneficio de determinados grupos de interés.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>6. La existencia de un mercado común, como el MERCOSUR.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>7. Excesivas regulaciones del gobierno en temas comerciales; como precios, salarios, y competencia.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>8. Inestabilidad del gobierno.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>9. Tradiciones que son únicas en Argentina (por ej. Evasión impositiva, desconfianza, &quot;viveza criolla&quot;).</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>10. La población considera que no tiene posibilidad de cambiar lo que pasa a su alrededor.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>11. La población acepta la corrupción tanto a nivel gubernamental como comercial/empresarial.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

### SECCION VI - COMPARACION ENTRE EMPRESAS

Las siguientes categorías describen a tres diferentes formas de operar de una empresa. Por favor revise dichas categorías y responda a las preguntas que se describen a continuación.

- Para la Compañía A, la clave para realizar negocios exitosos consiste en producir bienes y servicios de calidad a un costo razonable. Los buenos productos y servicios se venden solos. Esta empresa cree que si fuese posible, se deberían estandarizar los productos y servicios para reducir los costos.
- Para la Compañía B, la clave para realizar negocios exitosos radica en persuadir a clientes potenciales a adquirir sus bienes y servicios a través de campañas publicitarias, ventas personalizadas u otro método promocional. Esta empresa cree que los clientes potenciales deben estar informados y convencidos de los beneficios de los productos ofrecidos.
- Para la Compañía C, la clave para realizar negocios exitosos radica en integrar todas las actividades de la compañía y del personal hacia la satisfacción del cliente, procurando, al mismo tiempo, obtener ganancias satisfactorias para la firma. La firma debe averiguar cuales son los beneficios que buscan los consumidores y proveerles dichos beneficios a través de bienes y servicios.

1. Indique el grado en el que su compañía se asemeja a las tres compañías que se describen a continuación, distribuyendo los 100 puntos entre ellas. Por ejemplo, si su firma es como la Compañía A, de alguna manera como la Compañía B, y remotamente como la Compañía C, Usted debería asignarle 60 puntos a la Compañía A, 35 puntos a la Compañía B y 5 puntos a la Compañía C.

   **Compañía A_____, Compañía B_____, Compañía C_____.** (Total = 100 puntos.)

2. Durante cuántos años su empresa se ha asemejado a la estructura de la compañía que Ud. manifestó en la pregunta 1?

<table>
<thead>
<tr>
<th>Menos de 1 año</th>
<th>1 año</th>
<th>2 años</th>
<th>3 años</th>
<th>4 años</th>
<th>Más de 4 años</th>
</tr>
</thead>
</table>

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
3. Creo que la estructura de la compañía descrita en la pregunta 1 ha tenido un impacto significativo y positivo en la performance de mi empresa durante 1999.

<table>
<thead>
<tr>
<th>Firmemente en Desacuerdo</th>
<th>En desacuerdo</th>
<th>En desacuerdo en cierto modo</th>
<th>Ni de acuerdo ni en desacuerdo</th>
<th>De acuerdo en cierto modo</th>
<th>De acuerdo</th>
<th>Firmemente de acuerdo</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

SECCION VIII - DATOS PERSONALES E INSTITUCIONALES

- ¿Número de empleados de su compañía?
- ¿Es su compañía parte de una empresa multinacional?
- ¿En caso afirmativo, en qué país son las oficinas centrales?
- ¿Su actividad comercial principal, a qué rubro pertenece?
- ¿Cuántos años hace que opera en la Argentina?
- ¿Tiene su compañía un departamento de marketing independiente? Sí No
- ¿Cuál es su cargo en la firma? Presidente, CEO/Gerente Gral., Gerente de Marketing
- Miembro del depto. de Marketing, Gerente Comercial, Otro. Cuál?
- ¿Antigüedad en la empresa? años
- ¿Años de experiencia en la posición actual?
- ¿En el caso de no tener actualmente una posición en el área comercial o de marketing, posee alguna experiencia previa en estas áreas? Sí No Cantidad de años?
- ¿Nacionalidad Sexo: Femenino Masculino
- ¿Años de estudios universitarios/terciarios? años

MUCHAS GRACIAS por completar la encuesta.

Gracias,
Howard Olsen
Ph.D. candidate en Marketing y Negocios Internacionales
Old Dominion University
Norfolk, Virginia, 23529 U.S.A.
Email: holsen@odu.edu
APPENDIX 4

PRACTICAS COMERCIALES COMUNES EN PARAGUAY

(R) - signifies a reverse coded question.

En relación a las afirmaciones que se enuncian a continuación, piense la forma en que actúa su unidad de negocios tomando como referencia el año pasado. Cuando describa su negocio use la PERCEPCIÓN REAL de su firma en el Paraguay, no la forma en la que le gustaría ver a su empresa.

SECCIÓN I - MARKET ORIENTATION

Indique la manera en que las siguientes afirmaciones correspondan al accionar de su empresa durante los años 1998-1999, asignando el número apropiado a cada pregunta.

<table>
<thead>
<tr>
<th></th>
<th>Firmemente en desacuerdo</th>
<th>Desacuerdo en cierto</th>
<th>Desacuerdo en cierto modo</th>
<th>Ni de acuerdo ni en desacuerdo</th>
<th>De acuerdo</th>
<th>De acuerdo en cierto modo</th>
<th>Firmemente de acuerdo</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Representantes de nuestra empresa se reúnen con los clientes al menos una vez al año para averiguar los productos o servicios que necesitarán en el futuro.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. En nuestra empresa, utilizamos nuestros propios recursos humanos para realizar investigaciones de mercado.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Somos lentos en detectar cambios en las preferencias de productos de los clientes. (R)</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Consultamos a los consumidores finales al menos una vez al año para determinar la calidad de nuestros productos y servicios.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Somos lentos en detectar cambios fundamentales en nuestra industria (ej. Competencia, tecnología. (R)</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Periódicamente revisamos el efecto que los cambios en el mercado, (ej. Reglamentaciones) producen en nuestros clientes.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Recopilamos la información del mercado a través de fuentes externas (por ej. distribuidores, cámara de comercio.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Nosotros confiamos en nuestra propia compresión del mercado a la hora de tomar decisiones y armar planes. (R)</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Los costos de realizar una investigación de mercado confiable exceden sus beneficios. (R)</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Los consumidores son reacios a proveer de información confiable respecto de sus preferencias y necesidades.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Es igualmente importante desarrollar investigaciones de mercado para competidores como para consumidores.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Tenemos reuniones interdepartamentales al menos una vez por trimestre para analizar las tendencias y el desarrollo del mercado.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. El personal de Marketing en nuestra empresa invierte tiempo en analizar las futuras necesidades de los clientes con otros departamentos funcionales. Es decir, la tarea del depto. de Marketing es una tarea funcional que involucra a todos los departamentos de la empresa.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Cuando algo importante le sucede a un cliente o a un mercado importante todos los miembros de la empresa toman conocimiento del hecho en un plazo corto.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Los datos sobre satisfacción del cliente son distribuidos por todos los niveles de la empresa en forma regular.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. Cuando un departamento averigua algo importante sobre un competidor, alerta a los demás departamentos lo mas rápido posible.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
17. No tenemos un programa preestablecido dentro de la firma para distribuir la información que obtenemos del mercado. 1 2 3 4 5 6 7

