

**An Integrated Framework For
Marketing In An Organizational Setting:
The Case of Turkey**

**Dissertation submitted to the
Institute of Social Sciences**

In partial fulfillment of the requirements for the degree of

Doctor of Philosophy

in

Management

Bogazici University Library



39001102275917

14

by

Azize Ebru Akkaya

Boğaziçi University

2004

ACKNOWLEDGEMENTS

I would like to express my deepest gratitude to two very special people, Prof. Eser Borak and Prof. Muzaffer Bodur. They have given not only incredible support, help, guidance and understanding during the completion of my studies, but also they always played crucial roles in shaping my career and in my decisions regarding my academic life. Their valuable contributions will not be forgotten throughout my life.

I am also grateful to Prof. Hayat Kabasakal, Prof. Gülđen Asuđman, and Prof. Nimet Uray for their valuable suggestions and for kindly accepting to be in my dissertation committee.

I have been a part of Bođazici University since 1991 and I feel very lucky for this 13 years experience. I have learned much not only about my profession but also about life in this beautiful place. I would like to thank to the Bođaziđi University family and to all my teachers in this school for contributions they have made to my academic achievements.

I would like to express my greatest gratitude to my family, my mother, father and grandmother. They have made incredible sacrifices and they have been constant sources of motivation and inspiration even at hopeless times for me throughout my life. I also would like to thank my husband, and all members of my family as well as my friends and colleagues and my boss for their patience and understanding in coping me during the completion of this difficult task.

VITA

Azize Ebru Akkaya was born in İstanbul on February 3rd, 1973. She graduated from Kadiköy Anatolian High School in 1991 and attended the Mathematics Department of Boğaziçi University in 1991, Political Science and International Relations Department in 1992, and finally attended and graduated from Business Administration Department of Boğaziçi University in 1996. She completed her MBA studies at Boğaziçi University with major being marketing in 1998. She began her PhD studies in 1998 at Boğaziçi University. She pursued a professional marketing career path at various firms since 1994 and continues her professional path together with her academic studies. She worked as a part-time lecturer at Boğaziçi University during 1999-2001 and taught marketing management and market research. She has two publications issued in the Proceedings of 4th National Marketing Conference in November 1999 and in the Proceedings of 5th National Marketing Conference in November 2000 and has a MBA thesis dated 1998 and named 'A Study on Brand Image and Its Underlying Components: With An Application in the Automobile Sector.

ABSTRACT

An Integrated Framework For Marketing In An Organizational Setting: The Case of Turkey

by

Azize Ebru Akkaya

In this dissertation, the main objective is to assess the relationships between organizational orientation, strategic orientation, organizational culture, organizational capabilities, organizational form, and organizational performance, employee responses and customer satisfaction. Second, it is aimed to discover whether the relationships between these organizational dimensions and organizational performance is moderated by organizational learning, innovation and by market turbulence, competitive intensity, technological turbulence and market growth.

In the introduction, the importance of marketing in an organizational setting has been explored. The scope and objectives of the study are also provided in this section. A thorough and comprehensive review of literature has been presented in the second section. A comprehensive conceptual model, which includes various organizational dimensions together with their consequences and moderating factors, is presented in the third section. After discussing the importance of each variable for the model, a selected part of it has been used for empirical purposes. For the collection of empirical data, 152 managers of strategic business units in the Turkish market were directed a carefully designed questionnaire. SPSS 12.0 has been used for the statistical part of the study. Pearson correlation, One-way ANOVA, T-test, Fisher's Z-tests, and multiple regression analyses have been conducted for the test of the hypotheses.

The findings suggest that market orientation, proactiveness, futurity and riskiness strategic orientations lead to higher business performance, more favorable employee responses and higher customer satisfaction. Organizational innovation and market turbulence moderate the relation between market orientation and performance whereas organizational learning and market-related factors moderate some parts of the relations between strategic orientation and performance. Adhocracy culture positively and hierarchy culture negatively affects performance, employee responses and customer satisfaction. Organizational innovation, organizational learning, competitive intensity and market growth are the moderating factors for the relation between some forms of organizational culture and performance. Organizational capabilities all contribute positively to performance and employee responses. Excel at spanning capabilities also improves customer satisfaction. Technological turbulence and market growth moderate the relation between spanning capabilities and performance. Relational and network forms affect performance and employee responses positively whereas hierarchical forms affect them negatively. Organizational innovation, learning, and market-related factors act as contingency factors for the relations between some organizational forms and performance measures.

Finally, numerous implications have been proposed for managers, researchers and future research areas are designated. This study contributes to the relevant literature by providing a comprehensive literature review, theoretical framework, and empirical study on the selected topics.

KISA ÖZET

Kurumsal Yapı İçerisinde Pazarlama Üzerine Bütünsel Bir Çalışma:

Türkiye Pazarındaki Durum

Bu çalışmadaki amaç, öncelikle kurumsal yönelim, stratejik yönelim, kurumsal kültür, kurumsal yetenekler, kurum formu ve işletme performansı, çalışan tepkileri ve müşteri tatmini arasındaki ilişkiyi incelemek ve daha sonra bu ilişkinin kurumsal yaratıcılık, kurumsal öğrenme, pazardaki değişimler, rekabet yoğunluğu, teknolojik yoğunluk ve pazar büyümesi tarafından etkilenip etkilenmediğini ortaya çıkarmaktır.

Çalışmada önce, kurumsal yapı içerisinde pazarlamanın önemi üzerinde durulmuş, aynı bölümde çalışmanın yönü ve amaçları da verilmiştir. İkinci bölümde kapsamlı bir yazın taramasına yer verilmiştir. Çalışmanın teorik altyapısında, kurumsal değişkenler, sonuçları ve bu ilişkileri etkileyen faktörlerin yer aldığı kapsamlı bir model sunulmuştur. Her değişkenin bu model içindeki yer ve öneminin saptanmasından sonra, oluşturulan altyapının bir bölümü ampirik yollarla test edilmiştir. Veriler, Türkiye'deki şirketler arasından 152 stratejik yönetim birimi yöneticileri üzerinde uygulanan anketler aracılığı ile toplanmıştır. İstatistiksel analizler için SPSS 12.0 kullanılmış ve korelasyon, ANOVA varyans analizi, t-test, Fisher-Z testi, çoklu regresyon analizlerinden faydalanılmıştır.

Elde edilen bulgulara göre pazar yönelimi, proaktiflik, geleceğe yöneliklik ve risk alma stratejik yönelimleri daha iyi performans sonuçlarına, daha olumlu çalışan tepkilerine ve daha yüksek müşteri memnuniyetine yol açmaktadır. Pazar yönelimi ve performans arasındaki ilişki kurumun yenilikçi yapısına ve pazardaki değişimlere

bağlıdır. Stratejik yönelim ve performans arasındaki bazı ilişkiler ise kurumsal öğrenme ve pazara ilişkin faktörler tarafından etkilenmektedir. Yaratıcılığa ve girişimciliğe önem veren kültürler performansı, çalışan tepkilerini ve müşteri tatminini olumlu, hiyerarşik kültürler ise bu değişkenleri olumsuz etkilemektedir. Kurum kültür türleri ve performans arasındaki ilişkiler yaratıcılık, öğrenme, rekabet yoğunluğu ve pazar büyümesi tarafından etkilenmektedir. Tüm kurumsal yetenekler performans ve çalışan tepkilerine olumlu etkimektedir. Müşteri hizmeti, satın alma, fiyatlandırma gibi kurumsal yetenekler ise müşteri tatminini artırmaktadır. Bu yetenekler ile performans arasındaki ilişki teknolojik değişimler ve pazar büyümesi tarafından etkilenmektedir. İlişkiye dayanan ve network yapılar işletme performansını ve çalışan tepkilerini olumlu yönde artırmakta, hiyerarşik yapılar ise olumsuz etki yaratmaktadır. Kurum yapısal formu ve performans ilişkisi yenilikçilik, öğrenme yönelimi ve pazarla ilgili faktörlere bağlıdır.

Çalışmanın sonuç kısmında, elde edilen bulgulardan yola çıkılarak, yöneticiler ve araştırmacılar ve ileride yapılacak araştırmalar için çok sayıda öneriye yer verilmiştir.

Özetle, bu çalışma kapsamlı yazın taraması, kapsamlı bir model oluşturmak, ve seçilen değişkenler üzerinde uyguladığı ampirik testi ile literature katkıda bulunmuştur.

TABLE OF CONTENTS

I.	INTRODUCTION	1
1.1.	The Scope and Objectives of the Study	4
1.2.	Outline of the Study	7
II.	LITERATURE REVIEW	9
2.1.	Organizational Orientation	9
2.1.1.	Production Orientation	10
2.1.2.	Product Orientation	12
2.1.3.	Sales Orientation	13
2.1.4.	Market Orientation	15
	2.1.4.1. The Marketing Concept	15
	2.1.4.2. Studies on The Concept of Market Orientation	19
	2.1.4.2.1. The Conceptualizations of Market Orientation	21
	2.1.4.2.1.1. The Behavioral Conceptualization of Market Orientation	21
	2.1.4.2.1.2. The Philosophical Conceptualization of Market Orientation	24
	2.1.4.2.1.3. The Convergence Between the Behavioral and the Philosophical Conceptualizations	26
	2.1.4.2.1.4. Contemporary Conceptualizations of Market Orientation	27
	2.1.4.2.2. Antecedents of Market Orientation	31
	2.1.4.2.3. Consequences of Market Orientation and the Effect of Market Related Factors	45
	2.1.4.2.3.1. Organizational Performance	46
	2.1.4.2.3.2. Employee Responses	63
	2.1.4.2.3.3. Customer Responses	71
	2.1.5. Societal Market Orientation	74
2.2.	Strategic Orientation	75
	2.2.1. Conceptualization of Strategic Orientation	77
	2.2.1.1. The Narrative Approach	77
	2.2.1.2. The Classificatory Approach	78
	2.2.1.2.1. Examples of the Classificatory Approach	79
	2.2.1.3. The Comparative Approach	82
	2.2.2. Studies on Strategic Orientation	88
	2.2.2.1. Studies On the Relationship Between Strategic Orientation and Business Performance	88
	2.2.2.2. Studies On the Relationship Between Strategic Orientation and Market Orientation	93
2.3.	Organizational Culture	97
	2.3.1. Development of the Field of Organizational Culture: History and Definitional Issues	98
	2.3.1.1. Definition and Measurement of Organizational Culture	100
	2.3.1.2. Measurement of Organizational Culture	105
	2.3.1.3. Organizational Culture Paradigms	106
	2.3.1.4. Organizational Culture Types	112
	2.3.2. Factors Influencing Organizational Culture	117
	2.3.3. Factors Influenced By Organizational Culture	119
2.4.	Organizational Capabilities	126

2.4.1.	The Nature and Importance of Organizational Capabilities	127
2.4.2.	The Capabilities Approach	129
2.4.3.	Classification of Organizational Capabilities	130
2.4.4.	Capabilities of Market-Driven Organizations	132
2.4.5.	Studies On Organizational Capabilities	136
2.5.	Organizational Form	140
2.5.1.	Definitions of Organizational Form	140
2.5.2.	Types of Organizational Forms	141
2.5.3.	Emergence of Organizational Forms: Theoretical Background	143
2.5.4.	Formation of New Organizational Forms: Managerial Perspective	144
2.5.4.1.	Networks	153
2.5.4.1.1.	Types of Network Organizations	155
2.6.	Organizational Innovation	158
2.6.1.	Typologies of Innovation	159
2.6.2.	Innovation Research	162
2.6.2.1.	Factors Influencing Organizational Innovation	162
2.6.2.2.	Factors Influenced by Organizational Innovation	166
2.7.	Organizational Learning	168
2.7.1.	Definitions and Nature of Organizational Learning	169
2.7.2.	Types of Organizational Learning	175
2.7.3.	Processes of Organizational Learning	176
2.7.4.	Research on Organizational Learning	179
2.7.4.1.	Factors Influencing Organizational Learning	179
2.7.4.2.	Factors Influenced by Organizational Learning	186
III.	CONCEPTUAL MODEL	196
3.1.	Conceptual Model of The Study	197
3.2.	Operationalization of The Variables	199
3.2.1.	Operationalization of the Independent Variables	199
3.2.1.1.	Organizational Orientation	199
3.2.1.2.	Strategic Orientation	203
3.2.1.3.	Organizational Culture	206
3.2.1.4.	Organizational Capabilities	208
3.2.1.5.	Organizational Form	210
3.2.2.	Operationalization of the Moderator Variables	213
3.2.2.1.	Organizational Innovation	213
3.2.2.2.	Organizational Learning	214
3.2.2.3.	Market Turbulence	216
3.2.2.4.	Competitive Intensity	217
3.2.2.5.	Technological Turbulence	218
3.2.2.6.	Market Growth	218
3.2.3.	Operationalization of the Dependent Variables	219
3.2.3.1.	Employee Responses	219
3.2.3.2.	Customer Response	220
3.2.3.3.	Organizational Performance	221
3.3.	Hypotheses of The Study	225

3.3.1. Hypotheses about the Relationship Between Organizational Orientation and Organizational Performance	225
3.3.1.1. Hypotheses about the Relationship Between Production Orientation and Organizational Performance	225
3.3.1.2. Hypotheses about the Relationship Between Product Orientation and Organizational Performance	225
3.3.1.3. Hypotheses about the Relationship Between Sales Orientation and Organizational Performance	226
3.3.1.4. Hypotheses about the Relationship Between Market Orientation and Organizational Performance	226
3.3.2. Hypotheses about the Relationship Between Organizational Orientation and Employee Responses	228
3.3.2.1. Hypotheses about the Relationship Between Production Orientation and Employee Responses	228
3.3.2.2. Hypotheses about the Relationship Between Product Orientation and Employee Responses	228
3.3.2.3. Hypotheses about the Relationship Between Sales Orientation and Employee Responses	229
3.3.2.4. Hypotheses about the Relationship Between Market Orientation and Employee Responses	229
3.3.3. Hypotheses about the Relationship Between Organizational Orientation and Customer Responses	230
3.3.3.1. Hypotheses about the Relationship Between Production, Product and Sales Orientation and Customer Responses	230
3.3.3.2. Hypotheses about the Relationship Between Market Orientation and Customer Responses	231
3.3.4. Hypotheses about the Moderators of the Relationship Between Organizational Orientation and Organizational Performance	231
3.3.4.1. Hypotheses about the Moderating Effects of Organizational Innovation on the Relationship Between Organizational Orientation and Organizational Performance	231
3.3.4.2. Hypotheses about the Moderating Effects of Organizational Learning on the Relationship Between Organizational Orientation and Organizational Performance	234
3.3.4.3. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Production Orientation and Organizational Performance	236
3.3.4.4. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Product Orientation and Organizational Performance	238
3.3.4.5. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Sales Orientation and Organizational Performance	239
3.3.4.6. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Market Orientation and Organizational Performance	240

3.3.5. Hypotheses about the Relationship Between Strategic Orientation and Organizational Performance	246
3.3.5.1. Hypotheses about the Relationship Between Aggressiveness Orientation and Organizational Performance	246
3.3.5.2. Hypotheses about the Relationship Between Analysis Orientation and Organizational Performance	246
3.3.5.3. Hypotheses about the Relationship Between Defensiveness Orientation and Organizational Performance	247
3.3.5.4. Hypotheses about the Relationship Between Futurity Orientation and Organizational Performance	247
3.3.5.5. Hypotheses about the Relationship Between Proactiveness Orientation and Organizational Performance	248
3.3.5.6. Hypotheses about the Relationship Between Riskiness Orientation and Organizational Performance	248
3.3.6. Hypotheses about the Relationship Between Strategic Orientation and Employee Responses	249
3.3.6.1. Hypotheses about the Relationship Between Aggressiveness Orientation and Employee Responses	249
3.3.6.2. Hypotheses about the Relationship Between Analysis Orientation and Employee Responses	249
3.3.6.3. Hypotheses about the Relationship Between Defensiveness Orientation and Employee Responses	250
3.3.6.4. Hypotheses about the Relationship Between Futurity Orientation and Employee Responses	250
3.3.6.5. Hypotheses about the Relationship Between Proactiveness Orientation and Employee Responses	250
3.3.6.6. Hypotheses about the Relationship Between Riskiness Orientation and Employee Responses	251
3.3.7. Hypotheses about the Relationship Between Strategic Orientation and Customer Responses	251
3.3.8. Hypotheses about the Moderators of the Relationship Between Strategic Orientation and Organizational Performance	252
3.3.8.1. Hypotheses about the Moderating Effects of Organizational Innovation on the Relationship Between Strategic Orientation and Organizational Performance	252
3.3.8.2. Hypotheses about the Moderating Effects of Organizational Learning on the Relationship Between Strategic Orientation and Organizational Performance	254
3.3.8.3. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Aggressiveness Orientation and Organizational Performance	256
3.3.8.4. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Analysis Orientation and Organizational Performance	258
3.3.8.5. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Defensiveness Orientation and Organizational Performance	259

3.3.8.6. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Futurity Orientation and Organizational Performance	261
3.3.8.7. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Proactiveness Orientation and Organizational Performance	262
3.3.8.8. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Riskiness Orientation and Organizational Performance	264
3.3.9. Hypotheses about the Relationship Between Organizational Culture and Organizational Performance	265
3.3.9.1. Hypotheses about the Relationship Between Market Culture and Organizational Performance	265
3.3.9.2. Hypotheses about the Relationship Between Adhocracy Culture and Organizational Performance	266
3.3.9.3. Hypotheses about the Relationship Between Hierarchy Culture and Organizational Performance	266
3.3.9.4. Hypotheses about the Relationship Between Clan Culture and Organizational Performance	266
3.3.10. Hypotheses about the Relationship Between Organizational Culture and Employee Responses	267
3.3.10.1. Hypotheses about the Relationship Between Market Culture and Employee Responses	267
3.3.10.2. Hypotheses about the Relationship Between Adhocracy Culture and Employee Responses	267
3.3.10.3. Hypotheses about the Relationship Between Hierarchy Culture and Employee Responses	268
3.3.10.4. Hypotheses about the Relationship Between Clan Culture and Employee Responses	268
3.3.11. Hypotheses about the Relationship Between Organizational Culture and Customer Responses	268
3.3.12. Hypotheses about the Moderators of the Relationship Between Organizational Culture and Organizational Performance	269
3.3.12.1. Hypotheses about the Moderating Effects of Organizational Innovation on the Relationship Between Organizational Culture and Organizational Performance	269
3.3.12.2. Hypotheses about the Moderating Effects of Organizational Learning on the Relationship Between Organizational Culture and Organizational Performance	271
3.3.12.3. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Market Culture and Organizational Performance	272
3.3.12.4. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Adhocracy Culture and Organizational Performance	274

3.3.12.5. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Hierarchy Culture and Organizational Performance	275
3.3.12.6. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Clan Culture and Organizational Performance	277
3.3.13. Hypotheses about the Relationship Between Organizational Capabilities and Organizational Performance	278
3.3.13.1. Hypotheses about the Relationship Between Outside-In Capabilities and Organizational Performance	278
3.3.13.2. Hypotheses about the Relationship Between Inside-Out Capabilities and Organizational Performance	279
3.3.13.3. Hypotheses about the Relationship Between Spanning Capabilities and Organizational Performance	279
3.3.14. Hypotheses about the Relationship Between Organizational Capabilities and Employee Responses	280
3.3.14.1. Hypotheses about the Relationship Between Outside-In Capabilities and Employee Responses	280
3.3.14.2. Hypotheses about the Relationship Between Inside-Out Capabilities and Employee Responses	280
3.3.14.3. Hypotheses about the Relationship Between Spanning Capabilities and Employee Responses	280
3.3.15. Hypotheses about the Relationship Between Organizational Capabilities and Customer Responses	281
3.3.16. Hypotheses about the Moderators of the Relationship Between Organizational Capabilities and Organizational Performance	281
3.3.16.1. Hypotheses about the Moderating Effects of Organizational Innovation on the Relationship Between Organizational Capabilities and Organizational Performance	282
3.3.16.2. Hypotheses about the Moderating Effects of Organizational Learning on the Relationship Between Organizational Capabilities and Organizational Performance	283
3.3.16.3. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Outside-In Capabilities and Organizational Performance	284
3.3.16.4. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Inside-Out Capabilities and Organizational Performance	285
3.3.16.5. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Spanning Capabilities and Organizational Performance	287
3.3.17. Hypotheses about the Relationship Between Organizational Form and Organizational Performance	288
3.3.17.1. Hypotheses about the Relationship Between Hierarchical Form and Organizational Performance	288

3.3.17.2. Hypotheses about the Relationship Between Transactional Form and Organizational Performance	289
3.3.17.3. Hypotheses about the Relationship Between Relational Form and Organizational Performance	289
3.3.17.4. Hypotheses about the Relationship Between Network Form and Organizational Performance	289
3.3.18. Hypotheses about the Relationship Between Organizational Form and Employee Responses	290
3.3.18.1. Hypotheses about the Relationship Between Hierarchical Form and Employee Responses	290
3.3.18.2. Hypotheses about the Relationship Between Transactional Form and Employee Responses	290
3.3.18.3. Hypotheses about the Relationship Between Relational Form and Employee Responses	291
3.3.18.4. Hypotheses about the Relationship Between Network Form and Employee Responses	291
3.3.19. Hypotheses about the Relationship Between Organizational Form and Customer Responses	291
3.3.20. Hypotheses about the Moderators of the Relationship Between Organizational Form and Organizational Performance	292
3.3.20.1. Hypotheses about the Moderating Effects of Organizational Innovation on the Relationship Between Organizational Forms and Organizational Performance	292
3.3.20.2. Hypotheses about the Moderating Effects of Organizational Learning on the Relationship Between Organizational Form and Organizational Performance	294
3.3.20.3. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Hierarchical Form and Organizational Performance	295
3.3.20.4. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Transactional Form and Organizational Performance	297
3.3.20.5. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Relational Form and Organizational Performance	298
3.3.20.6. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Network Form and Organizational Performance	300
3.3.21. Hypotheses About the Moderators of the Study and Organizational Performance	301
3.3.21.1. Hypotheses About the Relationships Between Organizational Innovation and Performance Measures	301
3.3.21.2. Hypotheses About the Relationships Between Organizational Learning and Performance Measures	302
3.3.21.3. Hypotheses About the Relationships Between Market Turbulence and Performance Measures	302

3.3.21.4.	Hypotheses About the Relationships Between Competitive Intensity and Performance Measures	303
3.3.21.5.	Hypotheses About the Relationships Between Technological Turbulence and Performance Measures	303
3.3.21.6.	Hypotheses About the Relationships Between Market Growth and Performance Measures	303
IV.	RESEARCH DESIGN AND METHODOLOGY	305
4.1.	Type of Investigation	305
4.1.1.	Type of Data	306
4.1.2.	Type of Design	306
4.1.3.	Study Setting	307
4.1.4.	Time Horizon	307
4.2.	Data Collection Procedure	307
4.2.1.	The Initial Questionnaire	308
4.2.2.	The Pilot Study	310
4.2.3.	Reliability Analysis	310
4.2.4.	The Final Questionnaire	313
4.3.	The Sampling Procedure	316
4.3.1.	Sampling Unit	316
4.3.2.	Sampling Method	317
4.3.3.	Sample Size	318
4.4.	Methods of Analysis	319
4.5.	Limitations of the Study	319
V.	FINDINGS OF THE STUDY	322
5.1.	Findings Obtained From Descriptive Statistics	322
5.1.1.	Organizational Orientation	322
5.1.2.	Strategic Orientation	324
5.1.3.	Organizational Culture	326
5.1.4.	Organizational Capability	328
5.1.5.	Organizational Form	329
5.1.6.	Organizational Innovation	331
5.1.7.	Organizational Learning	332
5.1.8.	Market-Related Factors	334
5.1.9.	Employee Responses	337
5.1.10.	Customer Satisfaction	338
5.1.11.	Organizational Performance	339
5.1.12.	Sector	343
5.1.13.	Served Market	343
5.1.14.	Operation Area	343
5.1.15.	Product/Brand Specification	344
5.1.16.	Number of Full-Time Employees of the Company	345
5.1.17.	Number of Full-Time Employees of the Strategic Business Unit	345
5.1.18.	Title of the Respondent	346
5.1.19.	Distribution of Capital	346
5.1.20.	Information Collection Method	347

5.2. Findings Obtained From Relational Hypotheses	349
5.2.1. Organizational Orientation and Organizational Performance	350
5.2.2. Organizational Orientation and Employee Responses	353
5.2.3. Organizational Orientation and Customer Responses	356
5.2.4. Organizational Innovation as a Moderator of the Relationship Between Organizational Orientation and Organizational Performance	357
5.2.5. Organizational Learning as a Moderator of the Relationship Between Organizational Orientation and Organizational Performance	360
5.2.6. Market Related Factors as a Moderator of the Relationship Between Organizational Orientation and Organizational Performance	363
5.2.7. Strategic Orientation and Organizational Performance	375
5.2.8. Strategic Orientation and Employee Responses	378
5.2.9. Strategic Orientation and Customer Satisfaction	381
5.2.10. Organizational Innovation as a Moderator of the Relationship Between Strategic Orientation and Organizational Performance	382
5.2.11. Organizational Learning as a Moderator of the Relationship Between Strategic Orientation and Organizational Performance	385
5.2.12. Market Related Factors as a Moderator of the Relationship Between Strategic Orientation and Organizational Performance	388
5.2.13. Organizational Culture and Organizational Performance	403
5.2.14. Organizational Culture and Employee Responses	404
5.2.15. Organizational Culture and Customer Satisfaction	406
5.2.16. Organizational Innovation as a Moderator of the Relationship Between Organizational Culture and Organizational Performance	407
5.2.17. Organizational Learning as a Moderator of the Relationship Between Organizational Culture and Organizational Performance	409
5.2.18. Market Related Factors as a Moderator of the Relationship Between Organizational Culture and Organizational Performance	411
5.2.19. Organizational Capabilities and Organizational Performance	419
5.2.20. Organizational Capabilities and Employee Responses	421
5.2.21. Organizational Capabilities and Customer Satisfaction	423
5.2.22. Organizational Innovation as a Moderator of the Relationship Between Organizational Capabilities and Organizational Performance	424
5.2.23. Organizational Learning as a Moderator of the Relationship Between Organizational Capabilities and Organizational Performance	426
5.2.24. Market Related Factors as a Moderator of the Relationship Between Organizational Capabilities and Organizational Performance	428
5.2.25. Organizational Form and Organizational Performance	436
5.2.26. Organizational Form and Employee Responses	439
5.2.27. Organizational Form and Customer Satisfaction	441
5.2.28. Organizational Innovation as a Moderator of the Relationship Between Organizational Form and Organizational Performance	442
5.2.29. Organizational Learning as a Moderator of the Relationship Between Organizational Form and Organizational Performance	444

5.2.30. Market Related Factors as a Moderator of the Relationship Between Organizational Form and Organizational Performance	446
5.2.31. Moderators of the Study and Their Impact on Organizational Performance	454
5.3. Findings About Model Fit	458
VI. CONCLUSIONS AND IMPLICATIONS OF THE STUDY	473
6.1. Conclusions	473
6.1.1. Organizational Orientation and Organizational Performance	474
6.1.2. Organizational Orientation and Employee Responses	478
6.1.3. Organizational Orientation and Customer Satisfaction	481
6.1.4. Organizational Innovation and Performance Measures	482
6.1.5. Organizational Learning and Performance Measures	484
6.1.6. Market Related Factors and Performance Measures	485
6.1.7. Organizational Innovation as a Moderator Between Organizational Orientation and Organizational Performance	486
6.1.8. Organizational Learning as a Moderator Between Organizational Orientation and Organizational Performance	488
6.1.9. Market-Related Factors as a Moderator Between Organizational Orientation and Organizational Performance	489
6.1.10. Strategic Orientation and Organizational Performance	495
6.1.11. Strategic Orientation and Employee Responses	499
6.1.12. Strategic Orientation and Customer Satisfaction	500
6.1.13. Organizational Innovation as a Moderator Between Strategic Orientation and Organizational Performance	502
6.1.14. Organizational Learning as a Moderator Between Strategic Orientation and Organizational Performance	502
6.1.15. Market-Related Factors as a Moderator Between Strategic Orientation and Organizational Performance	504
6.1.16. Organizational Culture and Organizational Performance	510
6.1.17. Organizational Culture Types and Employee Responses	512
6.1.18. Organizational Culture Types and Customer Satisfaction	513
6.1.19. Organizational Innovation as a Moderator Between Organizational Culture Types and Organizational Performance	514
6.1.20. Organizational Learning as a Moderator Between Organizational Culture Types and Organizational Performance	516
6.1.21. Market-Related Factors as a Moderator Between Organizational Culture Types and Organizational Performance	517
6.1.22. Organizational Capabilities and Organizational Performance	519
6.1.23. Organizational Capabilities and Employee Responses	521
6.1.24. Organizational Capabilities and Customer Satisfaction	522
6.1.25. Organizational Innovation as a Moderator Between Organizational Capabilities and Organizational Performance	522
6.1.26. Organizational Learning as a Moderator Between Organizational Capabilities and Organizational Performance	523
6.1.27. Market-Related Factors as a Moderator Between Organizational Capabilities and Organizational Performance	523

6.1.28. Organizational Form and Organizational Performance	526
6.1.29. Organizational Form Types and Employee Responses	527
6.1.30. Organizational Form Types and Customer Satisfaction	528
6.1.31. Organizational Innovation as a Moderator Between Organizational Form Types and Organizational Performance	529
6.1.32. Organizational Learning as a Moderator Between Organizational Form Types and Organizational Performance	530
6.1.33. Market-Related Factors as a Moderator Between Organizational Form Types and Organizational Performance	531
6.1.34. Conclusions on Model Fit	535
6.2. Implications	538
6.2.1. Implications for Managers	538
6.2.2.1. Organizational Orientation	540
6.2.2.2. Strategic Orientation	541
6.2.2.3. Organizational Culture	543
6.2.2.4. Organizational Capabilities	545
6.2.2.5. Organizational Form	545
6.2.2.6. Organizational Innovation, Organizational Learning, and Market-Related Factors	546
6.2.2. Implications for Researchers	548
6.3. Suggestions for Future Research	550
6.4. Concluding Remark	553
BIBLIOGRAPHY	555
APPENDICES	624
APPENDIX 1 - Questionnaire In English	624
APPENDIX 2 -Questionnaire In Turkish	633
APPENDIX 3 -Operational Definition List	642
APPENDIX 4 - List of Firms	644

LIST of FIGURES

Figure 2.1. Antecedents and Consequences of Market Orientation	22
Figure 2.2. A Conceptual Framework of Market Orientation Perspectives	31
Figure 2.3. A Model of Organizational Culture Types	114
Figure 2.4. Classifying Capabilities	131
Figure 2.5. The Range of Marketing Relationships	149
Figure 2.6. Network Organizations	154
Figure 2.7. The Process of Organizational Learning	179
Figure 3.1. Conceptual Model of the Study	197

LIST of TABLES

Table 2.1.	An Overview of the Literature Review	189
Table 3.1.	Operationalization of Production Orientation	200
Table 3.2.	Operationalization of Product Orientation	200
Table 3.3.	Operationalization of Sales Orientation	201
Table 3.4.	Operationalization of Customer Orientation	202
Table 3.5.	Operationalization of Competitor Orientation	202
Table 3.6.	Operationalization of Interfunctional Coordination	202
Table 3.7.	Operationalization of Aggressiveness	204
Table 3.8.	Operationalization of Analysis	204
Table 3.9.	Operationalization of Defensiveness	205
Table 3.10.	Operationalization of Futurity	205
Table 3.11.	Operationalization of Proactiveness	205
Table 3.12.	Operationalization of Riskiness	206
Table 3.13.	Operationalization of Organizational Culture	207
Table 3.14.	Operationalization of Outside-In Capabilities	209
Table 3.15.	Operationalization of Inside-Out Capabilities	210
Table 3.16.	Operationalization of Spanning Capabilities	210
Table 3.17.	Operationalization of Organizational Form	212
Table 3.18.	Operationalization of Organizational Innovation	213
Table 3.19.	Operationalization of Information Acquisition	215
Table 3.20.	Operationalization of Information Dissemination	215
Table 3.21.	Operationalization of Shared Interpretation	216
Table 3.22.	Operationalization of Market Turbulence	217
Table 3.23.	Operationalization of Competitive Intensity	217
Table 3.24.	Operationalization of Technological Turbulence	218
Table 3.25.	Operationalization of Market Growth	219
Table 3.26.	Operationalization of Organizational Commitment	220
Table 3.27.	Operationalization of Esprit De Corps	220
Table 3.28.	Operationalization of Customer Response: Customer Satisfaction	221
Table 3.29.	Operationalization of Overall Subjective Performance	222
Table 3.30.	Operationalization of Subjective Comparative Performance	223
Table 3.31.	Operationalization of Subjective Performance Compared to Objectives	224
Table 3.32.	Operationalization of Objective Performance	224
Table 4.1.	Results of the Reliability Analysis	311
Table 4.2.	Deleted Items According to Cronbach's Alpha	313
Table 5.1.	Descriptive Results for Organizational Orientation	323
Table 5.2.	Descriptive Results for Strategic Orientation	325
Table 5.3.	Descriptive Results for Organizational Culture	327
Table 5.4.	Descriptive Results for Organizational Capabilities	328
Table 5.5.	Descriptive Results for Organizational Form	329
Table 5.6.	Valid Percents for Organizational Form	330
Table 5.7.	Descriptive Results for Organizational Innovation	332
Table 5.8.	Descriptive Results for Organizational Learning	333
Table 5.9.	Descriptive Results for Market Turbulence	335
Table 5.10.	Descriptive Results for Competitive Intensity	336
Table 5.11.	Descriptive Results for Technological Turbulence	336

Table 5.12.	Descriptive Results for Market Growth	336
Table 5.13.	Valid Percents for Market Growth	335
Table 5.14.	Descriptive Results for Employee Responses	337
Table 5.15.	Descriptive Results for Customer Satisfaction	339
Table 5.16.	Valid Percents for Customer Satisfaction	339
Table 5.17.	Descriptive Results for Comparative Performance	342
Table 5.18.	Descriptive Results for Performance Compared to Objectives	342
Table 5.19.	Descriptive Results for Overall Performance	342
Table 5.20.	Descriptive Results for Total Perceived Performance	342
Table 5.21.	Descriptive Results for the Sector of the Business Unit	343
Table 5.22.	Descriptive Results for the Served Market of the Business Unit	343
Table 5.23.	Descriptive Results for the Operational Area	344
Table 5.24.	Descriptive Results for Product/Brand Specification	345
Table 5.25.	Descriptive Results for Number of Full-Time Employees of the Company	345
Table 5.26.	Descriptive Results for Number of Full-Time Employees of the Strategic Business Unit	346
Table 5.27.	Descriptive Results for the Title of the Respondents	346
Table 5.28.	Descriptive Results for Distribution of Capital	347
Table 5.29.	Descriptive Results for Information Collection Methods	348
Table 5.30.	Descriptive Results for Individual Information Collection Methods	349
Table 5.31.	Correlation Analysis of Production, Product and Sales Orientations With Performance Measures	351
Table 5.32.	Correlation Analysis of Market, Customer, Competitor Orientations and Interfunctional Coordination With Performance Measures	352
Table 5.33.	Correlation Analysis of Production, Product and Sales Orientations With Employee Responses Measures	353
Table 5.34.	Correlation Analysis of Market, Customer, Competitor Orientations and Interfunctional Coordination With Employee Responses Measures	354
Table 5.35.	Correlation Analysis of Production, Product and Sales Orientations With Customer Satisfaction	356
Table 5.36.	Correlation Analysis of Market, Customer, Competitor Orientations and Interfunctional Coordination With Customer Satisfaction	356
Table 5.37.	Fisher's Z Values for Low Organizational Innovation vs. High Organizational Innovation for Production, Product, Sales Orientation and Performance Dimensions	358
Table 5.38.	Fisher's Z Values for Low Organizational Innovation vs. High Organizational Innovation for Market Orientation and Performance Dimensions	359
Table 5.39.	Fisher's Z Values for Low Organizational Learners vs. High Organizational Learners for Production, Product, Sales Orientation and Performance Dimensions	361
Table 5.40.	Fisher's Z Values for Low Organizational Learners vs. High Organizational Learners for Market Orientation and Performance Dimensions	362
Table 5.41.	Fisher's Z Values for Market Related Factors for Production Orientation and Performance Dimensions	365

Table 5.42.	Fisher's Z Values for Market Related Factors for Product Orientation and Performance Dimensions	367
Table 5.43.	Fisher's Z Values for Market Related Factors for Sales Orientation and Performance Dimensions	368
Table 5.44.	Fisher's Z Values for Market Related Factors for Market Orientation and Performance Dimensions	369
Table 5.45.	Correlation Analysis of Aggressiveness With Performance Measures	375
Table 5.46.	Correlation Analysis of Analysis With Performance Measures	376
Table 5.47.	Correlation Analysis of Defensiveness With Performance Measures	376
Table 5.48.	Correlation Analysis of Futurity With Performance Measures	377
Table 5.49.	Correlation Analysis of Proactiveness With Performance Measures	377
Table 5.50.	Correlation Analysis of Riskiness With Performance Measures	378
Table 5.51.	Correlation Analysis of Aggressiveness With Employee Responses	379
Table 5.52.	Correlation Analysis of Analysis With Employee Responses	379
Table 5.53.	Correlation Analysis of Defensiveness With Employee Responses	380
Table 5.54.	Correlation Analysis of Futurity With Employee Responses	380
Table 5.55.	Correlation Analysis of Proactiveness With Employee Responses	380
Table 5.56.	Correlation Analysis of Riskiness With Employee Responses	381
Table 5.57.	Correlation Analysis of Strategic Orientation Dimensions With Customer Satisfaction	382
Table 5.58.	Fisher's Z Values for Low Organizational Innovation vs. High Organizational Innovation for Aggressiveness, Analysis, Defensiveness, Futurity, Proactiveness And Riskiness Orientations and Performance Dimensions	383
Table 5.59.	Fisher's Z Values for Low Organizational Learners vs. High Organizational Learners for Aggressiveness, Analysis, Defensiveness, Futurity, Proactiveness And Riskiness Orientations and Performance Dimensions	386
Table 5.60.	Fisher's Z Values for Market Related Factors for Aggressiveness Orientation and Performance Dimensions	389
Table 5.61.	Fisher's Z Values for Market Related Factors for Analysis Orientation and Performance Dimensions	391
Table 5.62.	Fisher's Z Values for Market Related Factors for Defensiveness Orientation and Performance Dimensions	393
Table 5.63.	Fisher's Z Values for Market Related Factors for Futurity Orientation and Performance Dimensions	396
Table 5.64.	Fisher's Z Values for Market Related Factors for Proactiveness Orientation and Performance Dimensions	398
Table 5.65.	Fisher's Z Values for Market Related Factors for Riskiness Orientation and Performance Dimensions	400
Table 5.66.	Correlation Analysis of Market Culture With Performance Measures	402
Table 5.67.	Correlation Analysis of Adhocracy Culture With	

	Performance Measures	402
Table 5.68.	Correlation Analysis of Hierarchy Culture With Performance Measures	403
Table 5.69.	Correlation Analysis of Clan Culture With Performance Measures	403
Table 5.70.	Correlation Analysis of Market Culture With Employee Responses	404
Table 5.71.	Correlation Analysis of Adhocracy Culture With Employee Responses	404
Table 5.72.	Correlation Analysis of Hierarchy Culture With Employee Responses	405
Table 5.73.	Correlation Analysis of Clan Culture With Employee Responses	405
Table 5.74.	Correlation Analysis of Organizational Culture Types With Customer Satisfaction	406
Table 5.75.	Fisher's Z Values for Low Organizational Innovation vs. High Organizational Innovation for Market, Adhocracy, Hierarchy and Clan Culture Types and Performance Dimensions	407
Table 5.76.	Fisher's Z Values for Low Organizational Learners vs. High Organizational Learners for Market, Adhocracy, Hierarchy and Clan Culture Types and Performance Dimensions	409
Table 5.77.	Fisher's Z Values for Market Related Factors for Market Culture and Performance Dimensions	412
Table 5.78.	Fisher's Z Values for Market Related Factors for Adhocracy Culture and Performance Dimensions	414
Table 5.79.	Fisher's Z Values for Market Related Factors for Hierarchy Culture and Performance Dimensions	416
Table 5.80.	Fisher's Z Values for Market Related Factors for Clan Culture and Performance Dimensions	418
Table 5.81.	Correlation Analysis of Outside-In Capabilities With Performance Measures	420
Table 5.82.	Correlation Analysis of Inside-Out Capabilities With Performance Measures	420
Table 5.83.	Correlation Analysis of Spanning Capabilities With Performance Measures	421
Table 5.84.	Correlation Analysis of Outside-In Capabilities With Employee Responses	422
Table 5.85.	Correlation Analysis of Inside-Out Capabilities With Employee Responses	422
Table 5.86.	Correlation Analysis of Spanning Capabilities With Employee Responses	423
Table 5.87.	Correlation Analysis of Organizational Capabilities Dimensions With Customer Satisfaction	424
Table 5.88.	Fisher's Z Values for Low Organizational Innovation vs. High Organizational Innovation for Outside-In, Inside-Out and Spanning Capabilities and Performance Dimensions	425
Table 5.89.	Fisher's Z Values for Low Organizational Learners vs. High Organizational Learners for Outside-In, Inside-Out and Spanning Capabilities and Performance Dimensions	427

Table 5.90.	Fisher's Z Values for Market Related Factors for Outside-In Capabilities and Performance Dimensions	429
Table 5.91.	Fisher's Z Values for Market Related Factors for Inside-Out Capabilities and Performance Dimensions	432
Table 5.92.	Fisher's Z Values for Market Related Factors for Spanning Capabilities and Performance Dimensions	434
Table 5.93.	Correlation Analysis of Hierarchical Form With Performance Measures	437
Table 5.94.	Correlation Analysis of Transactional Form With Performance Measures	437
Table 5.95.	Correlation Analysis of Relational Form With Performance Measures	438
Table 5.96.	Correlation Analysis of Network Form With Performance Measures	438
Table 5.97.	Correlation Analysis of Hierarchical Form With Employee Responses	439
Table 5.98.	Correlation Analysis of Transactional Form With Employee Responses	440
Table 5.99.	Correlation Analysis of Relational Form With Employee Responses	440
Table 5.100.	Correlation Analysis of Network Form With Employee Responses	441
Table 5.101.	Correlation Analysis of Organizational Form Dimensions With Customer Satisfaction	442
Table 5.102.	Fisher's Z Values for Low Organizational Innovation vs. High Organizational Innovation for Hierarchical, Transactional, Relational, Network Form Types and Performance Dimensions	443
Table 5.103.	Fisher's Z Values for Low Organizational Learners vs. High Organizational Learners for Hierarchical, Transactional, Relational, Network Form Types and Performance Dimensions	445
Table 5.104.	Fisher's Z Values for Market Related Factors for Hierarchical Form and Performance Dimensions	447
Table 5.105.	Fisher's Z Values for Market Related Factors for Transactional Form and Performance Dimensions	449
Table 5.106.	Fisher's Z Values for Market Related Factors for Relational Form and Performance Dimensions	451
Table 5.107.	Fisher's Z Values for Market Related Factors for Network Form and Performance Dimensions	453
Table 5.108.	Correlation Analysis of Organizational Innovation With Performance Measures	455
Table 5.109.	Correlation Analysis of Organizational Learning With Performance Measures	455
Table 5.110.	Correlation Analysis of Market Turbulence With Performance Measures	456
Table 5.111.	Correlation Analysis of Competitive Intensity With Performance Measures	456
Table 5.112.	Correlation Analysis of Technological Turbulence With Performance Measures	457
Table 5.113.	Correlation Analysis of Market Growth With Performance Measures	457

Table 5.114.	Regression Analysis Variable Combinations	459
Table 5.115.	Model Fit Statistics About the Relationship Between Organizational Orientation, Strategic Orientation, Organizational Form Types, Moderating Variables and Overall Performance	461
Table 5.116.	Model Fit Statistics About the Relationship Between Organizational Orientation, Strategic Orientation, Organizational Form Types, Moderating Variables and Comparative Performance	462
Table 5.117.	Model Fit Statistics About the Relationship Between Organizational Orientation, Strategic Orientation, Organizational Form Types, Moderating Variables and Performance Compared to Objectives	463
Table 5.118.	Model Fit Statistics About the Relationship Between Organizational Orientation, Strategic Orientation, Organizational Form Types, Moderating Variables and Total Perceived Performance	464
Table 5.119.	Model Fit Statistics About the Relationship Between Organizational Orientation Types, Strategic Orientation, Organizational Form Types, Moderating Variables and Total Perceived Performance	465
Table 5.120.	Model Fit Statistics About the Relationship Between Organizational Orientation, Strategic Orientation, Organizational Form Types, Moderating Variables and Employee Responses	466
Table 5.121.	Model Fit Statistics About the Relationship Between Organizational Orientation, Strategic Orientation, Organizational Form Types, Moderating Variables and Organizational Commitment	467
Table 5.122.	Model Fit Statistics About the Relationship Between Organizational Orientation, Strategic Orientation Types, Organizational Form Types, Moderating Variables and Organizational Commitment	468
Table 5.123.	Model Fit Statistics About the Relationship Between Organizational Orientation, Strategic Orientation, Organizational Form Types, Moderating Variables and Esprit de Corps	469
Table 5.124.	Model Fit Statistics About the Relationship Between Organizational Orientation, Strategic Orientation, Organizational Form Types, Moderating Variables and Customer Satisfaction	470
Table 5.125.	Model Fit Statistics About the Relationship Between Organizational Orientation, Strategic Orientation Types, Organizational Form Types, Moderating Variables and Customer Satisfaction	471
Table 6.1.	Relationships Between Dimensions of Organizational Orientation and Performance Measures	476
Table 6.2.	Relationships Between Dimensions of Organizational Orientation and Employee Responses	479
Table 6.3.	Relationships Between Dimensions of Organizational Orientation and Customer Satisfaction	481
Table 6.4.	Relationships Between Organizational Innovation and Organizational Performance	483
Table 6.5.	Relationships Between Organizational Learning and Organizational Performance	484
Table 6.6.	Relationships Between Market Related Factors and Organizational Performance	485
Table 6.7.	Moderating Effects of Organizational Innovation on Organizational Orientation and Performance Relationships	486
Table 6.8.	Relationships Between Organizational Orientation Dimensions and Performance Measures for Low and High Organizational	

	Innovation	487
Table 6.9.	Moderating Effects of Market Related Factors on Organizational Orientation and Performance Relationships	489
Table 6.10.	Relationships Between Organizational Orientation Dimensions and Performance Measures for Low and High Market Turbulence Groups	491
Table 6.11.	Relationships Between Organizational Orientation Dimensions and Performance Measures for Low and High Competitive Intensity Groups	493
Table 6.12.	Relationships Between Organizational Orientation Dimensions and Performance Measures for Low and High Market Growth Groups	494
Table 6.13.	Relationships Between Dimensions of Strategic Orientation and Performance Measures	496
Table 6.14.	Relationships Between Dimensions of Strategic Orientation and Employee Responses	499
Table 6.15.	Relationships Between Dimensions of Strategic Orientation and Customer Satisfaction	501
Table 6.16.	Moderating Effects of Organizational Learning on Strategic Orientation and Performance Relationships	502
Table 6.17.	Relationships Between Strategic Orientation Dimensions and Performance Measures for Low and High Organizational Learners	503
Table 6.18.	Moderating Effects of Market Related Factors on Strategic Orientation and Performance Relationships	504
Table 6.19.	Relationships Between Strategic Orientation Dimensions and Performance Measures for Low and High Market Turbulence Groups	505
Table 6.20.	Relationships Between Strategic Orientation Dimensions and Performance Measures for Low and High Competitive Intensity Groups	507
Table 6.21.	Relationships Between Strategic Orientation Dimensions and Performance Measures for Low and High Technological Turbulence Groups	508
Table 6.22.	Relationships Between Strategic Orientation Dimensions and Performance Measures for Low and High Market Growth Groups	509
Table 6.23.	Relationships Between Organizational Culture Types and Performance Measures	511
Table 6.24.	Relationships Between Organizational Culture Types and Employee Responses	512
Table 6.25.	Relationships Between Organizational Culture Types and Customer Satisfaction	514
Table 6.26.	Moderating Effects of Organizational Innovation on Organizational Culture Types and Performance Relationships	514
Table 6.27.	Relationships Between Organizational Culture Types and Performance Measures for Low and High Organizational Innovation	515
Table 6.28.	Moderating Effects of Organizational Learning on Organizational Culture Types and Performance Relationships	516
Table 6.29.	Relationships Between Organizational Culture Types and Performance Measures for Low and High Organizational Learners	516

Table 6.30.	Moderating Effects of Market Related Factors on Organizational Culture Types and Performance Relationships	517
Table 6.31.	Relationships Between Organizational Culture Types and Performance Measures for Low and High Competitive Intensity Groups	518
Table 6.32.	Relationships Between Organizational Culture Types and Performance Measures for Low and High Market Growth Groups	519
Table 6.33.	Relationships Between Organizational Capabilities and Performance Measures	520
Table 6.34.	Relationships Between Organizational Capabilities and Employee Responses	521
Table 6.35.	Relationships Between Organizational Capabilities and Customer Satisfaction	522
Table 6.36.	Moderating Effects of Market Related Factors on Organizational Capabilities and Performance Relationships	524
Table 6.37.	Relationships Between Organizational Capabilities and Performance Measures for Low and High Technological Turbulence Groups	525
Table 6.38.	Relationships Between Organizational Capabilities and Performance Measures for Low and High Market Growth Groups	526
Table 6.39.	Relationships Between Organizational Form Types and Performance Measures	527
Table 6.40.	Relationships Between Organizational Form Types and Employee Responses	528
Table 6.41.	Moderating Effects of Organizational Innovation on Organizational Form Types and Performance Relationships	529
Table 6.42.	Relationships Between Organizational Form Types and Performance Measures for Low and High Organizational Innovation	530
Table 6.43.	Moderating Effects of Organizational Learning on Organizational Form Types and Performance Relationships	530
Table 6.44.	Relationships Between Organizational Form Types and Performance Measures for Low and High Organizational Learners	531
Table 6.45.	Moderating Effects of Market Related Factors on Organizational Form Types and Performance Relationships	532
Table 6.46.	Relationships Between Organizational Form Types and Performance Measures for Low and High Market Turbulence Groups	533
Table 6.47.	Relationships Between Organizational Form Types and Performance Measures for Low and High Competitive Intensity Groups	533
Table 6.48.	Relationships Between Organizational Form Types and Performance Measures for Low and High Technological Turbulence Groups	534
Table 6.49.	Relationships Between Organizational Form Types and Performance Measures for Low and High Market Growth Groups	534

LIST of SYMBOLS

$n =$	Sample size
$s =$	Standard deviation
$E =$	Standard error (precision)
$Z =$	Z value
$\Pi =$	Population proportion
Fisher's $Z =$	Fisher's Z value
$r =$	Pearson correlation coefficient
$H =$	Hypothesis
$R =$	Correlation between observed and predicted values of the dependent variable.
$R^2 =$	Proportion of variance of the dependent variable that is explained by the proposed regression model.
$F =$	F statistics for One-way ANOVA analysis
$b =$	The impact of each independent variable on the dependent variable in the regression model
$t =$	t statistics
$p =$	Significance of t statistics
$\% =$	Percentage

(entrepreneurial and competitive cultures) perform better than those that are more closed and inward-looking (consensual and bureaucratic culture). Deshpande and Farley (1999) found that entrepreneurial cultures are more important predictors of good performance for Indian firms, whereas competitive cultures are more important for Japanese firms.

Fey and Denison (2003) examined the link between organizational culture and effectiveness for foreign-owned firms operating in Russia. Fey and Denison (2003) used the model of organizational culture and effectiveness developed by Denison and his colleagues (Denison 1984, 1990, 1996, 2003; Denison and Mishra 1995, 1998; Denison and Neale 1996; Denison et.al. 2002). This framework is based on four cultural traits of effective organizations. These traits are involvement, consistency, adaptability and mission. Involvement refers to the commitment of the employees to the organization. Consistency refers to the stability and internal integration in an organization resulting from a common mindset. Adaptability means that organizations should be driven by their customers, take risks and learn from their mistakes and have the capability and experience at creating change. Finally, mission is the sense of purpose and direction, defining goals and strategic objectives, and expressing a vision of the future (Fey and Denison 2003).

Fey and Denison (2003) studied 179 foreign firms operating in Russia and also 94 U.S. firms. It is found that adaptability and involvement traits of organizational culture seem to be the most important determinants of effectiveness and overall performance in the Russian context. These results contrast with the results for the U.S. data. In the U.S., mission is the organizational culture trait most highly

I. INTRODUCTION

Organizational issues are getting more and more important for the agenda on the future of marketing. Marketing scholars recently began to highlight the implications of an organizationally embedded view of marketing for the future of marketing theory and practice (Srivastava, Shervani and Fahey 1999). It is argued that marketers committed to enhancing both theory and practice must confront widely noted but largely neglected challenge in the marketing literature: connecting marketing to organization-wide business processes (Webster 1992). As Day (1997) pointed out, the contribution and status of marketing within an organization will be determined partly by the role marketing plays for the direction and integration of business processes and by its inevitable interaction with organizational issues.