18. La información sobre los consumidores y competidores es retenida por la alta gerencia y no es compartida con los demás miembros de la empresa (R) 1 2 3 4 5 6 7

19. Los managers toman la mayor parte de las decisiones de mercado sin consultar fuentes de información adicionales. (R) 1 2 3 4 5 6 7

20. Nos lleva demasiado tiempo decidir como responder a los cambios de precios de nuestros competidores. (R) 1 2 3 4 5 6 7

21. Tendemos a no responder a los cambios en las necesidades de productos o servicios de nuestros clientes. (R) 1 2 3 4 5 6 7

22. Periódicamente revisamos nuestros esfuerzos en el desarrollo de productos para asegurarnos que éstos están en línea con lo que los clientes quieren. 1 2 3 4 5 6 7

23. Varios departamentos se reúnen periódicamente para planear una respuesta a los cambios que están ocurriendo en el entorno empresarial. 1 2 3 4 5 6 7

24. Si un competidor importante fuera a lanzar una campaña intensiva dirigida a nuestros clientes, inmediatamente implementaríamos una respuesta. 1 2 3 4 5 6 7

25. Las actividades de los diferentes departamentos en esta empresa no están bien coordinados. (R) 1 2 3 4 5 6 7

26. Las quejas de los clientes caen en oídos sordos en esta empresa. (R) 1 2 3 4 5 6 7

27. Aun si ideáramos un fabuloso plan de marketing, probablemente no podríamos implementarlo en tiempo y forma. (R) 1 2 3 4 5 6 7

28. Cuando encontramos que a los clientes les gustaría que modificuemos un producto o servicio, los departamentos involucrados hacen grandes esfuerzos para concretarlo. 1 2 3 4 5 6 7

29. Nosotros raramente respondemos a la información que viene de fuera de la organización (R) 1 2 3 4 5 6 7

30. Nuestra organización solo reacciona a las situaciones del mercado, no se anticipa a ella (R) 1 2 3 4 5 6 7

SECCION II - CONSECUENCIAS

Espíritu de compañerismo o solidaridad

1. La gente en esta empresa se preocupa realmente por las necesidades y problemas de los otros. 1 2 3 4 5 6 7

2. Un espíritu de equipo invade todos los rangos en esta empresa. 1 2 3 4 5 6 7

3. Trabajar para esta organización es como ser una parte de una gran familia. 1 2 3 4 5 6 7

4. La gente en esta empresa se siente emocionalmente ligada el uno al otro. 1 2 3 4 5 6 7

5. Esta compañía carece de un espíritu de compañerismo. (R) 1 2 3 4 5 6 7

6. La gente en esta empresa se ve a sí misma como individuos independientes quienes tienen que tolerar a los otros que los rodean. (R) 1 2 3 4 5 6 7

7. Compromiso Organizacional

8. Los empleados estarían dispuestos a trabajar más de lo necesario para contribuir al éxito de esta organización. 1 2 3 4 5 6 7

9. Los empleados harían casi cualquier tipo de tarea que les sea asignada con tal de seguir trabajando para esta organización. 1 2 3 4 5 6 7

10. Los valores de los empleados son similares a los de la organización. 1 2 3 4 5 6 7

11. Los empleados tienen puesta la camiseta de la empresa. 1 2 3 4 5 6 7

12. Aún si les ofreciesen un trabajo con un salario mayor, los empleados preferirían seguir trabajando para esta empresa. 1 2 3 4 5 6 7

13. Nuestros empleados no son leales a la empresa. (R) 1 2 3 4 5 6 7

SECCION III - MODERADORES

1. En las empresas de nuestro tipo, las preferencias de los clientes acerca de nuestros productos varían continuamente. 1 2 3 4 5 6 7
2. Nuestros clientes tienden a buscar nuevos productos continuamente. 1 2 3 4 5 6 7

3. Las necesidades de nuestros nuevos clientes tienden a ser diferentes de las de nuestros clientes existentes. 1 2 3 4 5 6 7

4. Muchos de los clientes a los que abastecemos en la actualidad son los mismos a los que hemos abastecido en el pasado. (R) 1 2 3 4 5 6 7

5. Nuestra perspectiva de planeamiento no tiene un horizonte mayor a 12 meses. 1 2 3 4 5 6 7

6. La competencia en nuestra industria es desleal. 1 2 3 4 5 6 7

7. En nuestra industria, hay muchas “guerras promocionales” intensivas. 1 2 3 4 5 6 7

8. Cualquier cosa que un competidor pueda ofrecer, otros pueden equiparar fácilmente. 1 2 3 4 5 6 7

9. La competencia de precios es moneda corriente en nuestra industria. 1 2 3 4 5 6 7

10. Nuestros competidores locales son relativamente débiles. (R) 1 2 3 4 5 6 7

11. Los competidores extranjeros son la mayor amenaza en nuestra industria. 1 2 3 4 5 6 7

12. Las empresas multinacionales no satisfacen las necesidades del consumidor local en forma efectiva. (R) 1 2 3 4 5 6 7

**SECCION IV - PERFORMANCE**

Al contestar las siguientes preguntas, por favor dé su mejor estimación en lugar de tratar de determinar un valor exacto tomando como referente a otra fuente. Para hacerlo asigne el número correspondiente a cada pregunta.

**Las respuestas deben referirse al período 1999 respecto de 1998**

<table>
<thead>
<tr>
<th>Firmemente</th>
<th>En desacuerdo</th>
<th>En desacuerdo en cierto modo</th>
<th>Ni de acuerdo ni en desacuerdo</th>
<th>De acuerdo en cierto modo</th>
<th>De acuerdo</th>
<th>Firmemente de acuerdo</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. La calidad de nuestros productos/servicios ha aumentado.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. La satisfacción de los clientes de nuestra firma ha aumentado.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Nuestra compañía continuó introduciendo productos/servicios en forma exitosa.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. La proporción de nuestros clientes “leales” ha aumentado.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. En 1999, la firma ha sido capaz de penetrar en más mercados nuevos que nuestro principal competidor.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. La empresa usó su presupuesto de publicidad en forma más efectiva.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Use las calificaciones de la siguiente tabla para responder a las preguntas que se exponen a continuación. **Las respuestas deben referirse a 1999 comparado con 1998.**

<table>
<thead>
<tr>
<th>Declinó substancialmente</th>
<th>Declinó</th>
<th>Declinó levemente</th>
<th>Sin cambio</th>
<th>Aumentó levemente</th>
<th>Aumentó</th>
<th>Aumentó substancialmente</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. El volumen de ventas de la firma:</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. El resultado neto de la firma:</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. La performance global de nuestra firma con respecto a nuestro principal competidor:</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. El market share de nuestro producto principal (estrella) ha:</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. La imagen que los demás perciben de nuestra firma:</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. El reconocimiento de nuestras marcas en el mercado, respecto de nuestro principal competidor:</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SECCIÓN V - FACTORES MEDIO AMBIENTALES DEL PARAGUAY

Por favor evalúe la forma en que Usted PERCIBE que estos Factores Medio Ambientales Externos influyen de manera de conducir su negocio, tomar decisiones o desarrollar estrategias.

<table>
<thead>
<tr>
<th>No Influencia</th>
<th>Influencia en ciertas ocasiones</th>
<th>Influencia moderada</th>
<th>Influencia a menudo</th>
<th>Influencia fuertemente</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Inestabilidad de los mercados financieros (por ej. hiperinflación).</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2. La proximidad con Brasil.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>3. Estabilidad del tipo de cambio.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>4. La existencia significativa del mercado negro o contrabando en el mercado.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5. La ejecución desigual de leyes y regulaciones existentes por parte del gobierno en beneficio de determinados grupos de interés.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>6. La existencia de un mercado común, como el MERCOSUR.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>7. Excesivas regulaciones del gobierno en temas comerciales; como precios, salarios, y competencia.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>8. Inestabilidad del gobierno.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>9. Tradiciones que son únicas en Paraguay (por ej. Evasión impositiva, desconfianza)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>10. La población considera que no tiene posibilidad de cambiar lo que pasa a su alrededor.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>11. La población acepta la corrupción tanto a nivel gubernamental como comercial/empresarial.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

SECCIÓN VI - COMPARACION ENTRE EMPRESAS

Las siguientes categorías describen a tres diferentes formas de operar de una empresa. Por favor revise dichas categorías y responda a las preguntas que se describen a continuación.

⇒ Para la Compañía A, la clave para realizar negocios exitosos consiste en producir bienes y servicios de calidad a un costo razonable. Los buenos productos y servicios se venden solos. Esta empresa cree que si fuese posible, se deberían estandarizar los productos y servicios para reducir los costos.

⇒ Para la Compañía B, la clave para realizar negocios exitosos radica en persuadir a clientes potenciales a adquirir sus bienes y servicios a través de campañas publicitarias, ventas personalizadas u otro método promocional. Esta empresa cree que los clientes potenciales deben estar informados y convencidos de los beneficios de los productos ofrecidos.

⇒ Para la Compañía C, la clave para realizar negocios exitosos radica en integrar todas las actividades de la compañía y del personal hacia la satisfacción del cliente, procurando, al mismo tiempo, obtener ganancias satisfactorias para la firma. La firma debe averiguar cuales son los beneficios que buscan los consumidores y proveerles dichos beneficios a través de bienes y servicios.

1. Indique el grado en el que su compañía se asemeja a las tres compañías que se describen a continuación, distribuyendo los 100 puntos entre ellas. Por ejemplo, si su firma es como la Compañía A, de alguna manera como la Compañía B, y remotamente como la Compañía C, Usted debería asignarle 60 puntos a la Compañía A, 35 puntos a la Compañía B y 5 puntos a la Compañía C.

Compañía A______, Compañía B______, Compañía C______. (Total = 100 puntos.)

2. Durante cuántos años su empresa se ha asemejado a la estructura de la compañía que Ud. manifestó en la pregunta 1?

Menos del año | 1 año | 2 años | 3 años | 4 años | Más de 4 años
3. Creo que la estructura de la compañía descripta en la pregunta 1 ha tenido un impacto significativo y positivo en la performance de mi empresa durante 1999.

<table>
<thead>
<tr>
<th>Firmemente en desacuerdo</th>
<th>En desacuerdo</th>
<th>En desacuerdo en cierto modo</th>
<th>Ni de acuerdo ni en desacuerdo</th>
<th>De acuerdo en cierto modo</th>
<th>De acuerdo</th>
<th>Firmemente de acuerdo</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

SECCION VIII - DATOS PERSONALES E INSTITUCIONALES
- ¿Número de empleados de su compañía? _______________
- ¿Es su compañía parte de una empresa multinacional? _______________
  - En caso afirmativo, en qué país son las oficinas centrales? _______________
- ¿Su actividad comercial principal, a qué rubro pertenece? _______________
- ¿Cuántos años hace que opera en el Paraguay? _______________
- ¿Tiene su compañía un departamento de marketing independiente? Sí ______ No ______
- ¿Antigüedad en la empresa? ______ años
- ¿Años de experiencia en la posición actual? ______
- ¿En el caso de no tener actualmente una posición en el área comercial o de marketing, posee alguna experiencia previa en estas áreas? Sí ______ No ______ Cantidad de años? ______
- ¿Nacionalidad ________________ Sexo: Femenino ______ Masculino ______
- ¿Años de estudios universitarios/terciarios? ______ años

MUCHAS GRACIAS por completar la encuesta.