Topics that touch on these organizational issues include:

- **The effects of organizational orientation on business performance with concentrating focus specifically on market orientation** (Lings 2004; Bigne, Blesa, Küster and Andreu 2004; Cadogan, Cui, and Li 2003; Nielsen, Host, Jaensson, Kock and Selnes 2003; Kennedy, Goolsby and Arnould 2003; Farrelly and Quester 2003; Pulendran, Speed and Widing II 2003; Hooley, Fahy, Greenley, Beracs, Fonfara and Snoj 2003; Sin, Tse, Yau, Chow and Lee 2003; Tregear 2003; Jones, Busch and Dacin 2003; Tse, Sin, Yau, Lee and Chow 2003; Liu, Luo and Shi 2003; Gray and Hooley 2002; Matsuno, Mentzer and Özsoymer 2002; Guo 2002; Perry and Shao 2002; Cicic, Patterson and Shoham 2002; Cadogan, Sundqvist, Salminen and Puumalainen 2002; Vazquez, Alvarez and

Santos 2002; Esteban, Millan, Molina and Martin-Consuegra 2002; McNaughton, Osborne and Imrie 2002; Rose and Shoham 2002; Piercy, Harris and Lane 2002; Ottesen and Gronhaug 2002; Conduit and Mavondo 2001; Harris and Ogbonna 2001a, 2001b; Lafferty and Hult 2001; Cervera, Molla and Sanchez 2001; Harris 2001; Subramanian and Gopalakrishna 2001; Webb, Webster and Krepapa 2000; Wood, Bhuian and Kiecker 2000; Hooley, Cox, Fahy, Shipley, Beracs, Fonfara and Snoj 2000; Harris and Ogbonna 2000; Yau, McFetridge, Chow, Lee, Sin and Tse 2000; Akimova 2000; Slater and Narver 2000; Kumar, Subramanian and Yauger 1998; Ngai and Ellis 1998; Balabanis, Stables and Phillips 1997; Balabanis, Stables and Phillips 1997; Jaworski and Kohli 1996; Pelham and Wilson 1996; Pitt, Caruana and Berthon 1996; Raju, Lonial and Gupta 1995; Greenley 1995b; Slater and Narver 1994a, 1994b; Jaworski and Kohli 1993; Diamantopoulos and Hart 1993; Wong and Saunders 1993; Kohli and Jaworski 1990; Narver and Slater 1990);

- **The conceptualization of strategic orientation and its effect on business performance** (Beer and Eisenstat 2004; Washington and Ventresca 2004; Camelo-Ordaz, Martin-Alcazar and Valle-Cabrera 2003; Benedetto and Song 2003; Morgan and Strong 2003; Rogers and Bamford 2002; Matsuno and Mentzer 2000; Voss and Voss 2000; Morgan and Strong 1998; Gatignon and Xuereb 1997; Tan and Litschert 1994; Speed 1993; Golden 1992; Ruekert 1992; Venkatraman 1989; Hambrick 1983, 1982);

- **The centrality of organizational culture to marketing management** (Denison, Haaland and Goelzer 2004; Naude, Desai and Murphy 2003; Fey and Denison 2003; Dwyer, Richard and Chadwick 2003; Kasper 2002; Gagliardi 2002; Putnam 2002; Wilson 2001; Homburg and Pflesser 2000; Denison 2000; Harris 2000; Harris and Ogbonna 1999; Deshpande and Farley 1999; Harris 1998; Deshpande, Farley and Webster 1993; Hatch 1993; Hofstede, Neuijen, Ohayv and Sanders 1990; Deshpande and Webster 1989; Deshpande and Parasuraman 1986; Hofstede 1986);
- **The identification of core capabilities of market-driven firms** (Benedetto and Song 2003; Grewal and Tansuhaj 2001; Vorhies, Harker and Rao 1999; Moorman and Slotegraaf 1999; Tuominen, Moller and Rajala 1997; Grant 1996; Day 1994, 1993);
- **The importance of organizational forms for marketing organizations** (Gerwin and Ferris 2004; Kallinikos 2003; Helfert, Ritter and Walter 2002; Veloutsou, Saren and Tzokas 2002; Kendrick and Carroll 2001; McKendrick and Carroll 2001; Osterloh and Frey 2000; Osterloh and Frey 2000; Polos, Hannan, Peli and Carroll 1998; Osborn and Hagedoorn 1997; Piercy and Cravens 1995; Webster 1992; Romanelli 1991; Achrol 1991; Powell 1990; Miles and Snow 1986; Thorelli 1986);
- **The creation of learning organizations** (Owen-Smith and Powell 2004; Bertschek and Kaiser 2004; Holmqvist 2004; Ballantyne 2004; Beck and Kieser 2003; Holmqvist 2003; James 2003; Hult, Ferrell and Hurley 2002; Kasper 2002;

Tsoukas and Vladimirou 2001; Thomas, Sussman and Henderson 2001; Williams 2001; Chaston, Badger and Sadler-Smith 2000; Levin 2000; Hurley and Hult 1998; Slater and Narver 1995; Sinkula 1994; Pennings, Barkema and Douma 1994; Dixon 1992; Lawson and Ventriss 1992; Lee, Courtney and O'Keefe 1992; Huber 1991; Simon 1991; Levitt and March 1988; Fiol and Lyles 1985);

- **The importance of organizational innovation** (Shane and Ulrich 2004; Ritter and Gemünden 2003; Darroch and McNaughton 2003; Atuahene-Gima and Ko 2001; Hurley and Hult 1998; Atuahene-Gima 1996; Drazin and Schoonhoven 1996; Damanpour 1991; Damanpour 1987; Kimberly and Evanisko 1981; Daft 1978);

It is believed that the interconnectedness of various organizational issues with marketing is the key concept for today's organizations and this interaction is critically important for both academicians and practitioners raising a need for further research. Within this perspective, this study is an attempt for the presentation of an integrated framework for marketing in an organizational setting.

1.1. The Scope and Objectives of the Study

The main objective of this study is to present an integrated theoretical model for marketing in an organizational setting. This model attempts to take the major components and variables into account in order to establish as Srivastava, Shervani and Fahey (1999, p. 168) stated 'an organizationally embedded view of marketing.'

The components of the theoretical model are brought together from mainly the studies of Daft (1978), Damanpour (1991), Day (1993, 1994), Deshpande and Farley (1999), Deshpande, Farley and Webster (1993), Fiol and Lyles (1985), Gatignon and Xuereb (1997), Hurley and Hult (1998), Jaworski and Kohli (1993, 1996), Kohli and Jaworski (1990), Kohli, Jaworski and Kumar (1993), Kotler (2002), Matsuno and Mentzer (2000), Miles and Snow (1986), Morgan and Strong (1998), Narver and Slater (1990), Powell (1990), Sinkula (1994), Slater and Narver (1994a, 1995), and Webster (1992).

The components of the model can be investigated in three sets. The first set includes organizational dimensions that are organizational orientation, strategic orientation, organizational culture, organizational capabilities and organizational form.

The second part focuses on the consequences created by these organizational dimensions. Since the survival of an organization is dependent upon its business performance results and the well-being of its internal and external customers; these consequences are taken to be organizational performance, employee responses and customer responses.

The final set analyzes the moderating factors of the relations between organizational dimensions and their consequences operationalized as organizational performance, employee and customer responses. This final set thereby includes moderating variables of organizational innovation and organizational learning together with a bundle of market related factors; namely market turbulence, competitive intensity, technological turbulence and market growth.

Specifically, this thesis addresses the following research questions:

1- What is the relationship between each of the organizational dimensions of:

- organizational orientation,
- strategic orientation,
- organizational culture,
- organizational capabilities
- organizational form

and the consequences created by these dimensions:

- organizational performance
- employee responses
- customer responses

2- What is the relationship between

- organizational innovation
- organizational learning
- market turbulence
- competitive intensity
- technological turbulence
- market growth and organizational performance

3- Is the relationship between organizational dimensions (organizational orientation, strategic orientation, organizational culture, organizational capabilities and organizational form) and organizational performance moderated by

- organizational innovation
- organizational learning

4- Is the relationship between organizational dimensions (organizational orientation, strategic orientation, organizational culture, organizational capabilities and

organizational form) and organizational performance moderated by market related factors, namely by

- market turbulence
- competitive intensity
- technological turbulence
- market growth.

1.2. Outline of the Study

Following the introduction part, a comprehensive literature review will be presented in the second chapter. This literature review attempts to bring out both the theoretical and the empirical studies about the selected organizational issues; namely organizational orientation with specific focus on market orientation, strategic orientation, organizational culture, organizational capabilities, organizational form, organizational innovation, and organizational learning while the concept of 'marketing' is always embedded in each of these organizational issues. Most of the empirical studies covered in this literature survey try to analyze the effects of these concepts on business performance, employee responses and customer responses while sometimes trying to establish the moderating variables of these relationships.

The third chapter will give the conceptual model, the operationalization of the variables and the hypotheses of the empirical study. After this section, research design and methodology will be discussed in detail in the fourth chapter. Limitations of the study will be covered also in this chapter. The fifth chapter will present the findings of the field study. The statistical results of the hypotheses tested will be discussed in this chapter.

Finally, the conclusions drawn from the findings and the implications of the study will be pointed out in the sixth chapter.

II. LITERATURE REVIEW

This section will present the literature on organizational orientation, strategic orientation, organizational culture, organizational capabilities, organizational form, organizational innovation and organizational learning. Market related factors, namely market turbulence, competitive intensity, technological turbulence and market growth are covered within the market orientation framework that is presented in the organizational orientation part. In the same way, literature on organizational performance, employee responses and customer responses is covered within the domain of market orientation.

2.1. ORGANIZATIONAL ORIENTATION

Whether viewed as a discipline, function, or set of specific activities, marketing scholars long have held that the core objective of marketing is to attract and retain customers. To do so requires that the organization provides superior value to customers compared with current and potential rivals. But to achieve this goal, the organization must design and execute many work practices, most commonly referred to as 'business or operating processes' (Davenport 1993), that go considerably beyond those practices traditionally viewed as falling within the domain or control of the marketing function. These processes demand an integration of a sequence of related work tasks to accomplish organizational goals (Srivastava, Shervani and Fahey 1999). Clearly, as Kotler (2002) has pointed out these processes should be carried out under a well-thought philosophy of marketing.

Kotler (2002, p.16) defined marketing management as the 'conscious effort to achieve desired exchange outcomes with target markets.' The philosophy guiding a company's marketing efforts, relative weights given to the interests of the organization, the customers and the society determine the organization's orientation toward the marketplace. Parallel to Kotler's (2002) views, Noble, Sinha and Kumar (2002) conceptualized organizational orientation as the representative elements of the organization's culture that guide interactions with the marketplace both with customers and competitors.

Within this perspective, Kotler (2002) pointed out that there are five competing organizational orientations underlying business processes. These are:

- Production orientation,
- Product orientation,
- Sales orientation,
- Market orientation,
- Societal marketing orientation.

2.1.1. Production Orientation

The production orientation holds that consumers will prefer products that are widely available and inexpensive. Production-oriented businesses concentrate on achieving high production efficiency, low costs, and mass distribution. The assumption underlying this orientation is that consumers are primarily interested in product availability and low prices (Kotler 2002).

Some firms may follow a production orientation, based on the belief that production efficiencies, cost minimization, and mass distribution can be used effectively to deliver quality goods and services to the consumer at attractive prices (Noble, Sinha and Kumar 2002). From a theoretical perspective, production orientation is based on early work in transaction cost economics that describe the incentives available to firms that deliver fixed output through lowered production costs. Although most firms practicing this approach pass a portion of the profit margin advantage on to customers in the form of lower prices, a portion is also typically retained by the firm, which results in economic rents and superior financial performance (Noble, Sinha and Kumar 2002).

Kotler (2002) indicates that production orientation makes sense in developing countries, where consumers are more interested in obtaining the product than in its features. It is also used when a company wants to expand the market. Some service organizations also operate under the production orientation. Many medical and dental practices are organized on assembly-line principles, as are some government agencies such as unemployment offices and license bureaus.

Noble, Sinha and Kumar (2002) gave the examples of the successful businesses employing this orientation. For example, eMachines has focused almost exclusively on efficiency and cost minimization to produce personal computers at a substantial cost and price advantage compared with the competition. Maximizing customer satisfaction regarding features, durability, and customization is not the central motivator in this firm's marketing efforts, yet the relatively new company has made substantial inroads in winning market share from established industry leaders.

EMachines, as well as companies such as Supercuts, the ultra-quick hair cutting salon; McDonald's; and Southwest Airlines follow to varying degrees what has been described as a production orientation. As suggested by these examples, production orientation has been successfully applied in industries beyond the traditional manufacturing setting (Noble, Sinha and Kumar 2002).

Although this organizational orientation can handle many cases per hour, it is open to charges of impersonal and poor-quality service (Kotler 2002). The trade-offs inherent in this approach include a reduced ability to maximize customer satisfaction and, in some cases, reduced quality due to the extreme focus on cost minimization (Noble, Sinha and Kumar 2002).

2.1.2. Product Orientation

The product orientation holds that consumers will favor those products that offer the most quality, performance or innovative features. Product-oriented businesses focus on making superior products and improving them over time. The underlying assumption is that buyers admire well-made products and can appraise quality and performance. However, these organizations are sometimes so much interested in their products that they can not realize the market needs. Product-oriented companies often design their products or services with little or no customer input. They trust that their engineers can design exceptional products or services. Very often, they will not even examine competitors' products. The product orientation can lead to marketing myopia (Levitt 1960). Railroad management thought that travelers wanted trains rather than transportation and overlooked the growing competition from airlines, buses, trucks, and automobiles. Colleges, department stores and post offices all

assume that they are offering the public the right product or service and wonder why their sales slip (Kotler 2002). All these organizations become so much involved with their products that they ignore the underlying customer needs that attract the consumers to the product.

2.1.3. Sales Orientation

The sales orientation holds that consumers and businesses, if left alone, will ordinarily not buy enough of the organization's products or services. The organization must, therefore, undertake an aggressive selling and promotion effort. The selling concept assumes that consumers typically show buying inertia or resistance and must be coaxed into buying. It also assumes that the company has a whole battery of effective selling and promotion tools to stimulate more buying (Kotler 2002).

According to Noble, Sinha and Kumar (2002), a sales orientation is based on the view that consumers will purchase more goods and services if aggressive sales and advertising methods are employed. This approach emphasizes short-term sales maximization over long-term relationship building (Lamb, Hair and McDaniel 2000). It is based on the premise that customer hesitancy toward purchase can be overcome through marketing pressures.

The selling orientation is practiced most aggressively with unsought goods, goods that buyers normally do not think of buying such as insurance and encyclopedias. These industries have perfected various sales techniques to locate prospects and hard-sell them on their product's benefits. The selling orientation is also practiced in

the non-profit area by fund-raisers, college admission officers and political parties. Most firms practice the selling concept when they have overcapacity. Their aim is to sell what they make rather than make what the market wants. Time-shared vacation properties, traditional car dealers, and many companies using late-night infomercials might also be classified as demonstrating a selling orientation. Although these examples may in some cases represent the antithesis of a market orientation, Noble, Sinha and Kumar (2002) indicate that some of these firms are quite profitable.

From the perspective of value generation, a selling orientation seems to offer little to the consumer. The high advertising expenditures inherent in this approach do not add to the desired product or service attributes, improve the consequences resulting from use of the product or service, or help consumers better achieve the desired end state they associate with the product or service (Day 1994). To the contrary, the costs generated through this approach should inflate selling prices and thereby reduce a consumer's value perception given a fixed bundle of product or service benefits. From a relationship-building perspective, a selling approach may stimulate short-term sales, but little customer loyalty and repeat business can be expected (Lamb, Hair and McDaniel 2000). Selling orientation carries high risks. It assumes that customers who are coaxed into buying a product will like it; and if they do not, they will not bad-mouth it or complain to consumer organizations and will forget their disappointment and buy it again which will not be the case most of the time (Kotler 2002).

2.1.4. Market Orientation

Market orientation is defined as the implementation of the marketing concept and a market-oriented organization is designated as the one whose actions are consistent with the marketing concept (Kohli and Jaworski 1990). According to Kotler (2002); marketing concept holds that the key to achieving organizational goals consists of the company being more effective than competitors in creating, delivering and communicating customer value to its chosen target markets.

2.1.4.1. The Marketing Concept

A review of the literature between 1955 and 1990 reveals relatively little attention to the marketing concept. The limited research primarily comprises:

- (1) Descriptive work on the extent to which organizations have adopted the concept (Barksdale and Darden 1971; Hise 1965; Lusch, Udell and Laczniak 1976; McNamara 1972),
- (2) Essays about the virtues of the business philosophy (McKitterick 1957; Viebranz 1967),
- (3) Work on the limits of the concept (Houston 1986; Levitt 1969; Tauber 1974), and, to a lesser extent
- (4) Discussion of factors that facilitate or hamper the implementation of the marketing concept (Felton 1959; Lear 1963; Webster 1988; Deshpande and Webster 1989; Houston 1986; Olson 1987; Stampfl 1978; Linden 1987).

Literature provides diverse definitions of the marketing concept. According to Felton (1959), marketing concept refers to a corporate state of mind that insists on the integration and coordination of all the marketing functions for the purpose of

providing maximum long-range corporate profits. In contrast, McNamara (1972) and Barksdale and Darden (1971) see the marketing concept from a broader perspective and define it as a philosophy of business management, based upon a company-wide acceptance of the need for customer orientation, profit orientation and recognition of the important role of marketing in communicating the needs of the market to all major corporate departments. Konopa and Calabro (1971) define marketing concept as the external customer orientation as contrasted to internal preoccupation and orientation around the production function; profit goals as an alternative to sales volume goals; and complete integration of organizational and operational effort.

While customer focus, profits and integration of organizational effort are frequently discussed when the marketing concept is described, the term has become synonymous with having a customer orientation. This can be seen in the definitions provided by McCarthy and Perreault (1984), Kotler (1980), Kotler and Zaltman (1971). According to McCarthy and Perreault (1984), the marketing concept means that an organization aims all its efforts at satisfying its customers at a profit. For Kotler (1980) marketing concept holds that the key to achieving organizational goals consists of determining the needs and wants of the target market. Again Kotler and Zaltman (1971) assert that the marketing concept calls for most of the effort to be spent on discovering the wants of target audience and then creating the goods and services to satisfy them.

According to Kohli and Jaworski (1990), three core themes underlie all these definitions: (1) customer focus, (2) coordinated marketing, (3) profitability and it is

reasonable to conclude that a market oriented company is one in which these three pillars of the marketing concept are operationally manifest.

Keith's article (1960) on the marketing concept is one of the earliest and most popular. It is a descriptive article illustrating the adoption of the marketing concept in an applied setting. In the article, Keith (1960) describes the Pillsbury Company's evolution through three managerial phases, finally reaching what he calls a marketing control phase. His description suggests that movement from the production through the sales and later through the marketing phase has been an evolutionary process which left the organization a stronger entity. Keith (1960) describes the production and sales concepts as inferior and antecedent to marketing concept. Where the marketing concept directs the organization to design its marketing mix only after the needs and wants of current and potential exchange partners have been assessed, production and sales concepts describe the organization that makes an offering available without having tailored it as a result of this information. The sales concept describes an organization which aggressively studies and seeks out exchange partners for already established offerings, whereas the production concept is passive with regard to the marketing concept.

According to Houston (1986), knowing the customer and satisfying him/her has become the focus of the marketing community since Keith's time, yet the marketing concept has not been subjected to formal scrutiny. Houston (1986) attempts to assess the conditions under which the marketing concept offers the proper guidance to the marketer and the conditions under which the marketer should not follow its prescription. Houston's (1986) point is that the marketing concept focuses the

attention of the marketer on the customer but does not tell the marketer to disregard his/her unique capabilities and resources when deciding how to serve the customer's needs and wants best. Kerby (1972) and Tauber (1974) make the point that by looking to customers for guidance in new product research, marketers may fail to take advantage of the creative capabilities of the product research personnel.

Houston (1986) stated that organizations come into being in order to achieve the objectives of their membership and in order to do that organizations, if they are not self-sufficient, should rely on exchange as the means of obtaining compliance with the organization's needs. From that point on, the organization has engaged in marketing (Bagozzi 1975). If, as the marketing concept suggests, organizations are to strive to understand exchange partners and tailor offerings for them, they need information and that information means expenditure for the firm in the form of time, effort and financial expenses. These expenditures represent an increase in the value given up by the organization in any exchange. This added expenditure serves organizational objectives only to the extent that added information increases the value received in the exchange or identifies ways in which the organization can reduce the value it gives up in the exchange. (Houston 1986). Similar to Houston (1986), Hirschman (1983) focuses on the conditions where the application of the marketing concept will not be appropriate. Hirschman (1983) states that the marketing concept as a normative framework is not applicable to two broad classes of producers –artists and ideologists- because of personal values and social norms that characterize the production process.

2.1.4.2. Studies on The Concept of Market Orientation

Concept of market orientation constitutes a cornerstone of both strategic marketing and strategic management (Greenley 1995a). Indeed, since the 1950s academics and practitioners have debated the content, components and consequences of developing an organization dominated by a focus on the market (Kohli and Jaworski 1990). Nevertheless, it was not until the early 1990s that significant advances were made in conceptualizing and operationalizing market orientation constructs (Ruekert 1992; Narver and Slater 1990; Cadogan and Diamantopoulos 1995; Deng and Dart 1994, Kohli and Jaworski 1990; Kohli, Jaworski and Kumar 1993).

The literature review on market orientation reveals that terms like 'market orientation', 'customer orientation' and 'marketing orientation' can be used interchangeably. Some authors uses these term synonymously, while others stress their differences.

Shapiro (1988) and Harris (1998) argue that the terms 'market orientation', 'marketing orientation', 'market driven' and 'close to the customer' are synonymous with few important distinctions. Similarly; Golden, Doney, Johnson and Smith (1995a) and Deshpande, Farley and Webster (1993) use the terms 'marketing orientation' and 'customer orientation' synonymously to denote a company-wide emphasis on assessing and addressing customer needs. They define customer orientation as the set of beliefs that puts the customer's interests first, while not excluding those of all other stakeholders such as owners, managers and employees, in order to develop a long-term profitable enterprise (Day and Wensley 1988). With the same logic; the authors adopting the synonymous usage of the terms market and

customer orientation assert that the primary focus of a market orientation is on creating superior customer value which is based on knowledge derived from customer and competitor analysis (Day 1994; Deshpande, Farley and Webster 1993; Shapiro 1988; Argyris 1994; Sinkula 1994).

Ngai and Ellis (1998) see the terms market orientation and marketing orientation differently. They assert that organizations which engage in marketing purely as a functional strategy are marketing oriented. Market orientation is received when there is a congruency between the functional levels and the underlying organizational culture, when customers are firm's priority of top management and when marketing strategy is a direct extension of corporate strategy and philosophy.

Sharp (1991) makes a strict distinction between market orientation and marketing orientation. Market orientation places great emphasis on market or customer focus and places the customer at the top of corporate organizational chart. Marketing orientation matches company objectives and capabilities with customer needs and wants. That is, marketing orientation requires that management addresses the task of balancing customer needs and wants with company objectives and capabilities. However, market orientation is biased toward the customer side of the coin.

Kohli and Jaworski (1990) prefer the usage of market orientation to marketing orientation. From an information-processing perspective, Kohli and Jaworski (1990) argue that the label 'market orientation' should be adopted instead of 'marketing orientation' since the term implies a broad focus on the market, avoids political overtones and emphasizes interfunctional coordination. They argue that usage of the

term marketing orientation gives extra power to the marketing department and this may increase the potential conflict between the departments.

2.1.4.2.1. The Conceptualizations of Market Orientation

There are two main conceptualizations of market orientation (Avlonitis and Gounaris 1999; Golden, Doney, Johnson and Smith 1995a; Homburg and Pflesser 2000). One of them is the behavioral conceptualization of market orientation; while the other is the philosophical conceptualization of market orientation.

2.1.4.2.1.1. The Behavioral Conceptualization of Market Orientation

Behavioral perspective on marketing orientation sees it primarily as a specific company behavior. The pioneers of this stream of research are Kohli and Jaworski (1990). According to Kohli and Jaworski (1990); market orientation is the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of intelligence across departments and organization wide responsiveness to it. Responsiveness component is defined as being composed of two sets of activities –response design and response implementation. Market intelligence pertains to customers' including both end users and distributors current and future anticipated needs and it includes the analysis of the exogenous factors affecting customer needs like technology, competition, government regulation, etc. Kohli and Jaworski (1990) consistent with Lusch and Laczniak (1987) accept a broader perspective in that additional forces in a market like competition, technology, regulation are considered to belong to the domain of the market orientation construct.