Por favor, envie su respuesta lo más rápido que le sea posible a la siguiente dirección de correo:
EPCI Paraguay S.A.
Saturio Rios Nro. 291 c/ Jose Berges
Asuncion – Paraguay
o por fax al (021) 229-473

Gracias,
Howard Olsen
Ph.D. candidate en Marketing y Negocios Internacionales:
Old Dominion University
Norfolk, Virginia, 23529 U.S.A.
Email: holsen@odu.edu
APPENDIX 5

ENGLISH VERSION OF ARGENTINE QUESTIONNAIRE

(Questions in bold font have been added to the original items of Jaworski and Kohli 1993.)

Using the past year as a reference, think about the manner in which your firm conducted its business practices in relation to the statements below. Please consider your actual perception of the practices for your firm within Argentina, not what you would like them to be. Please describe them as they actually exist.

SECTION I

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Somewhat disagree</th>
<th>Neither agree or disagree</th>
<th>Somewhat agree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

1. Representatives from our company meet with customers at least once a year to find out products or services they will need in the future.
2. In our company, we do a lot of in-house market research.
3. We are slow to detect changes in our customers' product preferences.
4. We question end users at least once a year to assess the quality of our products and services.
5. We are slow to detect fundamental shifts in our industry (e.g. competition, technology).
6. We periodically review the likely effect of changes in our business environment (e.g. regulation) on customers.
7. We collect information about the marketplace and customers from outside sources (e.g. distributors, chamber of commerce)
8. We rely on our own understanding of the marketplace to make decisions and plans.
9. The costs of reliable market research exceed the benefits.
10. Consumers are reluctant to provide reliable information about their preferences and needs.
11. It is equally important to develop marketplace research on competitors as well as customers.
12. We have interdepartmental meetings at least once a quarter to discuss market trends and developments.
13. Marketing personnel in our company spend time discussing customers' future needs with other functional departments.
14. When something important happens to a major customer or market, the entire company knows about it in a short period.
15. Data on customer satisfaction are disseminated at all levels in this company on a regular basis.
16. When one department finds out something important about a competitor, it alerts other departments as quickly as possible.
17. We do not have explicit procedures to distribute marketplace information throughout our firm.
18. Information about customers and competitors is generally retained by top management and not shared with others in the company.
19. Upper management makes most marketplace decisions without consulting additional information sources.
20. We are slow to decide how to respond to our competitors' price changes.
21. We tend not to respond to changes in our customers' product or service needs.
22. We periodically review our product development efforts to ensure that they are in line with what customers want.
23. Several departments get together periodically to plan a response to changes taking place in our business environment.
24. If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.
25. The activities of the different departments in this company are not well coordinated.
26. Customer complaints fall on deaf ears in this company.
27. Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion.
28. When we find that customers would like us to modify a product or service, the departments involved make concerted efforts to do so.
29. We rarely respond to any information that comes from outside the organization.
30. Our organization only reacts to changes in the marketplace; it does not anticipate them.

SECTION II CONSEQUENCES

Esprit de corps:
1. People in this company are genuinely concerned about the needs and problems of each other.
2. A team spirit pervades all ranks in this company.
3. Working for this organization is like being a part of a big family.
4. People in this company feel emotionally attached to each other.
5. This company lacks an "esprit de corps."
6. People in the company view themselves as independent individual who have to tolerate others around them.

Organizational commitment
7. Employees would be willing to work harder than necessary to help this organization succeed.
8. Employees would take almost any type of job assignment to continue working for this organization.
9. The values of the employees and the values of the company are quite similar.
10. In general, employees are proud to work for this company.
11. Employees would prefer working for this company even if offered a better paying job elsewhere.
12. Our people have little or no loyalty to this company.

SECTION III MODERATORS

Market turbulence:
1. In our kind of business, customers' product preferences change quite a lot over time.
2. Our customers tend to look for new products all the time.
3. New customers tend to have product-related needs that are different from those of our existing customers.
4. We cater to many of the same customers that we used to in the past.
5. Our planning perspective is no longer than 12 months into the future.

*Competitive intensity:*
6. Competition in our industry is cutthroat.
7. There are many "intensive advertising campaigns" in our industry.
8. Anything that one competitor can offer, others can match readily.
9. Price competition is a hallmark in our industry.
10. **Our domestic competitors are relatively weak.**
11. **Foreign competitors are a major threat in our industry.**
12. **Multinational firms are not effective in satisfying local customer needs.**

**SECTION IV  PERFORMANCE**

Please give your best estimate rather than attempting to determine exact values from other sources.

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Slightly disagree</th>
<th>Neither agree nor disagree</th>
<th>Slightly agree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

The responses should refer to the period 1999 compared to 1998.

1. The quality of the firm's products/services has **increased.**
2. The firm's customers have been more **satisfied.**
3. The firm has continued to bring new products/services to the marketplace at a **satisfactory** rate.
4. The percentage of the firm's repeat customers has **increased.**
5. The firm was able to **penetrate** more new markets than our major competitor in 1999.
6. The firm made more **effective use** of its advertising budget.

<table>
<thead>
<tr>
<th>Declined substantially</th>
<th>Declined</th>
<th>Declined slightly</th>
<th>Without change</th>
<th>Increased slightly</th>
<th>Increased</th>
<th>Increased substantially</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

The responses should refer to the period 1999 compared to 1998.

7. The firm's sales volume has:
8. The firm's net profit has:
9. The overall performance of our firm, as compared, to our major competitor has:
10. The market share of our principal product has:
11. The image of our firm that is held by others has:
12. The marketplace's awareness of our company's brands, as compared to our major competitor, has:
SECTION V  ENVIRONMENTAL FACTORS OF ARGENTINA.
Please evaluate how you PERCEIVE these External Environmental Factors influence the manner in which you conduct your business, make decisions, or develop strategy.

<table>
<thead>
<tr>
<th>No influence</th>
<th>Influence in certain occasions</th>
<th>Moderate influence</th>
<th>Regular influence</th>
<th>Strong influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Economic
1. Instability of financial markets (e.g., hyperinflation)
2. The close proximity to Brazil.
3. Exchange rate stability.
4. Existence of a significant black market or contraband in the marketplace.

Political and Legal
5. The government's inequitable enforcement of existing laws for special interest groups.
6. The existence of a free trade area, such as MERCOSUR.
7. Excessive government regulation of business, such as prices, wages, competition.
8. Instability of the government.

Cultural Dimensions
9. Traditions that are unique to Argentina. (e.g., basic distrust, tax evasion)
10. General acceptance that the populace can not change much of what happens around them.

SECTION VI: WHAT TYPE OF COMPANY IS YOUR COMPANY?
The following company categories describe three different operational settings within a company. Please review these categories and answer the questions that follow.

Company A: For this company, the key to success is producing quality products and services at a reasonable cost. Good products and services sell themselves. This company believes that, if possible, products and services should be standardized to reduce costs.

Company B: For this company, the key to business success is persuading potential customers through advertising, personal selling, or other means to buy the products and services offered. This company believes that potential customers must be informed and convinced of the benefits of the products and services offered.

Company C: The key to business success is to integrate all company activities and personnel to offer products and services that satisfy customers' needs, while also providing satisfactory profits to the firm. This company believes it is important to determine what benefits customers want and to provide these benefits in products and services.

1. To what degree does your company currently resemble the three company categories described above? To answer this, distribute 100 points among the three company categories in the manner that best describes your company today. For example, if your firm is primarily like Company A, somewhat like Company B, and only remotely like Company C, you might allocate 60 points to Company A, 35 points to Company B, and 5 points to Company C.

Company A_____, Company B_____, Company C_____. (Total = 100 points.)
2. How many years has your company resembled the company structure that you stated in question 1?

Less than 1 year _ 1 year _ 2 years _ 3 years _ 4 years _ More than 4 years ____

3. I believe that the company structure as stated in question 1 has had a positive and significant impact on our company’s performance in 1999.

Strongly Disagree  Disagree  Slightly Disagree  Neither Agree Nor Disagree  Slightly Agree  Agree  Strongly Agree

1 _ 2 _ 3 _ 4 _ 5 _ 6 _ 7

SECTION VII  BRIEF DESCRIPTION OF YOU AND YOUR FIRM

Number of employees in the company ______________________

Is your company a part of a multinational firm? ______________

If yes, what is the country of the corporate headquarters? ______________

Industry of your principal commercial activity _______________________

How many years of operation in Argentina? ______________________

Does your company have a marketing department? Yes____ No_____

Your position in the firm? __________________________ (categories)

Number of years with this company?____________

Number of years of experience in current profession? ____________

If not currently in a marketing or sales position, do you have any previous experience in these professions? Yes____ No_____ Number of years?_____

Nationality_________________ Sex?  Female____  Male_____

Number of years of post secondary education?_____

MUCHAS GRACIAS

Howard Olsen
Ph.D. candidate en Marketing y Negocios Internacionales
Old Dominion University, Norfolk, Virginia, U.S.A.
APPENDIX 6

ORGANIZATIONAL COMMITMENT SYNTHESIS

Part of SECTION II CONSEQUENCES.
Based upon the work of Mark Peterson (Florida Atlantic) and Peter Smith (University of Sussex):

1. I am willing to work harder than I have to in order to help this organization succeed.
   #2. Employees would be happy to make personal sacrifices if it were important for the well being of this company.
   #5. Employees often go above and beyond the call of duty to ensure this organization's well being.
   L3. Cuando es necesario los empleados trabajan hors extras o fines de semana aun sin pedírselo.
   **(Employees would be willing to work harder than necessary to help this organization succeed.)

2. I would take any job in order to continue working for this organization.
   #1. Employees feel as though their future is intimately linked to that of this organization.
   **(Employees would take almost any type of job assignment to continue working for this organization.)

3. My values and the values of this organization are quite similar.
   (In general, most employees share the values and principles of the company.)
   **(The values of the employees and the values of the company are quite similar.)

4. I am proud to work for this organization.
   #4. In general, employees are proud to work for this company.
   #7. It is clear that employees are fond of this company.
   L2. En general, los empleados estan orgullosos de trabajar para esta empresa.
   **(L1. Los empleados traen puesta la camiseta de la empresa.)

5. I would turn down another job for more pay in order to continue working for this organization.
   (Most employees would not accept another job for more pay in order to continue working for this organization.)
   **(Employees would prefer working for this company even if offered a better paying job elsewhere.)

6. I feel very little loyalty to this organization.
   #6. Our people have little or no commitment to this company.
   #3. The bonds between this organization and its employees are weak.
   **(Our people have little or no loyalty to this company.)
**Legend**

#1 = Jaworski and Kohli (1993) questions  
L1 = Lozano (1999) questions  
**( ) = Synthesized statement to be used in final questionnaire

**Reliabilities for their 6 item Orgcom scale:**

<table>
<thead>
<tr>
<th>Country</th>
<th>Reliability</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>0.84</td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>0.72</td>
<td>0.74 if Orgcom2 is dropped</td>
</tr>
<tr>
<td>Colombia</td>
<td>0.50</td>
<td>0.60 if Orgcom2 is dropped</td>
</tr>
<tr>
<td>Mexico</td>
<td>0.61</td>
<td>0.69 if Orgcom2 is dropped</td>
</tr>
<tr>
<td>Chile</td>
<td>0.57</td>
<td>0.63 if Orgcom2 is dropped</td>
</tr>
</tbody>
</table>

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
APPENDIX 7

FIRM PERFORMANCE SCORECARD

Success or firm performance in developing market context—what is and how is it measured?