Market intelligence generation can be accomplished not only by customer surveys but also by a host of formal and informal complementary mechanisms like meeting with customers and trade partners, analysis of sales reports, analysis of world-wide customer databases and formal market research such as consumer attitude surveys, and so on. Intelligence generation is not the sole responsibility of the marketing department. Market intelligence must be communicated and disseminated throughout the organization and all departments should be responsive to market intelligence that is being generated and disseminated. Kohli and Jaworski (1993) have developed the following model for the construct of market orientation:

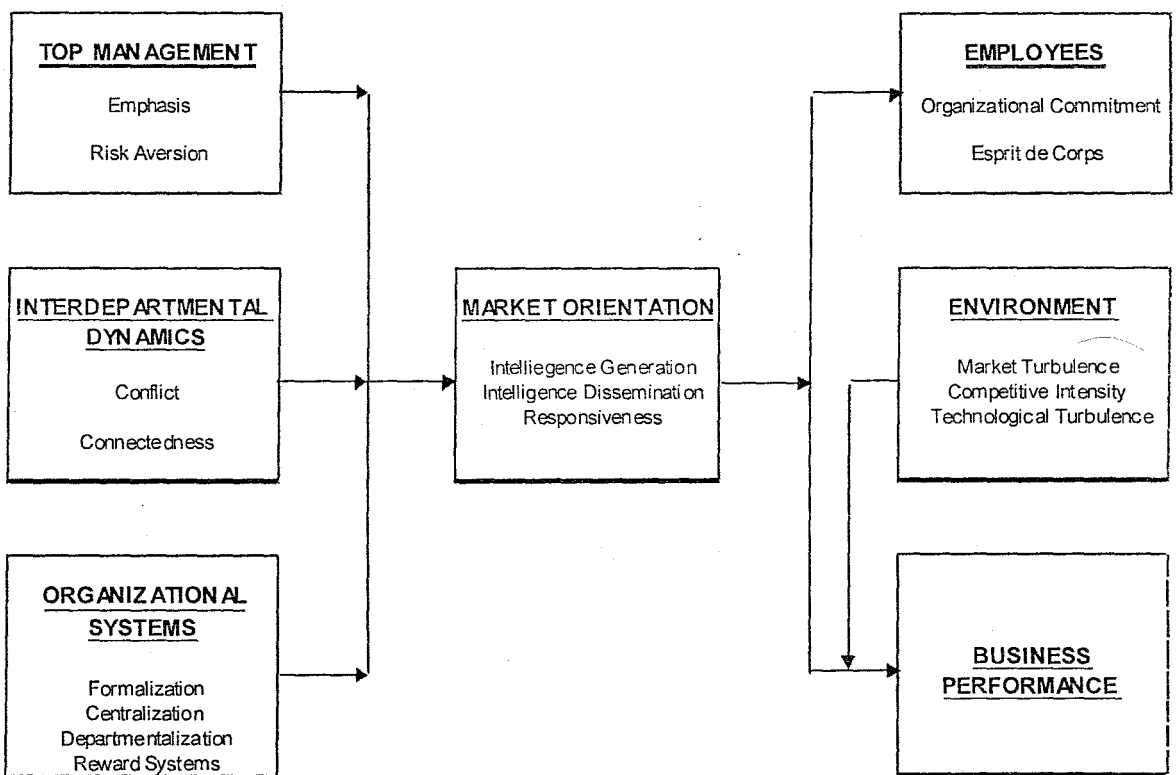


Figure 2.1. Antecedents and Consequences of Market Orientation, (Jaworski and Kohli, 1993, p.55)

Other researchers who adopt the behavioral perspective of market orientation can be presented as follows: Trout and Ries (1985) perceive marketing orientation as an

effort to compile market intelligence upon which the effort to build a competitive advantage is based. In fact, they take it a step further by supporting that customer orientation, although important, is not as crucial as a competitor orientation is, as the latter will enable the company to identify the weaknesses of its competitors and strike them back where they suffer.

Elliot (1987) also adopts a behavioral approach but from a different point. Elliot (1987) suggests that the concept and the philosophy to set a priority to satisfy customers' needs, although important, is insufficient and requires revising. Elliot (1987) proposes that the designing of strategies that are purposed to achieve customer satisfaction should be considered as part of the marketing orientation concept. This strategic-behavioral approach has found acceptance and support by other authors too (Bonoma 1985; Bonoma and Clark 1992). In fact, attempts have been made to explain marketing orientation as the understanding of the significance of marketing for the company. This calls for the development of marketing skills with particular emphasis on the designing and implementation of marketing strategies by the people of the company while, at the same time, emphasis needs to be given on the required changes in the organizational structure and marketing systems of the company (Canning 1989; Kohli and Jaworski 1990). Within this behavioral-strategic approach to marketing orientation, Kohli and Jaworski (1990), as stated above, have set three main priorities for the company which are market intelligence collection, market intelligence dissemination and responsiveness to intelligence.

2.1.4.2.1.2. The Philosophical Conceptualization of Market Orientation

The other perspective on market orientation stresses the philosophical nature of the construct. The pioneers of this perspective are Narver and Slater (1990). According to Narver and Slater (1990); an organization must create a sustainable competitive advantage if it wants to achieve consistently above-normal market performance. This means creating sustainable superior value for customers. The desire to create superior value for customers and attain sustainable competitive advantage drives a business to create and maintain the culture that will produce the necessary behaviors. Market orientation is the 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 (Webster 1988; Shapiro 1988). Narver and Slater (1990) assert that market orientation consists of three behavioral components: Customer orientation, competitor orientation and interfunctional coordination and two decisional criteria: long-term focus and profitability.

Customer and competitor orientation include all of the activities involved in acquiring information about the buyers and competitors in the target market and disseminating it throughout the business. Interfunctional coordination is based on the customer and competitor information and comprises the business's coordinated efforts, typically involving more than the marketing department, to create superior value for customers.

Other researchers seeing market orientation from the philosophical perspective as an organizational culture are presented as follows: Drucker (1954) stated that marketing is not a specific company activity. Rather it involves the entire organization viewed

from the customers' point. Similarly, Felton (1959) has also described marketing orientation giving, too, attitudinal qualities to the concept. More specifically, Felton (1959) approached it as a way of thinking in doing business that is based on the integration and coordination of all marketing activities which, in turn, will integrate with the rest of the company activities in an effort to maximize long-term profitability. Much later, at the 1990 Marketing Science Institute (MSI) conference on 'Organizing to Become Market Driven', Cespedes (1990) used marketing organization to describe the functional department of the company that executes marketing related activities while the concept of marketing was identified with a certain way of thinking concerning the company's priorities and goals.

Webster (1990, 1991, 1992, 1993) refined a measure of marketing culture which is defined as the way marketing things are done in the firm. It is the pattern of shared values and beliefs that helps individuals understand the marketing function and thus provides them with norms for behavior in the firm. Vorhies, Harker and Rao (1999) assert that a market orientation is a cultural orientation that focuses the firm's efforts on understanding the market and on developing strategies in response to market opportunities and threats.

Homburg and Pflesser (2000), conceptualized market orientation as an organizational culture including the four components of (1) organization-wide shared basic values supporting market orientation, (2) organization-wide norms for market orientation, (3) perceptible artifacts of market orientation and (4) market oriented behaviors.

Deshpande et.al. (1993) view a market oriented culture as an assortment of beliefs and attitudes which emphasize customer sovereignty.* All of these approach marketing orientation as a company philosophy. Others have also developed and stated similar views (Deshpande et.al.1993, Deshpande and Webster 1989; Houston 1986; Dixon 1990; Slater and Narver 1994a; 1994b; 1995; Narver and Slater 1998; Day 1994; Webster 1994a, 1994b; Gray, Matear, Boshoff and Matherson 1998; Schein 1985; Harris 1998; Harris and Ogbonna 1999, 2000; Hatch 1993; Morgan and Strong 1998; Webster 1981; Turner and Spencer 1997).

2.1.4.2.1.3. The Convergence Between the Behavioral and the Philosophical Conceptualizations

Although literature is devoted to the two different perspectives of market orientation, in the recent years a convergence between the two views is also apparent (Deng and Dart 1994). First of all; it is worth emphasizing that work within the cultural perspective, though based on a cultural definition of market orientation, typically has conceptualized and measured market orientation in terms of behaviors (Deshpande et.al. 1993; Narver and Slater 1990; Slater and Narver 1994a).

Narver and Slater (1990), the pioneers of philosophical nature of market orientation, model it as a construct consisting of three behavioral components (customer orientation, competitor orientation and interfunctional coordination). The basic assumption behind this approach is that these behaviors reflect an underlying organizational culture (Narver and Slater 1998). Moreover; Jaworski and Kohli (1996), pioneers of the behavioral approach, studied the differences in the cultural and behavioral definitions of market orientation and concluded that both have merit.

In line with this convergence; Avlonitis and Gounaris (1999) claim that marketing orientation represents a synthesis of attitudes/culture as well as behaviors because unless the company has developed a certain culture, strategies that will aim to maximize its adaptation to the market cannot be designed. On the other hand, strategies designed to increase the degree of the company's adaptation to the market can not be actually implemented unless the compulsion to do so is appreciated.

Avlonitis and Gounaris (1999) described market orientation as the combination of

- The company's attitude to perceive market orientation as the company's philosophy, which is grounded on the persistence to analyze and understand the market prior to any action; and
- The company's behavior to collect intelligence about the market, disseminate it company-wide and to design the company's response on the basis of this market-intelligence.

In other words, it would appear that the two main approaches that have been developed and presented above actually complement each other instead of opposing (Pitt et.al. 1996; Ruekert 1992; Deng and Dart 1994).

2.1.4.2.1.4. Contemporary Conceptualizations of Market Orientation

With more recent attention being focused on market orientation, five different major attempts to conceptualize the construct have emerged out of the scattered research (Lafferty and Hult 2001):

- **The Decision-Making Perspective:** Advocates of the decision-making perspective of market orientation are Shapiro (1988), Glazer (1991) and

Glazer and Weiss (1993). Shapiro (1988) conceptualizes market orientation as an organizational decision-making process at the heart of which lie a strong commitment by management to share information interdepartmentally and practice open decision making between functional and divisional personnel. Shapiro (1988) specifies three characteristics that make a company market driven:

- Information on all important buying influences permeates every corporate function,
 - Strategic and tactical decisions are made interfunctionally and interdivisionally,
 - Divisions and functions make well-coordinated decisions and execute them with a sense of commitment.
- **The Market Intelligence Perspective:** The market intelligence perspective has been proposed by Kohli and Jaworski (1990), Jaworski and Kohli (1993, 1996), Kohli et.al. (1993), Maltz and Kohli (1996), Selnes et.al. (1996), Avlonitis and Gounaries (1997), Cadogan and Diamantopoulos (1995), Cadogan et.al. (1998), Hart and Diamantopoulos (1993), Hooley et.al. (1990). Based on the conceptualization of Kohli and Jaworski (1990), market orientation is based on three key elements of intelligence generation, intelligence dissemination and responsiveness.
- **The Culturally Based Behavioral Perspective:** The authors advocating the culturally based behavioral perspective of market orientation are Narver and Slater (1990, 1998), Narver et.al. (1998), Slater and Narver (1992, 1994), Siguaw et.al. (1994), Siguaw and Diamantopoulos (1995), Han et.al. (1998), and Cadogan and Diamantopoulos (1993). Based on the conceptualization of

Narver and Slater (1990), market orientation consists of three behavioral elements of customer orientation, competitor orientation and interfunctional coordination.

- **The Strategic Perspective:** The strategic perspective is proposed by Day (1994), Day and Nedungadi (1994), Gatignon and Xuereb (1997), Morgan and Strong (1998), Moorman (1998), Ruckert (1992), Webster (1992). The pioneer of this perspective is Ruckert (1992) who conceptualized market orientation as the degree to which the business unit obtains and uses information from customers, develops a strategy which will meet customer needs, and implements that strategy by being responsive to customer needs and wants. According to Ruckert (1992), the most critical external environment in developing a market orientation is the customer. The second dimension is the development of a plan of action or a customer focused strategy. In the third dimension, the customer-oriented strategy is implemented and executed by organizational responsiveness to the needs and wants of the marketplace.
- **The Customer Orientation Perspective:** Deshpande and Farley (1998), Deshpande et.al. (1993) and Sigauw et.al. (1994) support the customer orientation perspective of market orientation. Deshpande et.al. (1993) proposed a more divergent view of market orientation suggesting that it is synonymous with customer orientation. More recently this perspective is adopted by Conduit and Mavondo (2001) and Kennedy, Goolsby and Arnould (2003).

These five perspectives can also be further categorized into one of two distinctive sets: a managerial versus cultural focus (Lafferty and Hult 2001). Shapiro (1988), Ruekert (1992) and Kohli and Jaworski (1990) exemplify a more managerial or leadership focus. Senior management's role is seen as fostering a market orientation (Kohli and Jaworski 1990) and indeed, was tantamount to its success (Shapiro 1988). The very managerial processes such as recruiting, training, and compensation were assessed to determine the degree of market orientation in business units (Ruekert 1992). Therefore, it appears that the managerial emphasis in implementing a market-oriented approach was more central in the conceptualizations of the market intelligence perspective, the decision-making perspective and the strategic perspective (Lafferty and Hult 2001). On the other hand both Narver and Slater (1990) and Deshpande et.al. (1993) make reference to the type of organizational culture that must exist in order to create superior value for the buyers and superior performance for the business.

Based on these five perspectives of market orientation, Lafferty and Hult (2001) offered a synthesized market orientation framework that can be seen in Figure 2.2. This framework integrates the original five conceptualizations of market orientation. Lafferty and Hult (2001) indicate that while there are some inherent differences among the five models, there are several similarities that reflect a general agreement as to what constitutes the basic foundation of market orientation. There are four general areas of agreement in the five perspectives, including (Lafferty and Hult 2001),

- An emphasis on customers
- The importance of shared knowledge (information)

- Interfunctional coordination of marketing activities and relationships
- Being responsive to market activities by taking appropriate action.

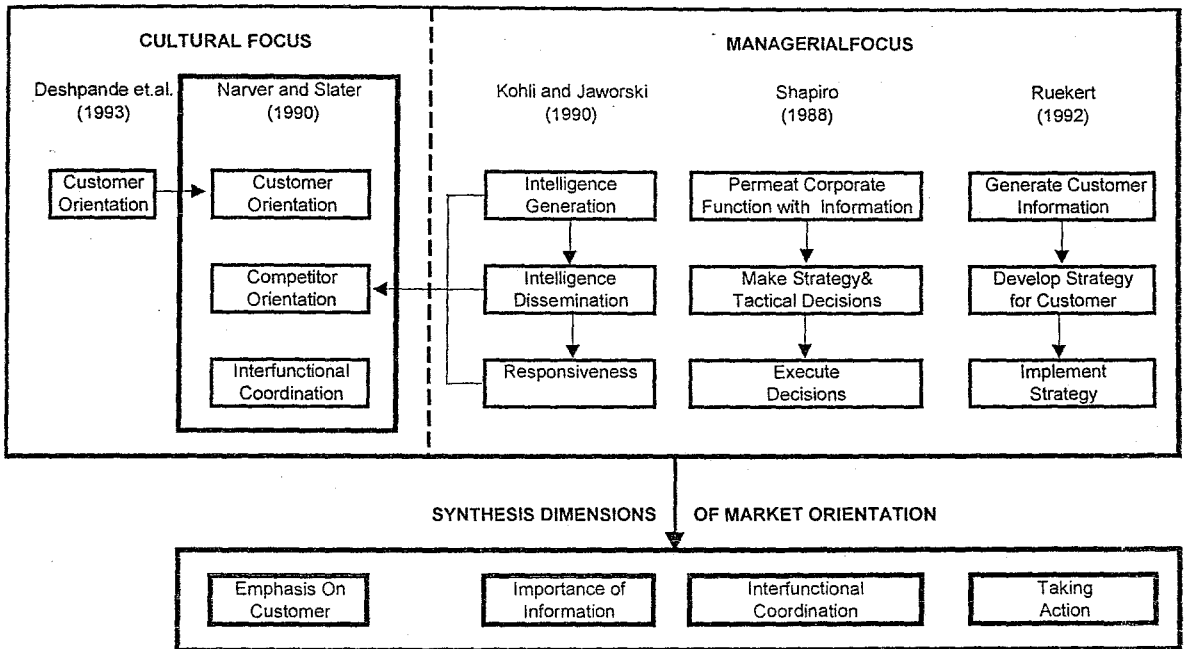


Figure 2.2. A Conceptual Framework of Market Orientation Perspectives, (Lafferty and Hult, 2001, p.100)

2.1.4.2.2. Antecedents of Market Orientation

According to Kohli and Jaworski (1990); antecedents to a market orientation are the organizational factors that enhance or impede the implementation of the business philosophy represented by the marketing concept. Kohli and Jaworski (1990) identified three categories of antecedents of market orientation:

- Top management factors,
- Interdepartmental dynamics and
- Organization wide systems.

With respect to top management factors as an antecedent to market orientation; Webster (1988) asserts that a market orientation originates with top management and that customer oriented values and beliefs are uniquely the responsibility of top management. Likewise, Felton (1959) asserts that the most important ingredient of a market orientation is an appropriate state of mind and that it is attainable only if top management appreciates the need to develop this marketing state of mind. In other words, commitment of top managers is an essential prerequisite to a market orientation. Additionally, Levitt (1969) and Webster (1988) argue that one of the factors that facilitate the implementation of the marketing concept is the presence of the right signals from the top management regarding their commitment to the concept. So, in addition to being committed to a market orientation, top managers must clearly communicate their commitment to all concerned in an organization. If there are inconsistencies between what managers say and do, junior managers are negatively affected from it. Kohli and Jaworski (1990) propose that as the variability over time in the gap between top managers' communications and actions relating to a market orientation gets greater, junior managers' ambiguity about the organization's desire to be market oriented gets greater and the market orientation of the firm gets lower. Moreover; market orientation requires being responsive to changing market needs and this calls for the introduction of new products and services which are inherently risky actions. Kohli and Jaworski (1990) claim that as the top managers' risk aversion gets greater, market orientation of the company gets lower.

With respect to top management factors as antecedents of market orientation; Kohli and Jaworski (1990) presented three more propositions but did not test them in their subsequent study (Jaworski and Kohli 1993). One of them is that innovative behavior

is found correlated with formal education and upward mobility and in line with this finding, Kohli and Jaworski (1990) assert that as the senior managers' educational attainment and upward mobility gets greater, the organization's marketing orientation also gets greater. Second one is that since a positive attitude toward change has been linked consistently to individual willingness to innovate which is a hallmark of a market oriented firm, Kohli and Jaworski (1990) proposed that as the senior managers' attitude toward change gets more positive, market orientation of the firm also gets greater. Finally, certain characteristics of department managers and nature of interactions among them appear likely to affect an organization's market orientation through their impact on interdepartmental conflict. It is critical for a marketing manager to be able to win the confidence and cooperation of his/her corporate peers to minimize conflict. So, Kohli and Jaworski (1990) proposed that the greater the ability of top marketing managers to win the confidence of senior non-marketing managers, the lower the interdepartmental conflict.

As a result; in a subsequent study, Jaworski and Kohli (1993) hypothesized that the greater the top management emphasis on a market orientation, the greater the market intelligence generation, dissemination and responsiveness of the organization. The authors also hypothesized that as the risk aversion of top management gets greater, market intelligence generation, dissemination and responsiveness of the organization gets lower.

Interdepartmental dynamics incorporates interdepartmental conflict, connectedness and concern for ideas of other departments. Interdepartmental conflict refers to the tension among departments arising from the incompatibility of actual or desired

responses. Several authors point to interdepartmental conflict as an inhibitor of market orientation (Levitt 1969; Lusch, Udell and Laczniaik 1976; Felton 1959). Essentially, it is likely to inhibit communication across departments (Ruekert and Walker 1987), thereby lowering market intelligence dissemination. Interdepartmental connectedness refers to the degree of formal and informal direct contact among employees across departments. It is proposed that as interdepartmental conflict gets greater, market orientation of a firm gets lower and as interdepartmental connectedness and concern for ideas of employees in other departments get greater, market orientation also gets greater (Kohli and Jaworski 1990). So, Jaworski and Kohli in their subsequent study (1993) hypothesized that the greater the interdepartmental conflict, the lower the market intelligence dissemination and responsiveness of the organization. Interdepartmental connectedness is thought to facilitate the exchange of market intelligence and responsiveness of the organization.

Organizational systems incorporate departmentalization, formalization, centralization, market-based reward systems and acceptance of political behavior. A set of barriers to a market orientation is related to the structural form of organizations. Lundstrom (1976) and Levitt (1969) discuss departmentalization or specialization as a barrier to communication. Stampfl (1978) argues that greater formalization and centralization make organizations less adaptive to marketplace and environmental changes. Formalization is the degree to which rules define roles, authority relations, communications, norms and sanctions and procedures (Hall et.al. 1967). Centralization is the delegation of decision-making authority throughout the organization and the extent of participation by organizational members in decision-making (Aiken and Hage 1968). Departmentalization refers to the number of

departments into which organizational activities are segregated and compartmentalized. Historically, both formalization and centralization have been found to be related inversely to information utilization (Deshpande and Zaltman 1982) which corresponds to being responsive to market intelligence. Similarly, Lundstrom (1976) and Levitt (1969) discuss departmentalization as a barrier to communication, hence, to market intelligence dissemination. Because a market orientation essentially involves doing something new or different in response to market conditions, it can be viewed as a form of innovative behavior. Innovative behavior comprises of initiation stage (awareness and decision-making) and the implementation stage (Zaltman, Duncan and Holbek 1973). Initiation corresponds to intelligence generation, dissemination and design of organizational response whereas the implementation stage corresponds to actual organizational response. Organizational dimensions may have opposite effects on the two stages of innovative behavior. They may hinder the initiation stage but may facilitate the implementation stage. So, Kohli and Jaworski (1990) proposed that as the departmentalization, formalization, centralization gets greater, intelligence generation, dissemination and response design gets lower, but response implementation gets greater. Jaworski and Kohli (1993) used this proposition also as a hypothesis.

If the organization relies on market-based factors for evaluating and rewarding managers, market orientation of the firm will be greater. If managers are evaluated primarily on the basis of short-term profitability and sales, they are likely to focus on these criteria and neglect market factors like customer satisfaction that ensure long-term health of the organization (Kohli and Jaworski 1990). Jaworski and Kohli (1993) hypothesized that as the reliance on market-based factors for evaluating and

rewarding managers gets greater, market intelligence generation, dissemination and responsiveness of the organization gets greater.

Kohli and Jaworski (1990) also presented two more propositions with respect to the organizational systems (1) As the acceptance of political behavior gets greater in an organization, interdepartmental conflict also gets greater. Political behavior consists of individuals' attempts to promote self-interests and threaten others' interests. Political norm structure is an informal system that reflects the extent to which members of an organization view political behavior in the organization as being acceptable. A market orientation calls for a concerted response by the various departments of an organization to market intelligence. A highly politicized system, however, has the potential for engendering interdepartmental conflict; (2) Kohli and Jaworski (1990) also proposed that as the perceived expertise and trustworthiness of the source generating market intelligence gets greater, responsiveness of the organization to it also gets greater. The authors also argue that if the challenge to the status quo posed by market intelligence is small and its political acceptability is great, dissemination and responsiveness to it will be greater. These two propositions are not tested in their 1993 study.

Jaworski and Kohli (1993) found that top management commitment affect market intelligence generation, dissemination and responsiveness of the organization. Top managers' risk aversion does not appear to affect intelligence generation and dissemination, but it has a negative impact on responsiveness of the organization. Interdepartmental conflict is found to inhibit intelligence dissemination and responsiveness of the organization. It is found that connectedness among

departments promotes a market orientation, but further research is required to examine the linkage. Market –based reward systems are also found to facilitate all three components of market orientation. Centralization is found to serve as a barrier to market orientation. In one sample it was inversely related to intelligence dissemination and responsiveness and in the other sample, it was inversely related to intelligence generation. Formalization does not appear to be related to a market orientation. This result parallels the results reported by Narver and Slater (1991), who suggest that programmatic approaches to improving market orientation may not be effective. Emphasis on rules is typically argued to make an organization less adaptive external changes. While the results suggest that formalization is unrelated to a market orientation, an alternative interpretation is that mere emphasis on rules is less relevant than the precise nature of the rules in an organization. In other words, it is possible that, if properly designed, rules may facilitate rather than hinder a market orientation. For example, an organization may use rules to mandate that the various departments meet every month for a market assessment meeting. Such a rule is likely to enhance intelligence dissemination. Similarly, other rules may mandate fast response to customer complaints or other market developments, thereby improving a market orientation. Similarly, the lack of a relationship between departmentalization and a market orientation suggests that the sheer number of departments is less important than the connectedness and level of conflict among departments (Jaworski and Kohli 1993).

Top management commitment to market orientation and their risk aversion level are found to be related to market orientation. Interdepartmental conflict appears to reduce a market orientation and interdepartmental connectedness appears to play a

facilitative role. It may be useful to promote interdepartmental connectedness through physical proximity of departments and through telematics (voice mail, computer hookups). Interdepartmental conflict can be reduced by interdepartmental training programs, cross-functional activities, and alignment of departmental performance objectives by focusing them on markets (Jaworski and Kohli 1993).

Market based reward systems and decentralized decision-making are found to be related to market orientation. So, reward systems should take into account the contributions of individuals in sensing and responding to market needs. Additionally, the negative relationship between centralization and market orientation suggests that it may be useful to empower employees to make decisions at lower levels rather than concrete decision-making in the upper levels. Although formalization and departmentalization do not appear to affect a market orientation, it would seem that the content of formal rules, rather than their mere presence, is a more important determinant of market orientation. Similarly, the manner in which the various departments interact with each other appears to be a more important determinant of market orientation than the sheer number of departments in a business (Jaworski and Kohli 1993).

Powpaka (1998) focused on different variables as antecedents of market orientation. The author aimed to identify and empirically test a conceptual model of the foreign managers' responses toward market orientation fostered by their top management in Thailand. According to the model, the manager's intention to adopt market orientation is a function of two attitudes: (1) attitude toward market orientation and (2) attitude toward innovation in management orientation. Attitude toward market

orientation is affected by the attributes of market orientation (relative advantage, complexity, compatibility, observability) as perceived by their manager, the characteristics of the market (market turbulence, competitive intensity) and attitude toward innovation in management orientation. Attitude toward innovation in management orientation is in turn affected by manager's personal characteristics (innovativeness and opinion leadership). Powpaka (1998) found that attitude toward market orientation and attitude toward innovation in management orientation are significant determinants of intention to adopt market orientation. Relative advantage, market turbulence, competitive intensity and attitude toward innovation in management orientation are the determinants of attitude toward market orientation. It should be noted that market turbulence and competitor intensity has been investigated mostly as the moderating variables of the relationship between market orientation and business performance in the literature (Jaworski and Kohli 1993). An exception to this is Lusch and Laczniak's (1987) study which takes competitive intensity as an antecedent to market orientation. Powpaka (1998) also found that both innovativeness and opinion leadership are the determinants of attitude toward innovation in management orientation with innovativeness having a positive and opinion leadership having a negative effect. The negative relationship between opinion leadership and attitude toward innovation in management orientation can be linked to the collectivist culture of Thailand.

Avlonitis and Gounaris (1999) found two broad groups of determinants of marketing orientation: company specific factors and market specific factors. Among the company specific factors; company's top management's attitude toward risk as well as the company's structural arrangements and in particular the degree of

centralization and formalization and the importance assigned by the top management to different key factors of success determine the degree of marketing orientation. Among the market specific factors, the competitive intensity characterizing the market, the difficulty with which new competitors may enter the market as well as new competitors may exit it, the distribution of power between buyers and producers on one hand and producers and suppliers on the other hand, the degree of technological change, the growth rates, both in the past and the expected ones for the future, characterizing the company's market determine the degree of marketing orientation. Avlonitis and Gounaris (1999) found that building a genuine marketing orientation requires developing both the attitude and the behavior elements of the concept. The degree of risk aversion, centralization and formalization and importance assigned by the top management team to different key factors of success, competitive intensity, buyers' power, rate of technological change, expected market growth rate also determine the degree of marketing orientation development. The findings showed that risk tolerance, decentralization, informal structural arrangements, coupled with increased perceived importance of market focusing, channel networking and product uniqueness as significant key success factors lead to marketing orientation development and this orientation is better for companies operating in dynamic environments.