<table>
<thead>
<tr>
<th>Perspectives suggested in the literature</th>
<th>Reference to Section IV in Questionnaire</th>
<th>Argentina* responses</th>
<th>Paraguay* responses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. FINANCIAL</strong> (how does firm look to shareholders?)</td>
<td>11</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Sales growth</td>
<td>7</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Satisfaction with profit</td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Cash flow</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROI, ROS, ROE, ROA</td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Net profit</td>
<td>8</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td><strong>Market share</strong> (MARKOR)</td>
<td>10</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td><strong>Overall performance</strong> (MARKOR)</td>
<td>9</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>II. CUSTOMER</strong> (how do customers see us?)</td>
<td>1, 3, 11</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Customer retention</td>
<td>4</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>2</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Defect level</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount of repeat business</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total cost of product to customer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand awareness</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer profitability</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>III. INTERNAL BUSINESS</strong> (what aspects must be excelled at?)</td>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Defect levels</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Order-to-delivery cycle time</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Response time for customer complaints</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory levels or turnover</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve operating efficiencies</td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Effective use of budgets</td>
<td>6</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>IV. INNOVATION &amp; LEARNING</strong> (continue to improve and create value?)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New product launches</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Add more value for customers</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Penetration of new markets</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time from concept to market introduction</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* The number of responses referencing category during qualitative interviews. Category considerations based upon: Kaplan and Norton (1992); Slater, Olson, and Reddy (1997)
APPENDIX 8

ENGLISH VERSION OF ARGENTINE MODIFIED MARKOR

(Questions in bold font have been added to the original items of Jaworski & Kohli 1993.)
(R) designates reverse-coded question.

Generation
1. We are slow to detect changes in our customers' product preferences. (R)
2. We question end users at least once a year to assess the quality of our products and services.
3. We are slow to detect fundamental shifts in our industry (e.g. competition, technology). (R)
4. We periodically review the likely effect of changes in our business environment (e.g. regulation) on customers.
5. We collect information about the marketplace and customers from outside sources (e.g. distributors, chamber of commerce)

Dissemination
6. We have interdepartmental meetings at least once a quarter to discuss market trends and developments.
7. Marketing personnel in our company spend time discussing customers' future needs with other functional departments.
8. When something important happens to a major customer or market, the entire company knows about it in a short period.
9. Data on customer satisfaction are disseminated at all levels in this company on a regular basis.
10. When one department finds out something important about a competitor, it alerts other departments as quickly as possible.
11. We do not have explicit procedures to distribute marketplace information throughout our firm. (R)
12. Information about customers and competitors is generally retained by top management and not shared with others in the company. (R)
13. Upper management makes most marketplace decisions without consulting additional information sources. (R)

Responsiveness
14. We are slow to decide how to respond to our competitors' price changes. (R)
15. We periodically review our product development efforts to ensure that they are in line with what customers want.
16. Several departments get together periodically to plan a response to changes taking place in our business environment.
17. Customer complaints fall on deaf ears in this company. (R)
18. Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion. (R)
19. When we find that customers would like us to modify a product or service, the departments involved make concerted efforts to do so.
20. We rarely respond to any information that comes from outside the organization. (R)
21. Our organization only reacts to changes in the marketplace; it does not anticipate them. (R)
APPENDIX 9

ENGLISH VERSION OF PARAGUAYAN MODIFIED MARKOR

(Questions in bold font have been added to the original items of Jaworski & Kohli 1993.)
(R) designates reverse-coded question.

Generation
1. Representatives from our company meet with customers at least once a year to find out products or services they will need in the future.
2. We are slow to detect changes in our customers' product preferences. (R)
3. We question end users at least once a year to assess the quality of our products and services.
4. We are slow to detect fundamental shifts in our industry (e.g. competition, technology). (R)
5. We periodically review the likely effect of changes in our business environment (e.g. regulation) on customers.
6. We collect information about the marketplace and customers from outside sources (e.g. distributors, chamber of commerce)

Dissemination
7. We have interdepartmental meetings at least once a quarter to discuss market trends and developments.
8. Marketing personnel in our company spend time discussing customers' future needs with other functional departments.
9. When something important happens to a major customer or market, the entire company knows about it in a short period.
10. Data on customer satisfaction are disseminated at all levels in this company on a regular basis.
11. When one department finds out something important about a competitor, it alerts other departments as quickly as possible.
12. We do not have explicit procedures to distribute marketplace information throughout our firm. (R)
13. Information about customers and competitors is generally retained by top management and not shared with others in the company. (R)
14. Upper management makes most marketplace decisions without consulting additional information sources. (R)

Responsiveness
15. We are slow to decide how to respond to our competitors' price changes. (R)
16. We periodically review our product development efforts to ensure that they are in line with what customers want.
17. Several departments get together periodically to plan a response to changes taking place in our business environment.
18. If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.

19. The activities of the different departments in this company are not well coordinated. (R)

20. Customer complaints fall on deaf ears in this company. (R)

21. Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion. (R)

22. When we find that customers would like us to modify a product or service, the departments involved make concerted efforts to do so.

23. We rarely respond to any information that comes from outside the organization. (R)

24. Our organization only reacts to changes in the marketplace; it does not anticipate them. (R)
APPENDIX 10

COMPONENT LOADINGS FOR PRINCIPAL COMPONENT EXTRACTION ON GENERAL AND THREE SUB-COMPONENTS

**MARKOR**

<table>
<thead>
<tr>
<th>Component</th>
<th>Original - AR</th>
<th>Original - PY</th>
<th>Enhanced - AR</th>
<th>Enhanced - PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation</td>
<td>.876</td>
<td>.837</td>
<td>.764</td>
<td>.875</td>
</tr>
<tr>
<td>Dissemination</td>
<td>.863</td>
<td>.854</td>
<td>.721</td>
<td>.85</td>
</tr>
<tr>
<td>Responsive</td>
<td>.876</td>
<td>.895</td>
<td>.838</td>
<td>.894</td>
</tr>
<tr>
<td>% of variance</td>
<td>76.0</td>
<td>80.6</td>
<td>77.4</td>
<td>76.2</td>
</tr>
</tbody>
</table>