Ruekert (1992) found that market orientation is dependent on top management involvement, managers' feelings about interdepartmental connectedness and the rewards that they receive for being market oriented. This is in line with the findings of Jaworski and Kohli (1993). The findings of Avlonitis and Gounaris (1999) coincide with that of Jaworski and Kohli (1993) in that both studies found top

managements' risk attitude and the degree of centralization as an antecedent to market orientation. The conflicting thing in the two studies is that whereas Jaworski and Kohli (1993) did not find formalization to be an antecedent to market orientation, Avlonitis and Gouranis (1999) found that informal structural arrangements lead to market orientation development. Moreover, Jaworski and Kohli (1993) hypothesized competitive intensity and technological change to moderate the relationship between market orientation and performance, Avlonitis and Gouranis (1999) take them as antecedent variables. On the usage of competitive intensity and technological change as antecedent variables, Avlonitis and Gouranis (1999) are in line with Powpaka (1998) and Lusch and Laczniak (1987). Also Liu (1995) modeled that factors that impel market competition give impetus to market orientation.

Pulendran, Speed and Widing II (2003) recently examined the relationship between marketing planning and market orientation. Marketing planning is considered as a technology, a set of techniques, that assist an organization in achieving an appropriate alignment of external environment and internal capabilities in order to achieve a desired outcome (Pulendran, Speed and Widing II 2003). It is suggested that the technology of marketing planning, since it consists of activities and techniques that are intended to assist firms in achieving a desired outcome, has the potential to assist firms achieving the objective of increased market orientation (Pulendran, Speed and Widing II 2003). Marketing planning is operationalized as being composed of five elements that are comprehensiveness, rationality, politicality, interaction and formalization. Data were collected from a multi-industry sample of Australian organizations. Pulendran, Speed and Widing II (2003) found that the quality of marketing planning is associated with a higher level of market orientation

and thereby marketing planning can be treated as an additional antecedent of market orientation. This study also replicated several of the findings of Jaworski and Kohli (1993). Reward systems that were based on customer oriented behaviors, connectedness between departments and absence of conflict were shown to be predictors of market orientation in this study.

Some of the authors studied the impact of firm's size as an antecedent variable to market orientation (Deng and Dart 1999; Liu 1995; Balabanis, Stables and Phillips 1997). Deng and Dart (1999) found substantial differences in the level of market orientation of Chinese enterprises based on their size. Deng and Dart (1999) found that small and medium sized firms are more market oriented than larger firms. Size was operationalized with respect to the employee numbers in this study that was undertaken in China representing a transition economy. Deng and Dart (1999) argue that small firms have limited resources and few governmental subsidies; so in order to survive besides their large counterparts, they have to be more responsive to customer demand. In contrast; Liu (1995) found that large and extra large firms are more market oriented than medium sized or small firms. Liu (1995) operationalized firm size according to the dollar volume of sales and conducted the study among UK manufacturing firms. The author argued that larger firms have better technological, human and financial resources to pursue a market orientation. Balabanis, Stables and Phillips (1997), in contrast to Liu (1995) found that larger organizations are more reluctant to become market oriented. Balabanis, Stables and Phillips (1997) conducted the study in British charities and operationalized size as the number of full time employees. The finding that large organizations are more reluctant to adopt market orientation is in line with the findings of Narver and Slater (1990). Moreover;

Balabanis, Stables and Phillips (1997) found that the number of departments appeared to inhibit the circulation of information between departments making the organization less responsive, therefore inhibiting market orientation. This finding creates a discrepancy in the literature with respect to the effect of departmentalization on market orientation, because in a previous study, Jaworski and Kohli (1993) did not find a significant effect of departmentalization on market orientation and argued that the sheer number of departments is less important than the level of conflict among departments. The author of this thesis also claims that different settings in which the studies are conducted (one in a transition economy, one in a manufacturing sector and one in a service setting) and different operationalizations of the construct (dollar sales volume, number of employees) may have been contributed to the different findings with respect to size.

Another investigated antecedent of market orientation is leadership style (Harris and Ogbonna 2001). Harris and Ogbonna (2001) indicated that a review of the studies of the process of market orientation development reveals that management behavior is again repeatedly specified as an essential factor in instigating and installing improved market orientation. While some advances have been made in this area, a key limitation of extant research is that existing studies overlook or ignore the potential impact of leadership style on market orientation (Harris and Ogbonna 2001).

Harris and Ogbonna (2001) studied a multi-industry sample of 1000 units and found monotonous relationships between participative, supportive and instrumental leadership styles and market orientation. Notably, participative and supportive leadership styles were strongly positively linked to market orientation, whilst an

instrumental leadership style was negatively linked to market orientation. In other words an instrumental leadership style can be seen as a barrier to developing a market orientation. Harris (2000) also studied the organizational barriers to developing market orientation indicating that no single study has undertaken a holistic review of structural, strategic, and systems impediments. Harris (2000) found three structural (connectedness, centralization and formalization), two strategic (service and cost focused strategy) and three systemic (communication systems, integration devices and marketing function controlled coordination systems) factors and the study revealed strong associations between all of these factors and market orientation.

Finally, type of competitive strategy has been investigated as an antecedent to market orientation in the literature. Morgan and Strong (1998) maintained that competitive strategy is a key organizing focus for market orientation. They used the six dimensions of strategic orientation developed by Venkatraman (1989) which are aggressiveness, analysis, defensiveness, futurity, proactiveness and riskiness. Morgan and Strong (1998) found significant relationship between market orientation and proactiveness, futurity and analysis dimensions of strategic orientation. Therefore, it can be concluded that market oriented activities and behaviors are related to proactive search for marketplace opportunities, a problem solving, analytical approach to organizational learning and long-term planning and future positioning considerations.

2.1.4.2.3. Consequences of Market Orientation and the Effect of Market-Related Factors

Until the 1990s, the literature reflects few empirical studies of the consequences of a market orientation. The association between market orientation and business performance appears to have been taken for granted by academicians and practitioners alike (Houston 1986; McGee and Spiro 1988; Shapiro 1988; Webster 1988; Felton 1959). One noteworthy exception is the Lawton and Parasuraman (1980) study. The authors found that the adoption of the marketing concept had no apparent effect on the sources of new product ideas, the use of marketing research in new product planning, and the innovativeness of new product offerings. In a sense, these findings run counter to the assertions of such authors as Bennett and Cooper (1981), Kaldor (1971) and Tauber (1974) who argue that the adoption of the marketing concept inhibits organizations from developing truly breakthrough innovations.

After 1990s, researchers showed increasing interest in the consequences of market orientation and several empirical tests studies have been forthcoming (Atuahene-Gima 1996; Balakrishnan 1996; Bozeman and Coker 1992; Diamontopolous and Hart 1993; Greenley 1995a; Jaworski and Kohli 1993; Pelham and Wilson 1996; Pitt et.al. 1996; Raju et.al. 1995; Narver and Slater 1990).

The literature review on market orientation reveals that three main consequences of market orientation are discussed heavily. These are business performance, employee responses and customer responses which will be discussed in that order in the following sections.

2.1.4.2.3.1. Organizational Performance

The most apparent discrepancy between the views on the consequences of market orientation belongs to the realm of market orientation-business performance relationship. This discrepancy stems from the fact that there are mixed findings on whether there is a direct link between market orientation and business performance or whether this relationship is moderated by certain variables like market conditions, competition intensity and technological turbulence.

While most of the research on market orientation-business performance has been conducted in the US (Jaworski and Kohli 1993; Ruekert 1992; Narver and Slater 1990; Slater and Narver 1994a), other studies have been conducted in the UK (Diamontopoulos and Hart 1993; Greenley 1995a, 1995b, Liu 1995, Pitt et.al. 1996), and Japan (Deshpande et.al. 1993). In the main, the American Research shows a positive association between market orientation and business performance (Narver and Slater 1990; Ruekert 1992; Jaworski and Kohli 1993; Slater and Narver 1994a; Raju et.al. 1995; Pelham and Wilson 1996;) while the replicative studies done in other countries provide mixed supports due to the moderator effects for this linkage (Diamontopolous and Hart 1993; Au and Tse 1995; Greenley 1995a; Pitt. Et.al. 1996).

A market orientation is frequently posited to improve business performance. The argument is that organizations that are market-oriented, in other words that track and respond to customer needs and preferences can better satisfy customers and hence perform at higher levels. The study by Lusch and Laczniak (1987) provided some support for this relationship. So, Jaworski and Kohli (1993) hypothesized that the

greater the market orientation of the organization, the higher its business performance.

Kohli and Jaworski (1990) proposed that there is a positive relationship between market orientation and business performance and that this relationship is contingent on the level of market turbulence, technological innovation, competition intensity and general economic conditions (Houston 1986). Market turbulence refers to the changing pattern of consumer preferences. Technology refers to the entire process of transforming inputs to outputs and the delivery of those outputs to the end customer. Organizations that are in technology intensive industries may be able to obtain competitive advantage through technological innovation, thereby diminishing but not eliminating the importance of market orientation. Degree of competition has also a strong bearing on the importance of market orientation. Strong competition leads to multiple choices for customers. Consequently, an organization must monitor and respond to customers' changing needs and preferences to ensure that customers select its offerings over competing alternatives. In strong economies characterized by strong demand, an organization may be able to get away with a minimal amount of market orientation. In contrast, in a weak economy, customers are likely to be very value conscious and organizations must be more in tune with and responsive to customer needs in order to offer good value for money. Paradoxically, marketing seems to require more resources precisely at times when the organization is short of resources because of weak business conditions. So, it is assumed that as the general economy gets weaker, relationship between a market orientation and business performance gets stronger.

In line with this logic; Jaworski and Kohli (1993) hypothesized that the relation between business performance and market orientation gets stronger as market turbulence and competition intensity get greater and as technological turbulence gets lower. However, the results did not support the hypothesized moderating effects for any of the three variables –market turbulence, technological turbulence and competitive intensity on the linkage between market orientation and performance. This linkage appears to be robust across contexts characterized by varying levels of market turbulence, competitive intensity and technological turbulence. Alternatively, it is possible that these moderating effects do exist but not detected because of the potentially insufficient power of the statistical test as a result of relatively small sample size. Overall, the findings of the study suggest that the market orientation of a business is an important determinant of its performance regardless of the market turbulence, competitive intensity and technological turbulence of the environment in which it operates (Jaworski and Kohli 1993).

Another important finding, also a discrepancy in Jaworski and Kohli (1993) study was that the authors have used two measures for the operationalization of business performance. One of them was the managers' overall judgmental assessment of business performance and the other was a more objective measure of market share. Market orientation appears to be significantly related to business performance when overall performance is assessed using judgmental measures. By contrast, a market orientation does not appear to be related to performance using the more objective measure of market share. The first point to be discussed in this case is the appropriateness of the market share measure as an indicator of performance. It is possible that certain high performing firms may pursue a focus strategy (Porter 1980)

and be unconcerned about share positions. In such instances, market share may be a less accurate indicator of performance compared to judgmental assessments that take into account the particular strategy of a company. Second, there may be a lag in the effect of market orientation on market share. Market orientation leads to higher market share over a relatively long period of time and if so, such effects may not be captured in the cross-sectional design employed in the study. (Jaworski and Kohli 1993)

Narver and Slater (1990) reported an exploratory study in which they develop a valid measure of market orientation and analyze its effect on business profitability. Narver and Slater (1990) used a sample of 140 business units consisting of commodity products businesses and non-commodity businesses and found that for both the commodity and the non-commodity businesses, market orientation is an important determinant of profitability. Slater and Narver (2000) retested Narver and Slater's (1990) finding of a positive relationship between market orientation and business profitability in a broad sample of product and service businesses operating in variety of industries. The assessment of the extent of market orientation is provided by the chief marketing officer, and profitability is assessed by the general manager, thus avoiding the problem of common respondent bias. The analysis of the influence of culture on business performance is extended by including a measure of entrepreneurial orientation in the study. The influence of a market orientation on business profitability is then compared with that of an entrepreneurial orientation. No relationship is found between entrepreneurial orientation and business profitability. Thus, by drawing a sample from a more diverse population, avoiding the common respondent bias problem, and comparing the effect of a market orientation to that of

an entrepreneurial orientation, the findings from this balanced replication increase confidence in the importance and generalizability of the market orientation, profitability relationship found in the 1990 Narver and Slater study (Slater and Narver 2000).

Similar to the findings of Jaworski and Kohli (1993), Narver and Slater (1990) and Slater and Narver (1994a, 1994b) conclude that there is little support for the suggestion that competitive conditions influence the robust link between market orientation and organizational performance. Vorhies, Harker and Rao (1999) found that market-driven firms developed higher levels of marketing capabilities in market research, product development, promotion, pricing, channel, and market management than their less market driven rivals. These firms also outperformed their rivals on the performance measures of adaptability, customer satisfaction, growth and profitability. This finding extends the empirical findings of the market orientation researchers (Kohli and Jaworski 1993; Narver and Slater 1990) beyond simple measures of performance.

The finding of a direct link between market orientation and performance in the above studies triggered a number of replicative studies in different national contexts. Liu, Luo and Shi (2003) conducted an exploratory study utilizing data from China's emerging economy and found that organizations with higher level of market orientation are able to achieve higher level of organizational performance than those with a lower level of market orientation.

Similarly, Tse, Sin, Yau, Lee and Chow (2003) studied the correlational relationship between market orientation and company performance using sample data from firms engaging in China trade in Hong Kong. The results show that there is a significant positive correlation between market orientation and business performance. In other words, there is a significant difference in the performance of China trade companies that are market-oriented and those that are not market-oriented.

Hooley, Fahy, Greenley, Beracs, Fonfara and Snoj (2003) tested Narver and Slater (1990) market orientation scale in the context of service firms in the transition economies of Central Europe and found the scale both valid and reliable. The survey examined levels of market orientation in 205 business-to-business service companies and 141 consumer services companies in Hungary, Poland and Slovenia. It is found that those service firms with higher levels of market orientation performed better on both financial and market based criteria supporting the findings of Narver and Slater (1990), Ruekert (1992) and Jaworski and Kohli (1993).

Subramanian and Gopalakrishna (2001) also studied the effect of market orientation on organizational performance. The buyer market conditions that emerged in India following its decision to liberalize the economy in 1991 provided the setting for this study. Results from a sample of 162 manufacturing and service firms provided support for a strong positive relationship between market orientation and growth in overall revenue, return on capital, success of new products and services, ability to retain customers, and success in controlling operating expenses. Moreover, Subramanian and Gopalakrishna (2001) found that competitive hostility, suppliers'

power, and market turbulence did not moderate the market orientation-performance relationship.

Deng and Dart (1994) in testing the Narver and Slater (1990) instrument on 248 senior Canadian managers, found that there was a direct relationship between market orientation and business performance. Selnes et.al. (1996) present the findings of such investigation conducted in Scandinavia and the USA and find direct associations between performance and market orientation which are similar in both samples. Similarly, Pitt et.al. (1996) conduct a survey of market orientation and performance in the UK and Malta, and found a positive relationship.

Deshpande et.al. (1993) conducted a study in Japan and found a positive relation between market orientation and performance. More specifically, in Deshpande et.al. (1993) study, performance was measured by combining profitability, size, market share and growth rate in comparison with those of the largest competitor for that particular business. Deshpande et.al. (1993) found that firms with cultures that are relatively responsive and competitive (market cultures) and flexible and entrepreneurial (adhocracy cultures) outperform more consensual (clan cultures) and internally oriented, bureaucratic (hierarchical cultures) ones. Customer orientation and innovativeness are also found to be key determinants of business performance. Later on, Deshpande and Farley (1999) aimed to conduct the study in India and then compare the findings obtained from the Indian sample with the findings obtained from the Japanese sample. Deshpande and Farley (1999) measure market orientation of suppliers from their own viewpoint and that of their suppliers. This is a unique feature in the empirical body of work on market orientation. It has been found that

there is a consistent pattern of differences in market orientation between Indian and Japanese firms with the latter having higher scores, significantly so in the case of the customer-assessed measures of market orientation. The finding that Japanese firms are more market oriented than Indian firms is not a surprise, because the customer focus of Japanese companies like Sony and Toyota is legendary. The authors also hypothesized that higher levels of market orientation, particularly as perceived by the customer, should be associated higher levels of performance. It is found that there is a positive relationship between market orientation and performance in both countries. As a summary, the universal high performance model appears to generalize from an industrialized to industrializing country context. Market orientation and corporate culture are found to be key determinants of organizational success. Market orientation might be even a more important influence on performance in India than in Japan or other industrial countries. In between 1993 and 1999; Deshpande and Farley (1998) studied the potential influences of industry characteristics on market orientation-performance relationship. They classify the industry into consumer goods and industrial goods and services and find that industry at this level of aggregation has little or no effect on either performance or market orientation. Selnes, Jaworski and Kohli (1996, 1997) and Deshpande and Farley (1998) also examine the explanatory power of the regional (European vs. US) market environment for both market orientation and performance, but the results consistently indicate that the geographic environmental factors play no significant role. Ngai and Ellis (1998) studied the linkage between market orientation and business performance in Hong Kong and again found a positive relationship. Recently, Matsuno, Mentzer and Özsoy (2002); Harris and Ogbonna (2001); Hooley, Cox, Fahy, Shipley, Beracs,

Fonfara and Snoj (2000) and Yau et.al. (2000) found a direct and positive relationship between market orientation and performance.

However, it is argued that research should not fixate on the direct connection between market orientation and performance. The presence and influence of intervening and moderating variables between market orientation and performance should also be studied (Guo 2002).

Greenley (1995a, 1995b) and Diamontopolous and Hart (1993) who have conducted studies in UK revealed results inconsistent with the findings of Narver and Slater (1990), Ruekert (1992) and of Jaworski and Kohli (1993) in that the link between market orientation and performance is moderated by environmental factors. In Greenley (1995a) study market turbulence is used as a moderator when ROI is the measure of performance and technological change is used as a moderator when new product success is the measure of performance and customer power is used as a moderator when sales growth is the measure of performance.

Later on, Atuahene-Gima (1995) found that market turbulence and competitive intensity influence market orientation. Golden, Doney, Johnson and Smith (1995a), with their study conducted in Russia, found that increased perceptions of environmental uncertainty will lead to increased marketing orientation. An increase in marketing orientation will lead to an increase in the levels of product attributes such as product quality and customer service, an increase in the perceived importance of promotion activities and pricing. Whereas, an increase in the level of product attributes is found to lead to increased performance, increases in the

perceived importance of promotion and price do not affect the firm's performance. In summary, the authors found that although adopting a marketing orientation does not directly improve performance, there is an indirect effect mediated through the product variable. In other words, marketing orientation indirectly impacts performance by increasing product quality and customer service levels, which in turn result in improved performance.

Powpaka (1998) conducted a study in Thailand and again contrary to the findings of Narver and Slater (1990), Ruekert (1992) and of Jaworski and Kohli (1993); overall, this study confirmed the importance of market turbulence and competitive intensity in the manager's adoption of market orientation. Rose and Shoham (2002) examined the export performance consequences of a market orientation and the potential moderating impact of the competitive, technological and market environment. Market orientation was positively related to three dimensions of export performance: change in export sales, export profits and change in export profits. The impact of market orientation on export profits and change in export profits was stronger in a technologically turbulent environment. Overall, this study assesses the moderating impact of the environment contrary to the findings of Narver and Slater (1990), Ruekert (1992) and of Jaworski and Kohli (1993).

Another mixed finding with respect to the link between market orientation and business performance came from Kumar, Subramanian and Yauger (1998) who examined the market orientation-performance relationship in the US health care industry. The authors used the scale developed by Narver and Slater (1990) for market orientation that included customer orientation, competitor orientation,

interfunctional cooperation, long-term focus and profit emphasis. For the measurement of business performance, growth in revenue, return on capital, success of new services/facilities, success in retaining patients and success in controlling expenses measures were used. The moderating variables used in the study were competitive hostility, market turbulence, and supplier power. Market orientation was found to be a significant predictor of performance in terms of each of the five performance criteria. The moderator variables of competitive hostility, market turbulence, and supplier power did not have any effect between the market orientation and performance relationship when growth in revenue was used as a performance measure. In other words, high market orientation results in revenue growth no matter what the competitive environment is. This finding conforms to the results reported by Slater and Narver (1994) and Jaworski and Kohli (1993). Also, both competitor hostility and supplier power had no moderating influence on the relationship between market orientation and the ability to retain patients. However, the relationship of market orientation to performance in terms of return on capital, success of new services, and success in controlling operating expenses is strengthened when market turbulence and competitive hostility are high. High levels of suppliers' power may reduce the ability of hospitals with high market orientation from providing the proper strategic response, due to resource constraints created by such a condition. Suppliers' power dampens the positive effect of market orientation on performance. Therefore, under conditions of high supplier power, a market oriented hospital's return on capital may decrease, and suppliers' high bargaining power may also increase operating expenses and hence, may affect the operation of new services. These moderating effects run contrary to the findings of Narver and

Slater (1990, 1994a, 1994b); Jaworski and Kohli (1993), Ruekert (1992), Deshpande et.al. (1993).

Like the mixed findings of Kumar, Subramanian and Yauger (1998), Perry and Shao (2002) also found both direct and indirect relationships between market orientation and performance. Perry and Shao (2002) focused on understanding the market orientation to performance relationship for incumbent service firms in the competitive and growing Internet advertising industry. Perry and Shao (2002) found that a general perception of the competitive environment does not moderate the market orientation to performance relationship. However, Perry and Shao (2002) found support for the role of particular dimensions of the competitive environment such that established competitors had both a direct and a moderating effect on performance.

Cadogan, Sundqvist, Salminen and Puumalainen (2002) compared the activities of service and product firms in terms of their market oriented behavior in their export operations. Empirical analysis conducted on a sample of 783 Finnish exporters containing both service and product firms uncovered mixed findings with regard to the relation of market orientation to performance as in the study of Kumar, Subramanian and Yauger (1998) and Perry and Shao (2002). Cadogan, Sundqvist, Salminen and Puumalainen (2002) found that market orientation is an important determinant of business success. However, mixed results were obtained for the moderating effect of complexity of firms' exporting environment for the relation between market orientation and export success. No moderating influence was found

for exporters when performance is measured with sales, but when performance is measured with efficiency and profit, moderator effects were observed.

Cadogan, Cui and Li (2003) also examined the issue of how export market-oriented behaviors influence export success. Using survey data from Hong Kong based manufacturing exporters, findings suggest that export market-oriented behaviors are important predictors of several dimensions of export performance. In particular, it appears that this behavior is most important for exporters operating under conditions of high environmental turbulence. The export market-oriented behavior and export performance relationship for these firms, was generally positive and strong. However, under conditions of low environmental turbulence, the costs of developing and implementing high levels of export market-oriented behavior outweigh the benefits accrued (Cadogan, Cui, and Li 2003).

Matear, Osborne, Garrett and Gray (2002) studied 231 firms developing new services and found that market orientation contribute to performance through a dual mechanism in that it contributes both directly and through innovation, with innovation mediating the contribution.

Sin, Tse, Yau, Chow and Lee (2003) examined how the context of country/economy affects levels of market orientation and the strength of linkages between a company's market orientation and its business performance. Data were collected through a survey of firms in both mainland China and Hong Kong. These two economies were selected because they have similarities in cultural dimensions on the one hand, and differences in economic dimensions on the other. The principal findings of this

research suggest that the core framework proposed earlier in US-based work (Narver and Slater 1990) does generalize to Hong Kong and mainland China. Market orientation has a significant and positive impact on the performance of firms operating in mainland China and Hong Kong. This finding provides further support for the notion that a firm's market orientation is related positively to business performance, irrespective of cultural context and the level of economic development. However, contrary to the findings of Narver and Slater (1990), it is found that the country/economic context influences the impact of market orientation on business performance. Akimova (2000) also found empirical evidence for the moderating impact of economic context on the relationship between market orientation and business performance such that in weak economies there is a strong relationship between market orientation and performance.

Harris (2001) also found mixed results for the relationship between market orientation and business performance like Kumar, Subramanian and Yauger (1998). Harris (2001) conducted a survey in UK industry and found that when subjective measures of performance are adopted, market orientation is associated with company performance in certain environmental conditions. However, when objective measures of performance are adopted, a narrower range of environmental conditions play a moderating role for the positive relationship between market orientation and performance.

Matsuno and Mentzer (2000) empirically examined the role of business strategy type as a potential moderator of the market orientation-performance relationship. The authors used Miles and Snow's (1978) strategic types of prospectors, analyzers and

reactors. Matsuno and Mentzer (2000) studied 1000 marketing executives from 1000 US manufacturing firms and found that the relationship between market orientation and economic performance is moderated by the type of strategy employed. The strength of the relationship between market orientation and performance as measured by profitability (ROI) is greater for defenders than for either prospectors or analyzers. Also the strength of the relationship between market orientation and performance as measured by market share growth, relative sales growth, new product sales as a percentage of total sales is greater for prospectors than either defenders or analyzers. The authors also suggested that analyzers would gain little benefit in any performance dimension by increasing the market orientation. The analyzers, in pursuit of a unique combination of the strengths of defenders and prospectors, try to minimize risk while maximizing profit opportunity. In short, analyzers aspire to be good in all performance dimensions. Organizations with an analyzer-type strategy are already conducting market intelligence activities to some extent and these activities are the cornerstone of their strategy implementation. Nonetheless, simply analyzing the market may go only so far when the firm is trying to be good at everything. That a market orientation requires acting on market intelligence that is generated and disseminated seems to provide one possible explanation for the general lack of performance gains expected for analyzers. Performance benefit of increasing the level of market orientation only through market analysis is limited. An alternative explanation is that there might be contingent factors at play that was not modeled in the study. Matsuno and Mentzer (2000) indicated that compared with other types, prospectors and analyzers, defenders gain the greatest performance benefit in ROI by increasing market orientation level. However, compared with other types, defenders appear to lose most in market share, sales growth and percentage of

new product sales, they are the worst performers. This is a dilemma for defenders because an attempt to increase one relative measure of performance may lead to decreasing other measures that they consider secondary, but nonetheless important aspects of business in general. Prospectors benefit from the greatest gain, over both analyzers and defenders, in market share, sales growth and percentage of new product sales by increasing market orientation level. Prospectors are the best performers in every performance measure.

As a result, it can be asserted that there is discrepancy among the researchers with respect to the relationship between market orientation and business performance. Some stress the existence of contingency variables, while others emphasize the direct linkage between the constructs. Before reviewing the other consequence of market orientation, namely employee responses, two studies will be reviewed because of their somewhat unusual contribution to the literature.