**GENERATION Sub-component**

<table>
<thead>
<tr>
<th>Component</th>
<th>Original - AR</th>
<th>Original - PY</th>
<th>Enhanced - AR</th>
<th>Enhanced - PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>* .751</td>
<td>.637</td>
<td>* #</td>
<td># .695</td>
</tr>
<tr>
<td>2</td>
<td>* .653</td>
<td>.657</td>
<td>* #</td>
<td># #</td>
</tr>
<tr>
<td>4</td>
<td>* .721</td>
<td>.841</td>
<td>* .816</td>
<td>.76</td>
</tr>
<tr>
<td>6</td>
<td>.571</td>
<td>* .589</td>
<td>* .589</td>
<td>.71</td>
</tr>
<tr>
<td>7</td>
<td># # # #</td>
<td>* .661</td>
<td>* #</td>
<td>#</td>
</tr>
<tr>
<td>3 REV</td>
<td>.799</td>
<td>*</td>
<td>.882</td>
<td>* .91</td>
</tr>
<tr>
<td>5 REV</td>
<td>.849</td>
<td>*</td>
<td>.898</td>
<td>* .88</td>
</tr>
<tr>
<td>% of variance</td>
<td>28.9</td>
<td>27.9</td>
<td>31.8</td>
<td>27.3</td>
</tr>
</tbody>
</table>

**DISSEMINATION Sub-component**

<table>
<thead>
<tr>
<th>Component</th>
<th>Original - AR</th>
<th>Original - PY</th>
<th>Enhanced - AR</th>
<th>Enhanced - PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>.660</td>
<td>.73</td>
<td>.633</td>
<td>* .66</td>
</tr>
<tr>
<td>13</td>
<td>.685</td>
<td>.762</td>
<td>.646</td>
<td>* .71</td>
</tr>
<tr>
<td>14</td>
<td>.780</td>
<td>.691</td>
<td>.798</td>
<td>* .73</td>
</tr>
<tr>
<td>15</td>
<td>.718</td>
<td>.831</td>
<td>.638</td>
<td>* .83</td>
</tr>
<tr>
<td>16</td>
<td>.735</td>
<td>.864</td>
<td>.754</td>
<td>* .75</td>
</tr>
<tr>
<td>17REV</td>
<td># # #</td>
<td>* .63</td>
<td>*</td>
<td>.58</td>
</tr>
<tr>
<td>18REV</td>
<td># # #</td>
<td>* .82</td>
<td>*</td>
<td>.74</td>
</tr>
<tr>
<td>19REV</td>
<td># # #</td>
<td>* .779</td>
<td>*</td>
<td>.80</td>
</tr>
<tr>
<td>% of variance</td>
<td>53.39</td>
<td>60.54</td>
<td>32.43</td>
<td>23.4</td>
</tr>
</tbody>
</table>

* - factor loading < .5
# - question not included
## RESPONSIVENESS Sub-component

<table>
<thead>
<tr>
<th>question</th>
<th>Original - AR</th>
<th>Original - PY</th>
<th>Enhanced - AR</th>
<th>Enhanced - PY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1  2</td>
<td>1  2</td>
<td>1  2</td>
<td>1  2</td>
</tr>
<tr>
<td>22</td>
<td>*  .795</td>
<td>*  .8</td>
<td>*  .811</td>
<td>*  .79</td>
</tr>
<tr>
<td>23</td>
<td>*  .86</td>
<td>*  .78</td>
<td>*  .791</td>
<td>*  .73</td>
</tr>
<tr>
<td>24</td>
<td>.553</td>
<td>*  .71</td>
<td>#</td>
<td>#</td>
</tr>
<tr>
<td>28</td>
<td>*  .531</td>
<td>*  .67</td>
<td>*  .665</td>
<td>*  .64</td>
</tr>
<tr>
<td>20REV</td>
<td>.784</td>
<td>*  .595</td>
<td>*  .545</td>
<td>*  .50</td>
</tr>
<tr>
<td>21REV</td>
<td>.649</td>
<td>*  *</td>
<td>*  #</td>
<td>*  #</td>
</tr>
<tr>
<td>25REV</td>
<td>.502</td>
<td>*  .821</td>
<td>#</td>
<td>#</td>
</tr>
<tr>
<td>26REV</td>
<td>.567</td>
<td>*  .578</td>
<td>*  .66</td>
<td>*  .65</td>
</tr>
<tr>
<td>27REV</td>
<td>.691</td>
<td>*  .826</td>
<td>*  .714</td>
<td>*  .84</td>
</tr>
<tr>
<td>29REV</td>
<td>#</td>
<td>#</td>
<td>#</td>
<td>.737</td>
</tr>
<tr>
<td>30REV</td>
<td>#</td>
<td>#</td>
<td>#</td>
<td>.698</td>
</tr>
<tr>
<td>% of variance</td>
<td>26.77</td>
<td>24.08</td>
<td>28.2</td>
<td>27.7</td>
</tr>
</tbody>
</table>

* - factor loading < .5  
# - question not included
APPENDIX II

COMPONENT LOADINGS FOR PRINCIPAL COMPONENT EXTRACTION ON EMPLOYEE CONSEQUENCES AND MODERATORS

<table>
<thead>
<tr>
<th>ORGANIZATIONAL COMMITMENT</th>
<th>Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>question</td>
<td>AR</td>
</tr>
<tr>
<td>1</td>
<td>.74</td>
</tr>
<tr>
<td>37</td>
<td>.58</td>
</tr>
<tr>
<td>38</td>
<td>.84</td>
</tr>
<tr>
<td>40</td>
<td>.87</td>
</tr>
<tr>
<td>41</td>
<td>76</td>
</tr>
<tr>
<td>42REV</td>
<td>.59</td>
</tr>
<tr>
<td>% of variance</td>
<td>54.32</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ESPRIT de CORPS</th>
<th>Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>question</td>
<td>AR</td>
</tr>
<tr>
<td>1</td>
<td>.81</td>
</tr>
<tr>
<td>31</td>
<td>.88</td>
</tr>
<tr>
<td>32</td>
<td>.88</td>
</tr>
<tr>
<td>33</td>
<td>.82</td>
</tr>
<tr>
<td>34</td>
<td>.77</td>
</tr>
<tr>
<td>35REV</td>
<td>.69</td>
</tr>
<tr>
<td>36REV</td>
<td></td>
</tr>
<tr>
<td>% of variance</td>
<td>65.85</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MARKET TURBULENCE</th>
<th>Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>question</td>
<td>AR</td>
</tr>
<tr>
<td>1</td>
<td>.71</td>
</tr>
<tr>
<td>43</td>
<td>.65</td>
</tr>
<tr>
<td>45</td>
<td>.4</td>
</tr>
<tr>
<td>% of variance</td>
<td>56.57</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMPETITIVE INTENSITY</th>
<th>Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>question</td>
<td>AR</td>
</tr>
<tr>
<td>1</td>
<td>.83</td>
</tr>
<tr>
<td>48</td>
<td>.77</td>
</tr>
<tr>
<td>51</td>
<td>.76</td>
</tr>
<tr>
<td>% of variance</td>
<td>62.06</td>
</tr>
</tbody>
</table>
### APPENDIX 12