One of them is the longitudinal study of Balabanis, Stables and Phillips (1997) who attempted to measure the degree of adoption of the marketing concept as a management philosophy in the top 200 British charities over the last five years and to assess its effects on performance. It is found that the level of present donor market orientation has no impact in charities' performance. It is the past market orientation that affects charities performance. This lagged effect of market orientation on performance is interesting. More or less the same thing has happened to Jaworski and Kohli (1993), because although they found a relation between market orientation and business performance when measured in terms of managers' overall judgmental assessments, they could not verify the link when market share is used as a measure of

performance. The authors suggested that there may be a lagged effect of market orientation on market share that could not be captured by the cross-sectional design of their study. So, it is important that for some of the performance measures like market share, the effect of market orientation can be found after a certain period of time and this fact requires the longitudinal studies for market orientation research.

Another contribution of Balabanis, Stables and Phillips (1997) is that their study covers non-profit organizations. Most of the research on the relation between market orientation and performance have been conducted in private profit-making markets. Notwithstanding, the specialized literature on the management of non-profit organizations appear to concur that market orientation should increase and improve this type of organization's results (Balabanis, Stables and Phillips 1997). Despite this general agreement, the empirical evidence to this effect is practically non-existent. Vazquez, Alvarez and Santos (2002) aimed to obtain further empirical evidence on this field of research using non-profit organizations as sample. Their study proved the positive effect of market orientation on the non-profit outcomes and on the fulfillment of these organizations' missions. Similarly, Wood, Bhurian and Kiecker (2000) explored market orientation in the not for profit hospital setting. Data from 237 hospital administrators provided evidence for a positive relationship between market orientation and hospital performance.

Apart from the stream of research on market orientation within the profit vs. non-profit sectors; another stream of research investigates market orientation within the private vs. public settings. As an example of the research conducted in the public sector, Cervera, Molla and Sanchez (2001) studied both antecedents and

consequences of market orientation in the setting of local governments. Apart from identifying the antecedents explaining why some local governments are more market oriented than others; Cervera, Molla and Sanchez (2001) showed that market orientation influences the performance of public organizations.

The second important thing is that performance is always taken as a consequence of market orientation in all of these studies. However, there is a contrasting view on this issue. Chandler (1962) proposes that inertia exists that inhibits strategy change (adoption of market orientation) for some firms until performance slips in some significant way. The author argues that performance itself is an antecedent which, although it may be affected by environment, also helps predict when a change in strategy (adoption of market orientation) might occur. This creates a discrepancy between the views on the consequences and antecedents of market orientation, since performance is argued both to be an antecedent and a consequence of market orientation.

2.1.4.2.3.2. Employee Responses

The second highly investigated consequence of market orientation is employee responses. Related with employee responses, it is thought that market orientation provides esprit de corps, increases job satisfaction and organizational commitment of employees. Market orientation affords a number of psychological and social benefits to employees. It leads to a sense of pride in belonging to the organization in which all departments work toward the common goal of satisfying customers. Accomplishment of this objective is posited to result in employees sharing a feeling

of worthwhile contribution, a sense of belongingness and commitment to the organization.

So, Jaworski and Kohli (1993) hypothesized that as the market orientation gets greater, esprit de corps and commitment of employees also gets greater. It is found that market orientation affects employee responses and there is a strong association between market orientation and the commitment of employees and the strength of esprit de corps. Market orientation nurtures a bonding between employees and the organization, as well as promotes a feeling of belonging to one big organizational family dedicated to meeting and exceeding market needs and expectations (Jaworski and Kohli 1993). According to Piercy, Harris and Lane (2002); an important limitation of the Jaworski and Kohli (1993) study is that market orientation, organizational commitment, and esprit de corps were measured in a survey of executives and managers in large US companies. The measures of organizational commitment and esprit de corps are likely to evaluate management interpretations and attributions of the commitment and team spirit of other personnel within the business unit, while the perceptions of more junior operations-level personnel are not measured.

The research of Ruekert (1992) provided support for Kohli and Jaworski (1990) and Jaworski and Kohli (1993) studies. Ruekert (1992) hypothesized that market orientation was associated with job satisfaction, trust in superordinates and commitment. Ruekert (1992) theorized that positive attitudes toward the job environment created by a market orientation should lead to higher levels of job satisfaction, greater trust in top management's leadership and greater commitment to

the organization. Ruekert's (1992) empirical study of employee attitudes offered confirmation that higher levels of market orientation were associated with higher levels of satisfaction, commitment and trust. Ruekert (1992) contended that these associations were important, since such positive job attitudes would lead to reduced employee turnover, enhanced flexibility, and improved productivity. The sampling units for this study were also managers and executives.

Farrelly and Quester (2003) studied the effects of market orientation on trust and commitment in the case of the sponsorship business-to-business relationship and found that sponsor's market orientation is positively associated with the sponsor's commitment to the relationship and market-oriented sponsors exhibit higher levels of trust in the relationship. Helfert, Ritter and Walter (2002) also found a positive relationship between market orientation and commitment and trust.

Similarly, Siguaw, Brown and Widing (1994) found that market orientation of the firm affects customer orientation of the salesforce and their job attitudes. More specifically, as the market orientation of the firm increases, role conflict and role ambiguity for the salesperson respectively decreases. Moreover, as the market orientation increases, job satisfaction and organizational commitment increases. Jones, Busch and Dacin (2003) recently found also empirical evidence for the positive relationship between market orientation and salesperson work attitudes.

Jaworski and Kohli (1993) and Ruekert (1992) looked into the effects of market of orientation on job attitudes analyzed in US companies. To test the cross-cultural applicability of the extant theory of the consequences of market orientation, Selnes

et.al. (1996) conducted surveys of market orientation in both Scandinavia and the US. Consistent with both Jaworski and Kohli (1993) and Ruekert (1992), Selnes et.al. (1996) found that market orientation significantly affected team spirit and organizational commitment in both the US and Scandinavia companies when managers or executives are surveyed.

While these researchers contend that factors such as motivation, satisfaction and commitment are associated with market orientation, other marketing theorists imply that such an association is not necessarily the case. For example, King (1985) argues that if marketing is to succeed and become real marketing, one of the key issues must be putting the customer first –not the distribution systems. Similarly Webster (1994 a) dedicates an entire chapter to putting the customer first always mirroring King's (1985) view. Likewise, Dickinson et.al. (1986) contend that the marketing concept is founded on assumptions –one being that consumer sovereignty prevails. Thus King (1985), Dickinson et.al. (1986) and Webster (1994 a) imply that for the true operationalization of the marketing concept, at least in the short term, customer must come first, above the needs of organizational members. Therefore, from this perspective there need not necessarily be an association between deeper level cognitions pertaining to job role and market orientation.

A similar argument is also implied by a number of theorists who take a micro-political perspective. Piercy (1989; 1997) and Whittington and Whipp (1992) imply that the development of a market-oriented culture is contingent issues of power which do not necessarily lead to high levels of organizational wide motivation, commitment and satisfaction. Piercy (1989, 1997) contended that the implementation

of market-oriented strategy is dependent upon the management of internal power and politics as symbols of culture. Tregear (2003) proposed that rather than individuals being market oriented or non-market oriented, the disposition to perceive the firm's purpose as a customer satisfying entity and/or willingness to perform marketing-related activities will emerge alongside and possibly compete with other goals and desires that the individual possesses, drawn from their value sets and this disposition is dependent upon the ability of marketers while Whittington and Whipp (1992) focus on the ability of marketers to acquire and use professional power in order to increase credibility and enable organizational control.

Organizational culture theorists like Willmott (1993) see the development of a market oriented culture as a structured means to improve organizational effectiveness and efficiency and thereby organizational members are required to comply with dominant management wishes. Notwithstanding the suggestions marketing and culture theorists as to the effect of market orientation on employees, it is widely accepted that front line employees play a major role in developing market orientation (Gummesson 1991; Kelley 1992; Harris 1998; Piercy, Harris and Lane 2002).

Piercy, Harris and Lane (2002) indicated that relatively little attention has been focused on the linkages between market orientation and operational employees', rather than managerial, beliefs, and behaviors. This is somewhat surprising since one of the underlying theses of the market orientation literature is that market orientation will impact positively on employee behavior at the customer interface to enhance performance. Indeed, it can be argued that the mind-set of the employee at the point-of-sale, and the behavior resulting may be the critical determinant of the effective

implementation of customer-focused strategies such as market orientation. While some assertions and study findings suggest that market orientation may be associated with enhancements in a number of employee characteristics, such as job satisfaction, retention, commitment, and trust, there has been little systematic investigation of employee beliefs and perceptions in the market-oriented company (Piercy, Harris and Lane 2002).

Piercy, Harris and Lane (2002) also stated that existing studies that have addressed the market orientation/employee effects linkage have generally measured managerial perceptions of employee characteristics under different degrees or types of market orientation. There is a significant risk of undetectable respondent attribution and legitimization confounding the results of such studies. Piercy, Harris and Lane (2002) conducted an exploratory study of market orientation in UK retail companies, grounded in case study research, and adopted a novel survey design that compares managerial perceptions of market orientation with operational employee beliefs and attitudes. This study highlights the impact of enhanced employee expectations about management behavior in market-oriented companies and the influence on employee behavior of the confirmation or disconfirmation of those expectations by management. Piercy, Harris and Lane (2002) found that there is a high level of association between market orientation and employee beliefs regarding marketing, strategic planning, and service. Employees at the shopfloor level report higher levels of belief in various aspects of service quality and customer focus. At the very least, this confirms that employees are aware of the things that management believes are important in market-oriented companies. There is also a positive relationship between market orientation and employee beliefs related to the need for planning

strategically and achieving long-term orientation. Piercy, Harris and Lane's (2002) study assessed declared employee beliefs not about their own behavior at the point-of-sale, but their beliefs about how management should behave in market-oriented companies.

Gummesson (1991) claims that a market oriented culture only becomes alive when all members of an organization become involved. Thus, Gummesson (1991) develops the concept of part-time marketers who carry out marketing activities outside the marketing function, as distinct from full time marketers who conduct marketing activities within the marketing department. This leads Gummesson (1991) to suggest that developing a market oriented culture frequently fails due to an over concentration on the full time functions rather than part time holistic coordination of marketing. As a conclusion, the discrepancy with respect to the findings of market orientation-employee responses is that some authors emphasize the increased satisfaction, commitment and team spirit and decreased role ambiguity as a result of market orientation. On the other hand, other researchers do not focus on employees. According to them, customers should be the point of interest and employees are required to comply with the changes required by the implementation of market orientation. So, there need not necessarily be an association between deeper level cognitions pertaining to job role and market orientation.

Recently, Harris and Ogbonna (2000) aimed to explore and describe the manner and forms of front-line employees' responses to market-oriented cultural change initiatives. Their results highlight the above mentioned discrepant views on the relation between market orientation and employee responses. Harris and Ogbonna

(2000) conducted a case study whose analysis led to the emergence of seven main front-line responses to the change programs. These are comprehensive repudiation meaning rejection of the change leading to withdrawal; dynamic disagreement meaning refusing to accept the change but also desiring to remain with the company; lip service meaning overt acceptance to disguise covert rejection of change; confused responses referring to employee confusion about the which behaviors and values are desired by management; partial acquiescence referring to acceptance of many of the newly espoused change; complete behavioral compliance meaning capitulation to management wishes without any change to the personal values and beliefs of individual employees; unreserved adoption referring to accepting change and showing it by the alteration of working practices and personal attitudes.

The evidence from the case studies indicates that developing market orientation is not just about systems, functions and procedures. The success of even the most carefully considered market oriented culture change programs is contingent upon the employees who have to implement it. A further implication of this study is that there are potential dilemmas and contradictions inherent in developing a market oriented culture and customer satisfaction on the one hand and employee satisfaction on the other hand. First, it would appear that there is a potential conflict between the needs of employees and the needs of customers. Many front line employees alluded to this when they discussed the role stress they experienced in trying to be responsive to some customers who were abusive to them. They felt powerless to show their true feelings because of management imposed doctrine of customer supremacy. This opens up potential dilemma that is fundamental to attempts to develop a market oriented culture in service based industries. Thus, if managers follow the doctrine of putting

the customer first, in the short term employee satisfaction is relegated to secondary importance and while, a customer focus may be achieved, a market oriented culture may remain elusive. Second, developing a market oriented culture is premised on continually responsiveness to customer needs. However, customer needs are increasingly fickle requiring short-term responses to their needs, wants and demands. In contrast, developing a market oriented culture is concerned with the long term generation of values, attitudes and behaviors which it is recognized to change slowly and incrementally. Hence, a contradiction yet to be resolved or fully understood is how organizations can respond to the short term need of satisfaction of customer in a manner which does not conflict with the long term objective of developing a strong market oriented organizational culture (Harris and Ogbonna 2000).

2.1.4.2.3.3. Customer Responses

The third consequence mentioned in the literature relates to customer responses. In this realm, Jaworski and Kohli (1990) proposed that as the market orientation of the firm gets greater, customer satisfaction and repeat business from customers also gets greater. This is in line with Kotler (1988) and Balakrishnan (1996) who found that market orientation has a favorable impact on customer retention rates.

Most of the studies regarding the impact of market orientation on customer responses came from service sector. The integral involvement of the consumer within the service process suggests the need to develop close and trusting relationships to increase customer perceived value, and such relationships are logically fostered by a market orientation (McNaughton, Osborne and Imrie 2002). The consequent transparency of the service encounter enables an impression to be formed of the

firm's commitment to creating customer value. Equally the interaction that occurs with service personnel enables enhanced market sensing by the firm, a capability of a market-oriented company (Day 1994). As a result it is possible that a market orientation is even more central to the performance of service firms.

McNaughton, Osborne and Imrie (2002) developed a conceptual model that makes explicit the processes, whereby a market orientation is transformed into customer value. The market orientation of a firm creates market-based assets and the deployment of these assets creates customer value. This value, in turn, attracts customers and if their expectations are met, they become part of a growing pool of satisfied customers. The literature suggests a linkage between market orientation and customer satisfaction through the concept of value (Webb, Webster and Kreppa 2000) and postulates that firms providing customer value have more satisfied customers who demonstrate stronger brand loyalty (Aaker 1991; Oliver 1997).

Heskett, Jones, Loveman, Sasser and Schlesinger (1994) introduced the service-profit chain where profit and growth are stimulated primarily by customer loyalty. Loyalty is found to be a direct result of customer satisfaction and satisfaction is largely influenced by the value of services provided to customers. Satisfied, loyal and productive employees of the market-oriented firms can create this value.

Brady and Robertson (2001) found in a cross-national study that market orientation and service quality's impact on loyalty and behavioral intentions is mediated by a consumer's level of satisfaction and that this relationship is consistent across cultures.

Webb, Webster and Krepapa (2000) conducted a study in the banking context and found that market orientation has an impact on the service quality and customer satisfaction. Webb, Webster and Krepapa (2000) argued that since market orientation, as an overall organizational value provision system, influences the behavioral norms that shape the organization's attributes and delivery behavior, the considerable impact of market orientation on both service quality and customer satisfaction is logical.

The literature about the impact of market orientation on customer responses deals mainly with the responses of end-users. However, within the classic channel, the first customer of a manufacturer is the distributor. Research into market orientation has ignored its potential impact on relationships in the channel and the implications that market-oriented behavior has in dyadic relationships. Bigne, Blesa, Küster and Andreu (2004) recently studied the relationships between the market orientation of the manufacturer and the sources of his or her power over the distributor. The effects of these power bases have on the distributor's satisfaction with the relationship is also analyzed. Bigne, Blesa, Küster and Andreu (2004) conducted the research in the ceramic tile sector in Spain, with the aim of measuring the market orientation of manufacturers, their power bases as perceived by their distributors, and the latter's satisfaction with the relationship. The results show that manufacturers' market orientation has a positive effect on their reward power but not on their referent power, nor on their power of coercion. However, the reward, expert and referent powers of manufacturer have a positive effect on the distributor's satisfaction (Bigne, Blesa, Küster and Andreu 2004).

The literature on market orientation reveals that researchers focused on business performance and employee responses to a great extent, but gave less emphasis on studies relating market orientation and customer satisfaction. This may be due to the fact that the essence of market orientation is delivering superior customer value. Since all the activities are done with this objective in mind, researchers preferred to study the other areas.

2.1.5. Societal Market Orientation

Market orientation has been questioned whether to be an appropriate orientation in an age of environmental deterioration, resource shortages, explosive population growth, world hunger and poverty, and neglected social services. The market orientation sidesteps the potential conflicts among consumer wants, consumer interests, and long-run societal welfare. Given this need to enlarge the market orientation, Kotler (2002) proposed the societal marketing orientation which holds that the organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's well-being.

The societal market orientation calls upon marketers to build social and ethical considerations into their marketing practices. They must balance and juggle the often conflicting criteria of company profits, consumer want satisfaction, and public interest (Kotler 2002).

2.2. STRATEGIC ORIENTATION

Strategic orientations are the guiding principles that influence a firm's marketing and strategy-making activities.

Strategic orientation is defined as 'how an organization uses strategy to adapt and/or change aspects of its environment for a more favorable alignment' (Manu and Sriram, 1996, p.79). Another definition of strategic orientation is that it is 'the strategic direction implemented by a firm to create the proper behaviors for the continuous superior performance of the business' (Gatignon and Xuereb 1997, p.78). Strategic orientation is central to organizational effectiveness (Evered 1983) in that it represents the competitive strategy implemented by a firm to pursue, achieve and maintain competitive advantage and superior performance in an industry (Gatignon and Xuereb 1997; Morgan and Strong 2003; Washington and Ventresca 2004).

Noble, Sinha and Kumar (2002) apply a competitive culture approach for assessing strategic orientation. Noble, Sinha and Kumar (2002) define competitive culture as the dimension of organizational culture that provides the organization's values and priorities in interactions with its marketplace –both customers and competitors- and influences more specific strategies and tactics. This view of strategic orientation is based on the belief that there is a deep, culture-driven characteristics of an organization that influences both the internal processes of that organization as related to marketing and strategic thinking and the strategies that emerge from that organization. This definition treats strategic orientation as a subdimension of the culture construct. Noble, Sinha and Kumar's (2002) definition of strategic orientation can be contrasted with the definition of Gatignon and Xuereb (1997),

since Gatignon and Xuereb's view suggests a more malleable and less culture-like view of strategic orientation. However, according to the perspective of Noble, Sinha and Kumar's (2002); strategic orientation is a subdimension of the culture construct and market orientation is considered to be one of the alternative strategic orientations to be pursued by the firms. In other words, the competitive culture view allows the integration of market orientation and alternative strategic orientations as subdimensions of the broader organizational culture construct (Noble, Sinha and Kumar 2002).

Voss and Voss (2000) define strategic orientation as a construct capturing an organization's relative emphasis in understanding and managing the environmental forces acting on it. These forces include suppliers of product inputs, customers, current and potential competitors. Strategic orientation accommodates the firm's orientation toward the variety of external forces that likely affect its performance (Kohli and Jaworski 1990; Porter 1991; Slater and Narver 1995) and the tension between supply-side and demand-side marketing that exists in dynamic, high-tech or complex markets (Moore 1995; Shanklin and Ryans 1984). Strategic orientation is also variously characterized as strategic fit, competitive strategy, business strategy, strategic predisposition, strategic thrust and strategic choice (Chaffee 1985) in the literature.

Strategic orientation incorporates, articulates and reflects on management's perceived environment (Matsuno and Mentzer 2000). The firm then communicates and implements the direction and focus of the business strategy by setting specific performance goals, criteria and actions (Chandler 1962; Beer and Eisenstat 2004).

Walker and Ruekert (1987) argue that strategic orientation, performance on particular dimensions, and marketing activities have contingent relationships: Firms choose a strategy type to excel in particular dimensions of performance and execute each strategy by the most appropriate marketing activities. Business strategy as a general direction of firm's response based on filtered or distilled environmental information can conceivably explain the varying magnitude of relationship between performance measures and a firm's specific marketing response mechanism, such as market orientation (Matsuno and Mentzer 2000).

2.2.1. Conceptualization of Strategic Orientation

The literature has considered strategic orientation from three viewpoints (Morgan and Strong 1998, 2003) that are:

- The narrative approach;
- The classificatory approach; and
- The comparative approach.

2.2.1.1. The Narrative Approach

The narrative approach is anchored to qualitative methodologies frequently employing case study analyses. The emphasis here tends to be on describing verbally the holistic nature of strategy in its context (Andrews 1971; Evered 1983). While such a perspective has its applications in organizational research, it is limited in its use for theory testing on the basis that narrative descriptions do not sufficiently capture insights that can be generated from finely calibrated measurement scales (Ginsberg and Venkatraman 1985) and comparison is restricted across units of

analysis because of the uniqueness of strategy to the organization, environment, and temporal circumstance (Morgan and Strong 2003).

2.2.1.2. The Classificatory Approach

The classificatory approach attempts to group strategy on either a priori conceptual grounds or derived categorizations (McKelvey 1975). Respectively referred to as typologies (e.g., Hofer and Schendel 1978; Miles and Snow 1978; Porter 1985; Rumelt 1974; Wissema et.al. 1980; Gatignon and Xuereb 1997) and taxonomies (e.g., Miller and Friesen 1978; Wright et.al. 1995), this approach aggregates firms according to the nature of strategy emphasized. Examples of these taxonomies found in the literature are described in the following section.

A classificatory approach is well grounded and, along with other alternatives, is appealing to the researcher interested in assessing strategic orientation among firms (Thomas and Ramaswamy 1996). The classificatory approach overcomes many constraints inherent in the narrative stance and has been regarded as the convention when attempting to investigate business strategy (Morgan and Strong 2003). Notwithstanding this, classificatory schemas are restricted to inter-group comparison and do not allow for intra-group investigation (Tiryakian 1968). Although firms may adopt different strategic orientations that can be meaningfully classified, such parsimonious approaches may not detect nuances associated with various aspects of competitive strategy because crude categorizations do not acknowledge the importance of dimensions that are excluded from the typology (Speed 1993).

2.2.1.2.1. Examples of the Classificatory Approach

The classificatory approach attempts to classify firms' strategy and main typologies found in the literature are presented below.

Gatignon and Xuereb (1997) operationalized strategic orientation as a combination of:

- Customer orientation
- Competitor orientation, and
- Technological (product) orientation.

Customer orientation is defined as the organization's commitment to integrate customer preferences into the product development and marketing process.

Competitor orientation is the organization's commitment to integrate competitor intelligence into the product development and marketing process. Technological or specifically product orientation is the organization's commitment to integrate innovation into the product development and marketing process (Gatignon and Xuereb 1997).

Porter (1980) defined three generic types of strategic orientations which are:

- Overall cost leadership,
- Differentiation and
- Focus.

Overall cost leadership defines the strategy of businesses which are trying hard to achieve the lowest production and distribution costs so that they can price lower than their competitors' and win a large market share. Firms pursuing differentiation strategy concentrate on achieving superior performance in an important customer

benefit area valued by a large part of the market. They can strive to be the service leader, quality, style or the technology leader. Businesses pursuing focus strategy concentrate on one or more narrow market segments. They get to know these segments intimately and pursue either cost leadership or differentiation within the target segment.

The strategic typology that has been widely examined in the marketing literature is the one developed by Miles and Snow (1978) (McDaniel and Kolari 1987; Hambrick 1982, 1983; Snow and Hrebiniak 1980; McKee et.al., 1989; Speed 1993; Matsuno and Mentzer 2000). Miles and Snow (1978) posit strategic orientation as a planned pattern of organizational adaptation to the perceived environment and suggest that firms can be affiliated to one of four strategy types:

- (1) Prospector
- (2) Defender
- (3) Analyzer
- (4) Reactor

Prospector businesses typically maintain an aggressive competitive position and tend to be industry pioneers in the creation and development of new technologies. They are also opportunistic and display an interest in new and broader markets. They regularly experiment with potential responses to emerging environmental trends (Miles and Snow 1978). Prospectors appear to value planning flexibility in addition to the integration and coordination produced by the strategic planning process (Rogers and Bamford 2002). These organizations often are the creators of change and uncertainty to which their competitors must respond. However, because of their

strong concern for product and market innovation, these organizations usually are not completely efficient (Miles and Snow 1978).

Camelo-Ordaz, Martin-Alcazar and Valle-Cabrera (2003) analyzed the linkage between the resources and capabilities possessed by companies and their strategic orientation. The results of the study conducted with a sample of 130 firms chosen from the 500 largest Spanish companies revealed that a prospector organization will base its strategy on those capacities that strengthen innovation in products/services and markets and on those that enable it to respond rapidly to changes in its markets.

In contrast, defender firms adopt a conservative view of strategy and endeavor to hold a secure market position often in a narrowly defined segment. Competitive behavior is based on price or quality and innovation is a rare characteristic of these organizations. As a result of this narrow focus, these organizations seldom need to make adjustments in their technology, structure, or methods of operation. Instead, they devote primary attention to improving the efficiency of their existing operations (Miles and Snow 1978) and to focusing their planning on control and information relating to process efficiency (Rogers and Bamford 2002).

Analyzers share elements of defender and prospector firms by respectively maintaining a secure position in a core market while seeking new market positions via product development. These are the organizations that operate in two types of product-market domains, one relatively stable, the other changing. In their stable areas, these organizations operate routinely and efficiently through formalized structures and processes. In their more turbulent areas, top managers watch their

competitors closely for new ideas, and then they rapidly adopt those that appear to be the most promising (Miles and Snow 1978).

Finally, reactors lack any coherent plan for competing in an industry and do not exhibit the mechanisms or processes for adapting to the marketplace. These are the organizations in which top managers frequently perceive change and uncertainty occurring in their firms but are unable to respond effectively. They seldom make adjustment of any sort until forced to do so by environmental pressures (Miles and Snow 1978).

2.2.1.3. The Comparative Approach

The final approach for assessing firms' strategic orientation is comparative in nature and seeks to evaluate strategy by way of multiple traits or dimensions common to all firms. Therefore, strategy is considered in terms of the relative emphasis made by the firm along each strategic orientation dimension (Morgan and Strong 2003). The comparative approach overcomes the empirical limitations of the classificatory approach in that strategic orientation is viewed not across strict strategy classifications but, alternatively, along specific dimensions (Morgan and Strong 1998, 2003).

Several researchers have subscribed to this approach (e.g. Dess and Davis 1984; Miller 1983) all in effort to identify and measure the key traits of strategy (Venkatraman 1989). Extant conceptualizations for comparative strategy are limited but Venkatraman (1989) has proposed six dimensions of strategic orientation:

(1) **Aggressiveness:** An indictment often levelled at organizations is that they tend to be generally sluggish in adapting to their environments (Miller and Friesen 1980). Many reasons exist to explain this phenomenon (Tan and Litschert 1994) but there is scant work available to describe the contrary, in other words to describe how firms aggressively respond to the environment. Aggressiveness captures the facet of a firm's strategic orientation that, in comparison with its competitors, rapidly deploys resources to improve market position (Clark and Montgomery 1996; Fombrun and Ginsberg 1990). Such a trait is characteristics of the marketing company (Achrol 1991) that seeks first-mover advantage and exhibits a combative posture in exploiting market opportunities (Buzzell et.al. 1975).

The overriding theme of aggressiveness is the focus on beating competition (Wong and Saunders 1993) and it is believed to be a dominant attribute of the market culture type of organization (Deshpande et.al. 1993). Although aggressiveness may demand high investment to constantly improve on relative market share and competitive position, the key ingredient of success and sustainability along this route must be the ability to identify customer needs through an appropriate window of opportunity and rapidly mobilize resources to respond accordingly. Hence, the offensive maneuvers associated with aggressiveness are likely to be characteristic of market oriented firms (Morgan and Strong 1998).

(2) **Analysis:** The analysis dimension of strategic orientation reflects a firm's knowledge building capacity and enabling processes for organizational learning

(Morgan and Strong 2003). The analysis dimension of strategic orientation is distinct from Miles and Snow's (1978) analyzer type of firm which is a combination of prospecting and defensive strategy behaviors. Here, analysis is considered to represent the overall problem-solving approach to strategic decision making resulting in attempts to secure complete understanding of issues in both organizational and environmental contexts (Miller and Friesen 1984). Furthermore, this dimension refers to the nature of internal systems used in the execution of competitive strategy to achieve desired objectives (Grant and King 1982; Venkatraman 1989). A parallel can be drawn between analysis and the comprehensiveness trait proposed by Fredrickson (1984) as an important construct in the strategic management process. Consequently, analysis is critical to ensure that fit is achieved between an organization's strategy and its environment (Morgan and Strong 1998). Analysis is also necessary to ensure that the broader themes of organizational learning and problem solving are supportive of market focused activities and behaviors (Franwick et.al. 1994).

(3) Defensiveness: The dimension of defensiveness reflects behaviors aimed at protecting a firm's market position as opposed to any attempt to develop it in any way (Venkatraman 1989). In marked contrast to aggressive actions, the emphasis tends to be on cost reduction and efficiency gains, which has been explained by Thompson (1967) in his view of organizations defending their core technologies and the concept of domain defense strategy explored by Miles and Cameron (1982). The trait is also evidence of a firm's poor intelligence systems, scant resources devoted to analysis, strategies that are rigid and conservative as well as a static view on product-market scope (Miller 1989).

Defensiveness encourages an internal focus for organizational strategists which, consequently, deflect attention away from the external environment of the firm. Therefore, when changes occur in the marketplace, the defensiveness trait means that firms have limited adaptive capabilities and may be unlikely to notice market change or be able to change if it is noticed (McKee et.al. 1989). Furthermore, for the defender (Miles and Snow 1978) type of firm, Slater and Narver (1993) have stated that they gain relatively little benefit from a high magnitude of market orientation. In fact, a substantial investment of resources in market oriented activities could distract the defender from its primary preoccupation with low cost (Morgan and Strong 1998).

- (4) **Futurity:** Futurity is the notion of organizational preparedness for, and positioning in, future environmental situations. This perspective is at the heart of strategic management advocacy. Although gauging the explication of competitive futures is extremely complex, planning for the evolving marketplace is still crucially important in competitive strategy (Piercy and Morgan 1994). In this respect, Levitt (1960) has declared that the focus of marketing should not only be on recognizing customer needs per se, but should also appreciate the enduring nature of the needs organizations are attempting to satisfy. Following this, Anderson (1982) claims that the goal of marketing is to communicate the long run focus of customer and consumer satisfaction to all interests in the firm.

The conceptual association between firm's marketing activities and long term emphasis is, therefore, not recent (Felton 1959). However, the need for a long term perspective has become more important in the face of significant

environmental change (Ganesan 1994) and it is now a strategic imperative for the market oriented firm to constantly discover and implement additional value for its customers (Narver and Slater 1990).

(5) Proactiveness: The proactive behavior of organizations is a core constituent of innovation (Manu and Sriram 1996). Proactiveness describes the initiative adopted by firms to continuously search for burgeoning opportunities (Slater and Narver 1993) and experiment with responses to changing marketplace conditions (Lynn et.al. 1996; Venkatraman 1989). Founded on an action orientation, proactiveness also harnesses the strong research and development capabilities that are a feature of this dimension (Gatignon and Xuereb 1997). Fundamental in achieving such innovation capabilities, organizations exhibiting this proactiveness trait must encourage strong interfunctional cohesiveness (Atuahene-Gima 1996) and direct their efforts toward a market focus (Burchill and Fine 1997; Slater and Narver 1995). In this vein, evidence suggests that while particularly proactive firms may not be initially market oriented, a process of evolution is often experienced which requires organizations to establish processes and structures that enable them to better understand their customers (Roberts 1990).

The value of being proactive in strategic orientation has been considered in the marketing literature for some time (Dickson 1992; Zeithaml and Zeithaml 1984). The traditional argument suggests that marketing has adopted a reactive stance to the marketplace by responding to signals identified in the environment. This contention has now altered and the prescriptive view now proffered is that the

explicit incorporation of a proactive stance would be more accurate for reflecting market oriented activities and behaviours (Jaworski and Kohli 1996).

(6) Riskiness: The concept of risk can be considered by way of the possible losses and gains that can be derived from an action (Clark and Montgomery 1996; March and Shapira 1987). Conceptualizing risk in this manner means that riskiness can be manifest in resource allocation decision scenarios (Venkatraman 1989) and be a key parameter in driving decision making for products and markets (Dickson and Giglierano 1986). Within models of business competitiveness (Day 1994), there is a recognition that constructive risk taking is an important factor in stimulating the entrepreneurialism (Miller 1987) implicit in market opportunity-seeking behavior (Baird and Thomas 1990).

A danger of restricting marketing attention to existing customers and competitors results in the tyranny of the served market (Hamel and Prahalad 1991) where efforts are too narrowly focused on the expressed needs of the customer at the expense of neglecting the latent needs of both existing and potential customers. Hence, a true market orientation maintains a balance between these two elements which should encourage a sufficient willingness to take risks (Slater and Narver 1995). Despite the fact that businesses' gains and losses may be high from new product introductions serving new and existing customers, market orientation requires that firms be tolerant of risk and accept the possible failures (Jaworski and Kohli 1993). Indeed, it has been posited that in the market oriented firm, where senior executives encourage an acceptance of risk and acknowledge certain failures as inevitable, junior executives will be more inclined to develop

new customer offerings in response to changing needs (Kohli and Jaworski 1990).

The findings of recent studies related to strategic orientation can be found in the following section. These studies used usually either classificatory or the comparative approach for the operationalization of strategic orientation.

2.2.2. Studies on Strategic Orientation

Studies on strategic orientation can be classified mainly into two groups. One of them deals with the relationship between strategic orientation and business performance. The other deals with the relationship between strategic orientation and market orientation.

2.2.2.1. Studies On the Relationship Between Strategic Orientation and Business Performance

The management literature is replete with conceptual propositions grounded in empirical accounts of studies that have investigated the relationship between strategy and aspects of firm performance. However, it is ironic that despite this volume of research attention, consensus concerning this relationship at the business level has been slow to develop (Parnell, 1997). The principal reasons underlying this relate to: conflicting theoretical perspectives; anomalies in empirical context; contrasting bases for operationalization, measurement, and associated methodological considerations; and, differing modes of explanation (Morgan and Strong 2003).

Morgan and Strong (2003) indicate that there are three notable limitations with respect to the literature on strategic orientation-performance relationship. First the vast majority of studies have adopted a classificatory approach in their conceptualization and measurement of business strategy and pursued either: the Porter (1980) low cost, differentiation, or focus typology (e.g. Parker and Helms 1992; Schul et.al. 1995); and the Miles and Snow (1978) prospector, analyzer, reactor, or defender typology (e.g. Golden 1992; James and Hatten 1994; Ramaswamy wet.al. 1994); or, derived classifications such as those of Hirst et.al. (1984) and Wright et.al. (1995). An inherent limitation in this type of approach is the assumption of mutual exclusivity. Any effort to capture the complexity of strategy content requires a more sophisticated calibration that gages the properties of strategy rather than attempts to generate a unitary indicant for each type of strategy (Morgan and Strong 2003).

Second, firm performance has traditionally been considered purely in accounting terms (Conant et.al. 1990; Jennings and Seaman 1994). Although accounting performance can be considered a theoretical construct in its own right (Capon et.al. 1990), the business performance construct is truly multifaceted which might explain the increased interest in frameworks such as: the 'balanced scorecard' (Kaplan and Norton, 1992, p.71) approach to performance assessment; the evolving market-based assets paradigm (Srivastava et.al. 1998); and, emerging approaches from the accounting literature that question the 'reliance on accounting performance measures' (Otley and Fakiolas, 2000, p.497) in favor of approaches that shift the focus away from strictly accounting considerations to the more generic issues of business performance evaluation (Morgan and Strong 2003).

Third, most studies have tended to investigate firms specifically in mature and stable industries which is likely to explain departures in research findings from a small number of studies that have considered deregulated (Reger et.al. 1992), transition (Golden et.al. 1995b), and volatile (Tan and Litschert 1994) contexts.

There are several studies in the literature examining the strategic orientation-performance link and these have included measures related to:

- (1) The firm's strategic position, including differentiation strategy (Pelham and Wilson 1996) and relative cost position (Narver and Slater 1990; Pelham and Wilson 1996; Slater and Narver 1994), and
- (2) The firm's relative scope, including relative market share (Narver and Slater 1990; Pelham and Wilson 1996; Slater and Narver 1994), relative level of resources (Gatignon and Xuereb 1997), and the extent of differentiation in the firm's product line (Pelham and Wilson 1996).

Firm performance is determined by industry structure and the firm's strategic position in the industry; strategic position, in turn, is primarily a function of business strategy (i.e. product differentiation and cost leadership) and scope, which is a function of the number of product markets served and the degree of vertical integration (Porter 1991).

The results with respect to business strategy have been equivocal: positive (Pelham and Wilson 1996) and nonsignificant (Pelham and Wilson 1996) effects have been reported for differentiation strategy and positive, negative and nonsignificant effects have been reported for cost position (Pelham and Wilson 1996; Slater and Narver

1994). Empirical results more consistently support the proposition that scope-measured as relative market share (Narver and Slater 1990; Pelham and Wilson 1996; Slater and Narver 1994) or level of resources (Gatignon and Xuereb 1997)- has a positive impact on firm performance.

Voss and Voss (2000) investigated the relationship between strategic orientation and firm performance in an artistic environment. Conventional marketing wisdom holds that a customer orientation provides a firm with a better understanding of its customers, which subsequently leads to enhanced customer satisfaction and firm performance. However, Voss and Voss (2000) indicated that there are cautions that being too customer focused can lead to inertia in artistic environments. Building on the market orientation research stream, the authors examine the impact of three alternative strategic orientations –customer orientation, competitor orientation and product orientation- in a variety of subjective and objective measures of performance in the non-profit professional theatre industry, which is marked by high rates of artistic innovation and largely unpredictable customer preferences. The results indicate that the association between strategic orientation and performance varies depending on the type of performance measure used. The most unambiguous result is that a customer orientation exhibits a negative association with sales, total income and net surplus/deficit (Voss and Voss 2000).

Noble, Sinha and Kumar (2002) studied the effects of alternative strategic orientations on performance. Noble, Sinha and Kumar (2002) evaluated the impact of three alternative strategic orientation that are market orientation, production orientation and selling orientation on performance. For the operationalization of

market orientation, Noble, Sinha and Kumar (2002) used Narver and Slater's (1990) elements and found that only the competitor dimension of market orientation related to performance, whereas the customer orientation variable did not relate to performance. Among the alternative strategic orientations considered, production orientation was not significantly related to performance whereas a selling orientation was generally positively related to performance (Noble, Sinha and Kumar 2002).

Recently, Morgan and Strong (2003) examined the relationships between business performance and Venkatraman's (1989) six dimensions of firms' strategic orientation (aggressiveness, analysis, defensiveness, futurity, proactiveness and riskiness). Data were generated from a mail survey of medium and large, high technology, industrial firms. The results indicated that firms that emphasize the traits of defensiveness, analysis, and futurity in strategic orientation typically exhibit high levels of business performance. These strategy dimensions are conservative in nature, relative to the nonassociative scales of proactiveness, riskiness, and aggressiveness, and reveal that high performing businesses are distinctly cautious, prudent, and make judicious use of their defensive skills, analytical capabilities, and future-oriented management. Although the traits of proactiveness, riskiness, and aggressiveness are typical of entrepreneurial intensity, the extent to which they relate to business performance among this sample of high technology industrial manufacturers appears to be limited (Morgan and Strong 2003).

2.2.2.2. Studies On the Relationship Between Strategic Orientation and Market Orientation

Morgan and Strong (1998) conducted an empirical investigation to analyze the relationship between market orientation and dimensions of strategic orientation in medium and large industrial, manufacturing firms. Market orientation was measured with the Narver and Slater (1990) scale, and strategic orientation was examined with the Venkatraman (1989) measures that are gauging firms' strategies in terms of aggressiveness, analysis, defensiveness, futurity, proactiveness, and riskiness.

From this study, it was found that firms' proactiveness, analysis and futurity in strategic orientation were all positive and significant in their association with market orientation.

Proactiveness emphasized by some organizations is analogous to Porter's (1980) notion of competitors jockeying for position. Industry drivers affect the nature and intensity of competition but as Baden-Fuller (1995) notes, competition is 'a contest among firms doing different things and the winners are those with new approaches to markets' (p.56). Given the extent of environmental diversity and turbulence present in many competitive marketplaces (Achrol 1991), the cycle of change necessitates that firms attempting to gear themselves toward serving market needs must be proactive in their strategic approach. This is because the pace of technological innovation and obsolescence can be extremely rapid, allowing only a narrow window of opportunity to be identified and capitalized on by the market oriented firm (Morgan and Strong 1998).

The concept of the 'intelligent enterprise' (Jaworski and Kohli, 1996, p.124) can be paralleled with market orientation. In the same way as market sensing capabilities are important in market orientation, so too are problem-solving skills and internal processes salient in the analysis dimension of a firm's strategic orientation (Day 1994). Typically, strategic decision processes require the involvement of multiple participants in the firm and analytical activities are able to provide the vehicle for the focal attention of these groups (Franwick et.al. 1994). Although potential barriers to market orientation may be established as a result of this in that interest groups form in organizations around the particular objectives, responsibilities and intentions of functions or business areas (Pettigew 1985), it would appear that market orientation, as an organization-wide objective and responsibility, encourages strategic problem-solving analytical activities to take place in a coordinated, efficient manner (Morgan and Strong 1998). From this study, it can be implied that market oriented firms are distinguished by their higher-order learning processes and their ability to respond to change (Morgan and Strong 1998).

Futurity describes the aspect of an organization's strategic orientation that is able to anticipate and potentially contribute to the evolution of markets (Jaworski and Kohli 1996). It is a trait characteristic of firm competitiveness and it is based more in deep insights about the trends in technology, demographics, regulation and lifestyles that can be harnessed to rewrite industry rules and competitive space (Hamel and Prahalad 1994). Thus, futurity allows the firm to establish a perspective on a long-term horizon and begin to anchor market ideas and creative opportunity to such a context (Jaworski and Kohli 1996).

Other notable findings of Morgan and Strong's (1998) study were the lack of a negative relationship between defensiveness and market orientation; the presence of a negative relationship between aggressiveness and market orientation and finally no relationship between riskiness and market orientation. As a conclusion, it can be depicted that market oriented activities and behaviors are related to: a proactive search for marketplace opportunities; a problem-solving, analytical approach to organizational learning; and long term planning and future positioning considerations (Morgan and Strong 1998).

Matsuno and Mentzer (2000) empirically examined the role of business strategy type as a potential moderator of the market orientation-performance relationship. The authors used Miles and Snow's (1978) strategic types of prospectors, analyzers and reactors. Matsuno and Mentzer (2000) studied 1000 marketing executives from 1000 US manufacturing firms and found that the relationship between market orientation and economic performance is moderated by the type of strategy employed.

The strength of the relationship between market orientation and performance as measured by profitability (ROI) is greater for defenders than for either prospectors or analyzers. Also the strength of the relationship between market orientation and performance as measured by market share growth, relative sales growth, new product sales as a percentage of total sales is greater for prospectors than for either defenders or analyzers.

Matsuno and Mentzer (2000) also suggested that analyzers would gain little benefit in any performance dimension by increasing the market orientation. The analyzers, in

pursuit of a unique combination of the strengths of defenders and prospectors, try to minimize risk while maximizing profit opportunity. In short, analyzers aspire to be good in all performance dimensions as theorized by Miles and Snow (1978) and empirically demonstrated also by Shortell and Zajac (1990). Organizations with an analyzer-type strategy are already conducting market intelligence activities to some extent and these activities are the cornerstone of their strategy implementation. Nonetheless, simply analyzing the market may go only so far when the firm is trying to be good at everything. That a market orientation requires acting on market intelligence that is generated and disseminated seems to provide one possible explanation for the general lack of performance gains expected for analyzers. Performance benefit of increasing the level of market orientation only through market analysis is limited. An alternative explanation is that there might be contingent factors at play that was not modeled in the study.

Matsuno and Mentzer (2000) indicated that compared with other types, prospectors and analyzers, defenders gain the greatest performance benefit in ROI by increasing market orientation level. However, compared with other types, defenders appear to lose most in market share, sales growth and percentage of new product sales, they are the worst performers. This is a dilemma for defenders because an attempt to increase one relative measure of performance may lead to decreasing other measures that they consider secondary, but nonetheless important aspects of business in general. Prospectors benefit from the greatest gain, over both analyzers and defenders, in market share, sales growth and percentage of new product sales by increasing market orientation level. Prospectors are the best performers in every performance measure. Matsuno and Mentzer (2000) provided empirical support for the argument that if the

prospectors' strategy type is the most proactive business strategy of all (Aragon-Correa 1998), these organizations would be the most sustainable in environmental changes and capable of producing consistently high performance (Jennings and Zandbergen 1995).

2.3. ORGANIZATIONAL CULTURE

When Drucker (1954) first articulated the marketing concept, he noted that marketing was not a separate management function but rather the whole business as seen from the customer's point of view. According to Deshpande and Webster (1989) the marketing concept defines a distinct organizational culture, a fundamental shared set of beliefs and values that put the customer in the center of the firm's thinking about strategy and operations.

Despite the centrality of organizational culture to marketing management issues, there has been relatively little scholarly study of its impact in a marketing context. This lack of scrutiny perhaps reflects, as Ruckert and Walker (1987) suggest, the relatively greater attention given to the consumer than to organizational issues in marketing in general. For example, when marketing scholars turned to the behavioral sciences for guidance beginning in the late 1950s and especially the 1960s, the study of culture focused exclusively on understanding consumer behavior, particularly the definition of cultures and subcultures as market segments, culture as communication, the diffusion of innovations, and cross-cultural comparisons of international markets (Engel, Kollat, and Blackwell 1968; Zaltman 1965). Subsequent treatments of culture in marketing also have been limited mostly to the consumer behavior area.

Several scholars recently have begun to recognize the importance of organizational culture in the management of marketing function. Weitz, Sujan and Sujan* (1986) included organizational culture concepts in their development of a model of selling effectiveness. Parasuraman and Deshpande (1984) suggested that greater attention be paid to organizational culture along with structural explanations for managerial effectiveness. Additionally, heightened concern for issues of implementation in marketing strategy (Walker and Ruekert 1987) and the development of a customer orientation within organizations is also raising questions related specifically to organizational culture (Bonoma 1984; Deshpande and Parasuraman 1986; Webster 1981, 1988). In fact, Mahajan, Varadarajan and Kerin (1987) have gone so far to suggest that the next phase of development of the field of strategic market planning must involve a formal integration of organizational culture issues.

In contrast to the scant attention given to organizational culture in marketing, a major thrust into the theoretical modeling and empirical research on the topic has occurred in the field of organizational behavior (Hofstede 1986; Jelinek, Smircich and Hirsch 1983; Kilmann, Saxton and Serpa 1986; Sathe 1983; Schwartz and Davis 1981). As a result, within the past 10 years, organizational culture has become one of the most active research areas within the discipline (Allaire and Firsirotu 1984; Frost et.al., 1985; Ouchi and Wilkins 1985).

2.3.1. Development of the Field of Organizational Culture: History and Definitional Issues

As Ouchi and Wilkins (1985) note in a major review, the development of interest in the concept of culture applied to organizational functioning was due to the realization

by organizational sociologists in the mid-1970s that traditional models of organizations did not always help them to understand observed disparities between organizational goals and actual outcomes, between strategy and implementation. Most formal models of organizations incorporated, in one way or another, systems, structure, and people, but not culture (Schwartz and Davis 1981). For example, in Leavitt's (1964) model, organizations are seen as multivariate systems consisting of four sets of interacting variables:

- (1) Tasks – the work to be performed to accomplish goals,
- (2) Structure- systems of communication, authority, status, rewards, and workflow,
- (3) Technology –problem-solving inventions used by the firm, and
- (4) People.

Culture is a completely different component that also may contribute significantly to organizational functioning and may affect the other four subsystems as a mediating variable (Deshpande and Webster 1989).

In recent studies of difficulties in strategic implementation and comparisons of the performance of American firms with that of European, Japanese, and other Asian competitors, researchers began to introduce concepts of culture as possible explanations for differences in competitive effectiveness when few differences in the structural characteristics of the organizations were evident (Pascale and Athos 1981). This line of reasoning began to suggest that models of organizations that did not include culture as a specific organizational variable were incomplete (Ouchi and Wilkins 1985).

2.3.1.1. Definition and Measurement of Organizational Culture

Despite agreement about the importance of culture as an organizational variable, consensus about its definition is lacking. The concept of culture has principally stemmed from the study of ethnic and national differences in the disciplines of sociology, anthropology and social psychology. A good summary of the many definitions for culture developed in each of these disciplines was given by the cultural geographer Haggett (1975, p.238): 'Culture describes patterns of behavior that form a durable template by which ideas and images can be transferred from one generation to another, or from one group to another'.

According to Wilson (2001), three aspects of this definition need further explanation. First, the transfer of behavior does not take place through genetics but instead takes place through the social interaction between members of a group. Second, according to the culture pattern theory, the various elements of a culture tend to form a relatively stable harmonious system and therefore any cultural template is durable and slow to change. Third, the ideas and images of culture provide a guide for the conduct of acceptable behavior. As such, many aspects of the culture are embodied in rules of various sorts, some are laws which are backed by official punishment for deviation; others are social norms which are backed by social disapproval and rejection of deviates.

Initially, within organizational theory, scholars used the culture concept as a metaphor to study organizations as forums in which meanings are constructed and expressed through social interactions. But as it became part of the vocabulary of management thinking, more and more researchers began to employ culture as a

variable rather than as a root metaphor. Some of the earliest references to the concept of culture as an internal organizational variable are found in the literature of organization development (Jacques 1952; Harrison 1972). Several researchers began to link various types of cultures to certain outcome variables such as performance and internal integration (Wilkins and Ouchi 1983). Thus, culture became a mechanism with which to achieve managerial effectiveness and control (Peters and Waterman 1982). During these stages of development a large number of definitions have been proposed for the concept of culture in the corporate setting. Some of these draw directly on the definitions from anthropology and the other root disciplines; others are specific to the corporate sector.

The more basic definitions do not aid understanding but simply provide a vague description to replace the term culture. These descriptions range from the 'feeling in the organization' (Tagiuri and Litwin 1968) to the 'rules of the game' (Van Maanen 1979; Ritti and Funkhouser 1982) to 'how things are done around here' (Drennan 1992).

In a seminal paper by two anthropologists, 164 definitions of culture were analyzed in detail and the results were summarized as a consensus statement that culture 'is a product, is historical, includes ideas, patterns and values, is selective, is learned, is based upon symbols, and is an abstraction from behavior and the products of behavior' (Kroeber and Kluckhohn 1952, p.157).

These simple descriptions contrast with the more all-embracing and more useful definitions produced by Schein (1991), Jelinek, Smircich and Hirsch (1983),

O'Reilly, Chatman and Caldwell (1991), Schwartz and Davis (1981), Barney (1986), Schneider (1988), Deshpande and Webster (1989) and Kotter and Heskett (1992). It is found that within this broader perspective, culture had been defined variously as the values and beliefs shared by the members of a society; the patterns of behaving, feeling, and reacting shared by a society, including the unstated premises underlying that behavior; learned responses that previously have met with success; habitual and traditional ways of thinking, feeling and reacting that are characteristics of the ways a particular group of people meets its problems; and another word for social reality, the things people take for granted (Deshpande and Webster 1989).

Specifically for the concept of organizational culture, definitions offered in recent studies include: 'some underlying structure of meaning, that persists over time, constraining people's perception, interpretation and behavior' (Jelinek, Smircich and Hirsch 1983, p.337), 'a set of cognitions shared by members of a social unit' (O'Reilly, Chatman and Caldwell 1991, p.491) 'a pattern of beliefs and expectations shared by organization members' (Schwartz and Davis 1981, p.33), 'complex set of values, beliefs, assumptions, and symbols that define the way in which a firm conducts its business' (Barney 1986, p.657) and 'the system of publicly and collectively accepted meanings operating for a given group at a given time, where the system of terms, forms, categories, and images interprets a people's own situation to themselves' (Pettigrew 1979, p.574).

Schein (1991, p.9) see organizational culture as 'a pattern of assumptions, invented, discovered or developed by a given group as it learns to cope with its problems of external adaptation and internal integration – that has worked well enough to be

considered valid and therefore, to be taught to new members as the correct way to perceive, think and relate to those problems’.

According to Kotter and Heskett (1992, p. 4) at the deeper and less visible level culture refers to ‘values that are shaped by the people in a group and that tend to persist over time even when group membership changes. At the more visible level, culture represents the behavior patterns or style of an organization that new employees are automatically encouraged to follow by their fellow employees. Each level of culture has a tendency to influence the other.’

Deshpande and Webster (1989, p.4) define organizational culture as ‘the pattern of shared values and beliefs that help members of an organization understand why things happen and thus teach them the behavioral norms in the organization.’ Organizational culture, by providing a framework through which employees internalize expectations about corporate roles and behaviors, serves to a large extent as an organizational control mechanism.

Schneider (1988, p.353) states that culture refers to ‘ a) the values that lie beneath what the organization rewards, supports and expects; b) the norms that surround and/or underpin the policies, practices and procedures of organizations; c) the meaning incumbents share about what the norms and values of the organization are’.