**COMPONENT LOADINGS FOR PRINCIPAL COMPONENT EXTRACTION ON FIRM PERFORMANCE MEASURES**

**PERFORMANCE COMPOSITE**

<table>
<thead>
<tr>
<th>Component</th>
<th>AR</th>
<th>PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>question</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Financial</td>
<td>.81</td>
<td>.82</td>
</tr>
<tr>
<td>Customer</td>
<td>.90</td>
<td>.91</td>
</tr>
<tr>
<td>Innovation</td>
<td>.83</td>
<td>.91</td>
</tr>
<tr>
<td>Internal</td>
<td>.69</td>
<td>.62</td>
</tr>
<tr>
<td>% of variance</td>
<td>65.87</td>
<td>67.62</td>
</tr>
</tbody>
</table>

**FINANCIAL COMPONENT**

<table>
<thead>
<tr>
<th>Component</th>
<th>AR</th>
<th>PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>question</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>61</td>
<td>.81</td>
<td>.92</td>
</tr>
<tr>
<td>62</td>
<td>.83</td>
<td>.90</td>
</tr>
<tr>
<td>63</td>
<td>.74</td>
<td>.79</td>
</tr>
<tr>
<td>64</td>
<td>.73</td>
<td>.83</td>
</tr>
<tr>
<td>% of variance</td>
<td>60.03</td>
<td>74.26</td>
</tr>
</tbody>
</table>

**CUSTOMER COMPONENT**

<table>
<thead>
<tr>
<th>Component</th>
<th>AR</th>
<th>PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>question</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>55</td>
<td>.46</td>
<td>.83</td>
</tr>
<tr>
<td>58</td>
<td>.75</td>
<td>.86</td>
</tr>
<tr>
<td>65</td>
<td>.87</td>
<td>.86</td>
</tr>
<tr>
<td>66</td>
<td>.83</td>
<td>.86</td>
</tr>
<tr>
<td>% of variance</td>
<td>55.64</td>
<td>72.18</td>
</tr>
</tbody>
</table>

**INNOVATION AND LEARNING**

<table>
<thead>
<tr>
<th>Component</th>
<th>AR</th>
<th>PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>question</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>55</td>
<td>.75</td>
<td>.88</td>
</tr>
<tr>
<td>57</td>
<td>.88</td>
<td>.90</td>
</tr>
<tr>
<td>59</td>
<td>.73</td>
<td>.81</td>
</tr>
<tr>
<td>% of variance</td>
<td>62.15</td>
<td>75.12</td>
</tr>
</tbody>
</table>
CURRICULUM VITAE
HOWARD OLSEN

EDUCATION:
Ph.D. in Marketing with International emphasis, Old Dominion University, Norfolk, Virginia, August 2001.

Dissertation title: Market Orientation: Towards an Understanding in Developing Marketplaces of South America.


PERMANENT EMPLOYMENT:
University of Nevada, Reno commencing Fall 2001 as Assistant Professor of Marketing.

PROFESSIONAL CERTIFICATION:
Certified Public Accountant, State of Nevada
Certified Public Accountant, State of Montana (Inactive)
Certified Public Accountant, State of California (Inactive)

TEACHING INTERESTS:
Marketing management and strategy
International business and marketing
Marketing research
E-commerce

TEACHING EXPERIENCE:
Visiting Assistant Professor at Old Dominion University for school year 2000-2001.
Teaching responsibility Consumer Behavior, Multinational Marketing, and Marketing Strategy and Policy.

Instructor (complete responsibility) for Multinational Marketing, a senior level undergraduate course, Spring 1999 and Fall 1999 on TELETECHNET, televised distance education program.

Instructor (complete responsibility) for Multinational Marketing, a senior level undergraduate course, Fall 1998 and Spring 2000.

Lecturer for entrepreneurship and personal financial seminars in various cities of Czech Republic and Germany from fall 1991 to summer 1993. Self developed seminars.

Lecturer for the University of Maryland, European Division, full-time from fall 1988 to summer 1991. Located in Nurnberg, Germany area. Taught small business management.
entrepreneurship), introduction to business, accounting, income tax, personal finance, investments to primarily sophomore and junior students.

PHILOSOPHY OF TEACHING:
I believe that learning is a life-long process and as such should be an interactive one. The interaction assists and augments this procedure. I am a facilitator in the classroom by encouraging, engaging, and directing students to be involved in the learning process. I desire and expect student active participation.

RESEARCH INTERESTS:
International marketing and research
Cultural issues—international market development
Strategy issues—international market development
E-commerce (B2B) international aspects

CONFERENCE PROCEEDINGS AND PRESENTATIONS:


WORK IN PROGRESS:
Howard W. Olsen and E. Carla Mitchell, "International Market Selection: Are Industry Specific Characteristics Meaningful?", Target journal: Journal of Service Research

PROFESSIONAL WORK EXPERIENCE:
Partner and sole practitioner in two different public accounting practices from 1977 until 1996. Specialized in small business clients, preparation of financial statements, income tax returns, planning and forecasting, and advisory services. Emphasis was placed on assisting clients in improving operations and providing financial planning.

Owner and operator of two lodging establishments totaling 115 rooms in the Reno, Nevada area from 1979 until 1995.
AWARDS AND RECOGNITIONS:


Selected to be a member of Phi Kappa Phi, national honor society in April, 1999.

Selected to be a member of Beta Gamma Sigma, honor society for business students in 1975 and 1998.

Certificate of Participation for Graduate Teaching Assistant Institute (Fall 1998) at Old Dominion University.

PROFESSIONAL SERVICE:
Served in local city governments particularly in a redevelopment program serving as committee chair for the Special Events programs and Design Review. Served one term as a county planning committee member.