Common to the last two definitions of organizational culture is the concept of values. Indeed, research on culture usually begins with a set of values and assumptions (Enz 1988; Martin and Siehl 1983; Schein 1985; Weiner 1988). These values, whether

conscious or unconscious, typically act as the defining elements around which norms, symbols, rituals, and other cultural activities revolve. Thus, Parsons (1951) argued that a cultural tradition emerges around values, defined as elements of a shared symbolic system which serves as a criterion or standard for selection among the alternatives of orientation which are intrinsically open in a situation. Rokeach (1973, p.5) offered a very similar definition, proposing that a value is 'an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence.' In this vein, basic values may be thought of as internalized normative beliefs that can guide behavior. When a social unit's members share values, they may form the basis for social expectations or norms. Should these be even more widely shared throughout a larger social grouping, an organizational culture or value system may exist (O'Reilly, Chatman and Caldwell 1991). Thus, researchers who investigate culture by focusing on norms (Cooke and Rousseau 1988; Harrison and Carroll 1991; O'Reilly 1989) are studying social expectations that are based on underlying values. Others who study culture through rituals, stories, or myths (Louis 1983; Martin and Siehl 1983; Trice and Beyer 1984) are examining phenotypic outcroppings that reflect underlying beliefs and values (O'Reilly, Chatman and Caldwell 1991).

Schein's (1985) model of organizational culture proposes that culture exists simultaneously on three levels: On the surface are artifacts, underneath artifacts lie values, and at the core are basic assumptions. Assumptions represent taken-for-granted beliefs about reality and human nature. Values are social principles, philosophies, goals and standards considered having intrinsic worth. Artifacts are

visible, tangible, and audible results of activity grounded in values and assumptions (Schein 1985). Hatch (1993) claimed that Schein's (1985) model of organizational culture as assumptions, values and artifacts leaves gaps regarding the appreciation of organizational culture as symbols and processes. The new model developed by Hatch (1993) is called cultural dynamics and makes a place for symbols and articulates the processes of manifestation, realization, symbolization and interpretation.

2.3.1.2. Measurement of Organizational Culture

Various questionnaire instruments have been developed to measure an organization's cultural values. Most have been based on a priori assumptions regarding the types of values organization members share (Enz 1986; Glaser 1983; Sashkin and Fullmer 1985) or the behavioral norms in organizations (Allen and Dyer 1980; Cooke and Lafferty 1989; Hofstede, Neuijen, Ohayv and Sanders 1990; Kilmann and Saxton 1983). Viewpoints regarding the validity of using such dimensions to measure organizational culture values vary (Rousseau 1990; Schein 1985). O'Reilly, Chatman and Caldwell (1991) developed, as mentioned above, 50 specific elements of cultural values that can be grouped in seven dimension of innovative, stable, respecting of people, outcome oriented, detail oriented, team oriented and aggressive (Chatman and Jehn 1994). Rousseau (1990) grouped all these dimensions into three broad categories describing organizational values and norms regarding (1) the completion of work tasks, (2) interpersonal relationships, (3) individual behavior.

Some scholars view organizational culture as a property of the group or organization itself, like structure or technology. Others view it as something that resides within each individual as a function of cognitive and learning process. As an individual

property, culture is the evaluations people make of the social context of the organization that guide their behavior. It is their attempt to make sense of the organization (Deshpande and Webster 1989). Some argue that culture is an exogenous environmental variable, one that can not be managed but rather must be accommodated, whereas others see it as a variable endogenous to the organization, mediating the way in which the organization responds to environmental stimuli and change. Still others argue that it is both process and outcome because it shapes human interactions and is also the outcome of those interactions (Jelinek, Smircich, and Hirsch 1983). Deshpande and Webster (1989) believe that culture is all of these things but that the differences arise because of differences in theoretical approach to the concept.

2.3.1.3. Organizational Culture Paradigms

To fully understand the complexity of the organizational culture literature, it is necessary to explore the various perspectives of culture that have been adopted by the organizational behaviorists and other researchers in this field (Wilson 2001). Martin and Meyerson (1988) identified the following three major perspectives in organizational culture research.

1. **The Integration Perspective:** This portrays a strong or desirable culture as one where there is organization-wide consensus and consistency. Espoused values are consistent with formal practices, which are consistent with informal beliefs, norms and attitudes. Cultural members share the same values, promoting a shared sense of loyalty and commitment. Where

inconsistencies, conflict or subcultural differentiation occur, this is portrayed as being a weak or negative culture (Martin and Meyerson 1988).

2. The Differentiation Perspective: This emphasizes that rather than consensus being organization-wide, it only occurs within the boundaries of a subculture. At the organizational level, differentiated subcultures may co-exist in harmony, conflict or indifference to each other (Martin and Meyerson 1988).
3. The Fragmentation Perspective: This approach views ambiguity as the norm, with consensus and dissension co-existing in a constantly fluctuating pattern influenced by events and specific areas of decision-making. (Martin and Meyerson 1988).

Martin (2002) returns to these three perspectives with a renewed understanding of how they work collectively and how they can guide scholars in studying the complexities of organizational research.

The different conceptions of culture lead to a bewildering complexity in interpretation. To provide guidance for researchers in marketing, Deshpande and Webster (1989) also tried to integrate the organizational behavior literature while retaining the important distinctions being made.

Deshpande and Webster (1989) refer to Smircich's (1983) insightful review of the various approaches to the study of organizational culture, which is summarized in five different paradigms. These paradigms are

- 1-Comparative management,
- 2-Contingency management,

- 3-Organizational cognition,
- 4-Organizational symbolism and
- 5-Structural/psychodynamic perspective.

In the first two, one can think of culture as a variable and in the others as a metaphor for the organization itself (Deshpande and Webster 1989).

In the comparative management approach, culture can be viewed as a variable exogenous to the firm, influencing the development and reinforcement of core beliefs and values within the organization. Such cross-cultural studies of management typically are motivated by a search for explanations for differences in organizational outcomes such as job satisfaction in US and Mexican firms (Slocum 1971) or effectiveness, as in the many studies of Japanese versus American management and their differences based on the differences in Japanese and U.S. national cultures (Pascale and Athos 1981).

In studies with a contingency management perspective, culture is seen as an independent variable endogenous to the firm, consisting of beliefs and values developed by and within the organization (Deal and Kennedy 1982; Peters and Waterman 1982). In contingency models, measures of corporate performance are influenced in significant and systematic ways by the shared values, beliefs, identities, and commitment of organizational members. The contingency management perspective on organizational culture is complementary to traditional contingency frameworks used to investigate such variables as structure, size, and technology of an organization (Pugh and Hickson 1976), and which in turn are grounded in

functionalist theory in sociology (Parsons 1956). Like the comparative management approach, contingency management research is explicitly interventionist. Researchers believe that cultural artifacts can be used to build organizational commitment, convey a philosophy of management, rationalize and legitimate activity, motivate personnel, and facilitate socialization (Smircich 1983). Both comparative and contingency management perspectives see organizational culture as a lever or tool to be used by managers to implement strategy and to direct the course of their organizations more effectively (Deshpande and Webster 1989).

Three other ways of thinking about organizational culture are theoretically grounded in anthropology rather than in sociology. They describe culture not as a variable but as a root metaphor for the organization itself. In these perspectives, organizations are to be understood not just in economic or material terms, but also in terms of their expressive, ideational, and symbolic aspects (Deshpande and Webster 1989).

In the organizational cognition perspective on organizational culture, the task of the researcher is to understand what the rules are that guide behavior – the shared cognitions, systems of values and beliefs, the unique ways in which organization members perceive and organize their world (Weick 1985). Deshpande, Farley and Webster (1993) used this approach in their study related with the corporate culture, customer orientation and innovativeness in Japanese firms.

Organizational cognition perspective on organizational culture focuses on managerial information processing and views organizations as knowledge systems. Deshpande, Farley and Webster (1993) indicated that such an information processing view of

organizational functioning is very useful for understanding not only the culture of the firm, but also its customer orientation, because discussions of the latter has taken an implicit, if not explicit, organizational information processing approach (Kohli and Jaworski 1990).

In an organizational symbolism perspective, an organization, like a society, is a system of shared meanings and symbols, a pattern of symbolic discourse that provides a background against which organization members organize and interpret their experience, looking for clues as to what constitutes appropriate behavior (Pondy et.al. 1985; Alvesson 2002). From a structural/psychodynamic perspective, the research goal is to discover structural patterns that link the unconscious human mind with overt manifestations in social arrangements. Researchers see organizations as a form of human expression rather than as goal-oriented, problem-solving instruments (Deshpande and Webster 1989).

Deshpande and Webster (1989) examined these five paradigms on the basis of their potential contribution to the study and improvement of marketing management. For comparative marketing management, Deshpande and Webster (1989) indicated that relatively little research, especially empirical, has been done on cross-national marketing management issues. Even single-country studies of problems facing marketing managers are scarce and few attempts have been made to generalize knowledge about these problems. Deshpande and Webster (1989) see an opportunity for the rigorous application of concepts of organizational culture to enhance significantly the research on basic issues of standardization versus customization of international marketing programs. A comparative marketing management approach

is needed to examine specific aspects of a local culture that necessitate modification/adaptation of marketing strategy in order for the strategy to be successful. Though several thoughtful conceptual articles have been written on the relevance of the national culture to globalization (Levitt 1983), few empirical studies have examined the issue. An important exception is the work of Gatignon and Anderson (1987) who use transaction cost analysis to explain the extent of control exerted by multinational corporations over their foreign subsidiaries. Clearly the success of any international marketing strategy depends not only on the extent of its conformity to customer cultural norms but also on the conformity with the values and beliefs of employees in various host countries, as Hofstede's (1980) landmark survey of the work-related values of 116,000 respondents in 40 countries suggests in a broader management context (Deshpande and Webster 1989). Other related topics of interest in comparative marketing management are the relative effectiveness of various marketing control mechanisms for different national or regional cultures and the extent to which such alternative forms of marketing control can lead to equivalent or higher productivity in various customer contact functions (Deshpande and Webster 1989).

With respect to contingency marketing management, an important avenue for research is to examine the impact of an organization's values and beliefs on market performance. A related research study could examine the impact of both cultural and structural measures in explaining a dependent variable of interest (Davis 1984). Other related topics in contingency marketing management are the role of marketing department in a strategic business unit and the study of a particular organizational form as a cultural phenomenon (Deshpande and Webster 1989).

Research avenues related with marketing cognition are summarized as the diffusion of marketing concepts, models and theories at the line manager level; investigation of organizational memory; and study of organizational conflict involving marketing (Deshpande and Webster 1989).

Major topics for research in marketing symbolism are socialization, personnel selection, training, orientation of new comers into the current organizational or marketing department culture without diminishing the creativity and innovativeness, and personal selling (Deshpande and Webster 1989).

Most interesting research question with regard to structural/psychodynamics perspective is how a company develops as an expression of the will of its founders (Deshpande and Webster 1989).

As a result, it can be asserted that the five organizational culture paradigms provide many directions for research on topics relevant to marketing management (Deshpande and Webster 1989).

2.3.1.4. Organizational Culture Types

The applicability of an organizational information processing perspective to understanding culture and specifically its relationship to marketing strategy is discussed by Webster and Deshpande (1990). Webster and Deshpande (1990) describe at some length the seminal work of Quinn and his colleagues (Quinn 1988; Quinn and McGrath 1985), who have proposed a competing values model of

organizational effectiveness. This model, which was first described in an award-winning article by Quinn and Rohrbaugh (1983), is based on an empirical analysis of the values individuals hold for organizational performance. By using a list of organizational effectiveness criteria developed by Campbell (1977), Quinn and Rohrbaugh (1983) found that clusters of values reproduced the dimensions developed by Jung (1923) to describe the psychological archetypes. There has been substantial additional description of the competing values model and its consistency with the Jungian framework (Woodman and Passmore 1991). According to this view, cultural information within organizations is interpreted by individuals in the context of their underlying archetypes (Mitroff 1983). More specifically, the competing values model identifies four cultural types based on the Jungian framework as identified in Figure 2.3, where the shared beliefs pertain to dominant organizational attributes, leadership styles, organizational bonding mechanisms, and overall strategic emphasis (Deshpande, Farley and Webster 1993, Cameron and Quinn 1999, Cameron and Freeman 1991).

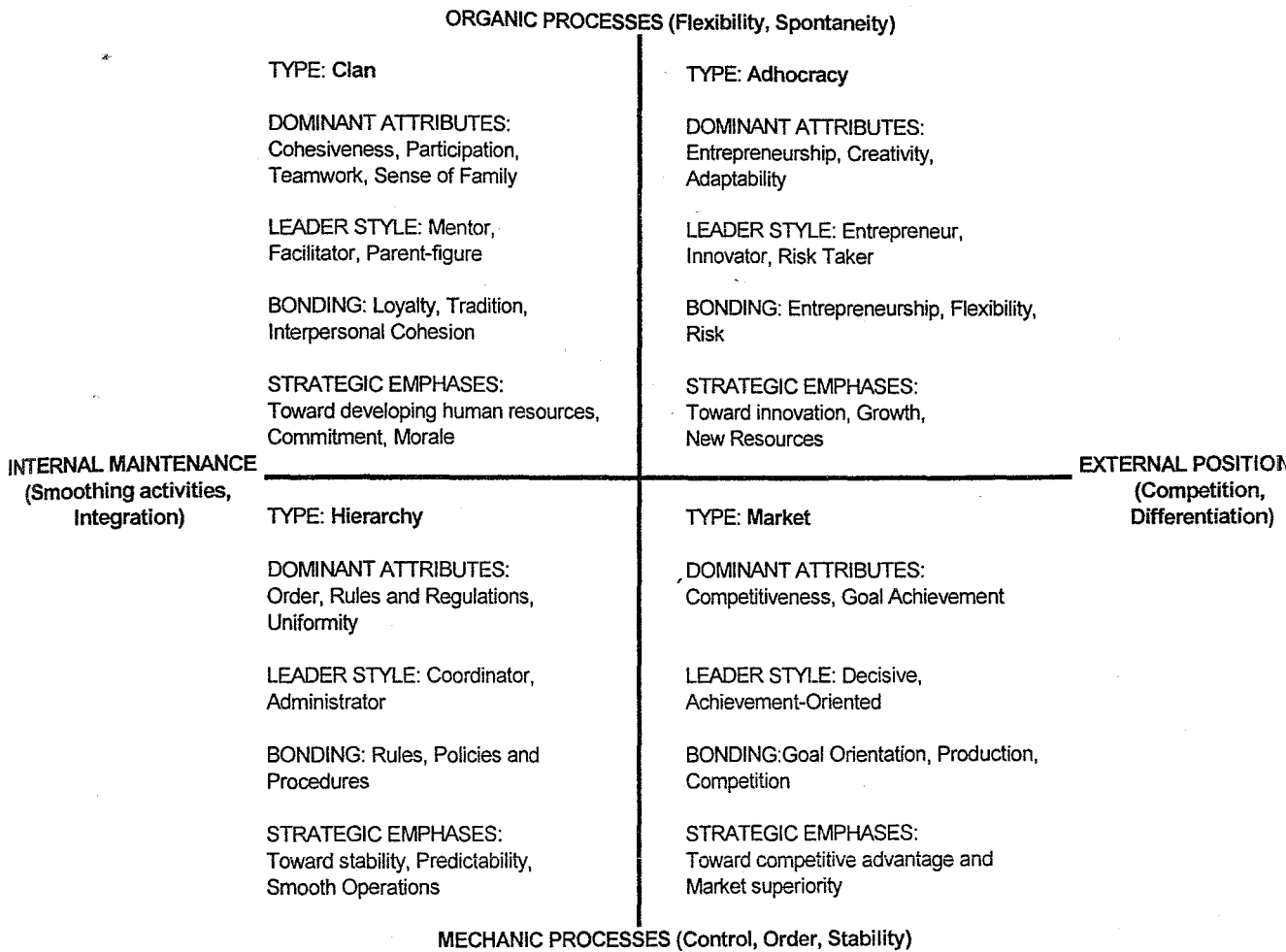


Figure 2.3. A Model of Organizational Culture Types (Deshpande, Farley, Webster, 1993, p.25, adapted from Cameron and Freeman 1991 and Quinn 1988).

According to Figure 2.3, two key dimensions define culture types. These key dimensions represent a merging of two major theoretical traditions from the organizational behavior literature, the systems-structural perspective (Van de Ven 1976; Zey-Ferrell 1981) and the transaction-cost perspective, which is grounded also in economics (Williamson 1975). As Ruekert, Walker and Roering (1985) point out when it is argued for a similar merging of these dominant organizational theory traditions, the weaknesses of each are compensated for by strengths of the other. This is an argument that has also been developed in the work of Ouichi and Van de Ven (1980).

As noted in Figure 2.3, one axis describes the continuum from organic to mechanistic processes, that is, whether the organizational emphasis is on more flexibility, spontaneity, and individuality or on control, stability and order. The other axis describes the relative organizational emphasis on internal maintenance or external positioning. The four resulting culture types are labeled as clan, hierarchy, adhocracy and market.

A market culture has a formal governance structure and an external orientation (Dwyer et.al. 2003). It emphasizes competitiveness, goal achievement, planning, performance and efficiency (Cameron and Freeman 1991). Transactions are governed by market mechanisms (Ouchi 1980). The key measure of organizational effectiveness is productivity achieved through these market mechanisms. This culture type is in direct contrast to the set of values expressed in a clan culture.

The clan culture type is internally oriented, emphasizes informal governance, and is in general a friendly place to work (Dwyer et.al. 2003). In the clan culture, the emphasis is on cohesiveness, participation and teamwork. The commitment of organizational members is ensured through participation and organizational cohesiveness and personal satisfaction are rated more highly than financial and market share objectives (Deshpande, Farley and Webster 1993).

The adhocracy culture type combines informal governance with an external orientation. It is a dynamic and creative place to work where the firm members take risks. Adhocracy culture emphasizes values of entrepreneurship, creativity and adaptability. Flexibility and tolerance are important beliefs and effectiveness is

defined in terms of finding new markets and new directions for growth (Dwyer et.al. 2003).

The hierarchy culture type adopts an internal orientation and an emphasis on mechanistic governance such that formal rules and policies are closely followed. The competing set of values is found in the hierarchy culture, which stresses order, rules, and regulation. This culture focuses on stability and smooth-running operations. Transactions are under the control surveillance, evaluation and direction. Firm members are motivated by security and rewards for accomplishments. Business effectiveness is defined by consistency and achievement of clearly stated goals (Deshpande, Farley and Webster 1993, Dwyer et.al. 2003).

Deshpande, Farley and Webster (1993) note that these culture types are modal or dominant ones rather than mutually exclusive ones. By implication, most firms can and do have elements of several types of cultures, perhaps between product groups even within the same strategic business unit. However, over time, one type of culture emerges as the dominant one (Varadarajan, Jayachandran and White 2001).

Another classification of organizational culture found in the literature is developed by Quinn (1988); Quinn and Rohrbaugh (1983). According to this classification, there are four main culture types:

- (1) Competitive culture: It is characterized by an emphasis on competitive advantage and market superiority:
- (2) Entrepreneurial culture: It emphasizes innovation and risk taking.

(3) Bureaucratic culture: It is characterized by internal regulations and formal structures.

(4) Consensual culture: It emphasizes loyalty, tradition and internal focus.

This classification is the same used in the study of Deshpande, Farley and Webster (1993). Consensual culture is clan culture, entrepreneurial culture is adhocracy culture, bureaucratic culture is hierarchy culture and competitive culture is market culture (Deshpande, Farley and Webster 1993; Deshpande and Farley 1999).

2.3.2. Factors Influencing Organizational Culture

In assessing the nature of an organization's culture, it is important to understand the factors which underpin and influence culture. The most frequently cited groupings of factors include the following (Schein 1991; Wilson 2001):

1. The Business Environment: The general business environment in which an organization operates helps to determine the culture. Society at large will influence opinions about work, money, status and different types of jobs. Differences between geographical regions and between different levels social strata will affect commitment, respect for managers, attitudes toward service and the customer. The traditions of a particular industry will also have an impact the culture. Overlaid on these foundations is the specific market environment within which the organization is operating. Within a market, the speed of change, the level of competitiveness, the value placed on people vis-à-vis technology and the demands of the customer will also influence the values, norms and behavior of those who work within it (Wilson 2001).
2. Leadership: Kotter and Heskett (1992) thought that leadership has some influence on the culture of an organization. However, there is no empirical

evidence to suggest that leadership has the totally overpowering and guiding effect on organizational culture (Wilson 2001). Where there is evidence of a link between leadership and culture it is in young newly created organizations. In new organizations, the founder influences the culture through his own ambitions, the interactive process between entrepreneurs and their followers and the more general processes through which purpose and commitment are generated and sustained (Wilson 2001).

3. **Management Practices and the Formal Socialization Process:** The manner in which a company is managed is likely to influence whether positively or negatively the beliefs, attitudes and behavior of the employees. Managers have control over a range of factors that apparently affect cultural transmission. The most important of these are recruitment, formal socialization procedures and the turnover of employees. The types of people recruited can help to perpetuate a cultural orientation as recruiters will tend to find attractive those candidates who resemble present members in style, assumptions, values and beliefs. This form of cultural embedding operates unconsciously in most organizations. The recruitment decisions will not always lead to a perfect match and therefore formal socialization activities are undertaken to reinforce acceptable attitudes and behavior within the organization. These activities include training, systems of employee participation, and reward and control systems.
4. **The Informal Socialization Process:** Individual behavior within a group also has an important effect for organizational culture. As a result of the efforts to stabilize the needs and personalities of the different group members, norms and standards arise and ultimately are consensually accepted and enforced.

Through working together, the group members gradually learn through interaction what each other's style is and how to accommodate it. To be accepted, new members will also attempt to behave in a manner which is generally consistent and congruent with the established norms. This socialization process is supported by the telling of what has been termed myths, stories and legends. (Wilson 2001).

2.3.3. Factors Influenced By Organizational Culture

Literature review on organizational culture reveals that the mostly cited factor influenced by organizational culture is business performance.

Practitioner interest in the topic of organizational culture is evident from the success of books emphasizing the cultural determinants of corporate performance (Deal and Kennedy 1982; Ouchi 1981; Peters and Waterman 1982), including the major theme of comparing the functioning of American and Japanese firms with culture as a principal explanatory variable (Pascale and Athos 1981). These books suggest that firms with sustained superior financial performance typically are characterized by a strong set of core managerial values that define the ways they conduct business. It is these core values about how to treat employees, customers, suppliers, and others that foster innovativeness and flexibility in firms. When they are linked with management control, they are thought to lead to sustained superior financial performance (Barney 1986).

With respect to the relation between organizational culture and sustained superior financial performance, Barney (1986) proposed that three conditions must be met in

order for a firm's culture to provide sustained competitive advantages, and thus, by implication, be a source of sustained superior financial performance. First, the culture must be valuable: it must enable a firm to do things and behave in ways that leads to high sales, low costs, high margins, or in other ways that adds financial value to the firm. Because superior financial performance is an economic concept, culture, to generate such performance, must have positive economic consequences. Second, the culture must be rare, it must have attributes and characteristics that are not common to the cultures of a large number of other firms. Finally, such a culture must be imperfectly imitable; firms without these cultures can not engage in activities that will change their cultures to include the required characteristics, and if they try to imitate these cultures, they will be at some disadvantage compared to the firm they are trying to imitate (Barney 1986).

Deshpande, Farley and Webster (1993) proposed that the four classifications of culture (market, adhocracy, clan and hierarchical cultures) imply varying degrees of business performance in a competitive marketplace. The market culture, characterized by its emphasis on competitive advantage and market superiority, is likely to result in the best business performance. At the other extreme, Deshpande, Farley and Webster (1993) expect that hierarchy culture, with its emphasis on predictability and smooth operations within a bureaucratic organization, will contribute to relatively unsatisfactory business performance. Given the focus in an adhocracy culture on innovation, entrepreneurship and risk-taking, Deshpande, Farley and Webster (1993) expect it to have better performance than a clan culture, in which loyalty, tradition, and emphasis on internal maintenance could lead to a lack of attention to changing market needs. In a more general sense, the organizational

emphasis on external positioning over internal maintenance is likely to be associated with stronger performance. Deshpande, Farley and Webster (1993) hypothesized that business performance is ranked from highest to lowest according to type of organizational culture as follows: market, adhocracy, clan and hierarchical culture. Performance was measured by combining four self-evaluations, on a three-point scale, of profitability, size, market share and growth rate in comparison with the those of the largest competitor for that particular business (Deshpande, Farley and Webster 1993).

Deshpande, Farley and Webster (1993) executed their study with interviews with double-dyads, each conducted with a pair of marketing executives at a Japanese vendor firm and a pair of purchasing executives at a Japanese customer firm. With respect to culture types, it was found that Japanese companies with corporate cultures stressing competitiveness (market culture) and entrepreneurship (adhocracy culture) outperformed those dominated by internal cohesiveness (clan culture) and or by rules (hierarchy culture) (Deshpande, Farley and Webster 1993).

In a later study, Deshpande and Farley (1999) examined how organizational dimensions of corporate culture and market orientation affect performance in major Indian firms. In this study, Deshpande and Farley (1999) used the four classifications of culture developed by Quinn (1988); Quinn and Rohrbaugh (1983): Competitive culture, entrepreneurial culture, bureaucratic culture, and consensual culture.

Deshpande and Farley (1999) hypothesized that organizational cultures that are relatively open to the external environments of new ideas and customers

(entrepreneurial and competitive cultures) perform better than those that are more closed and inward-looking (consensual and bureaucratic culture). Deshpande and Farley (1999) found that entrepreneurial cultures are more important predictors of good performance for Indian firms, whereas competitive cultures are more important for Japanese firms.

Fey and Denison (2003) examined the link between organizational culture and effectiveness for foreign-owned firms operating in Russia. Fey and Denison (2003) used the model of organizational culture and effectiveness developed by Denison and his colleagues (Denison 1984, 1990, 1996, 2003; Denison and Mishra 1995, 1998; Denison and Neale 1996; Denison et.al. 2002). This framework is based on four cultural traits of effective organizations. These traits are involvement, consistency, adaptability and mission. Involvement refers to the commitment of the employees to the organization. Consistency refers to the stability and internal integration in an organization resulting from a common mindset. Adaptability means that organizations should be driven by their customers, take risks and learn from their mistakes and have the capability and experience at creating change. Finally, mission is the sense of purpose and direction, defining goals and strategic objectives, and expressing a vision of the future (Fey and Denison 2003).

Fey and Denison (2003) studied 179 foreign firms operating in Russia and also 94 U.S. firms. It is found that adaptability and involvement traits of organizational culture seem to be the most important determinants of effectiveness and overall performance in the Russian context. These results contrast with the results for the U.S. data. In the U.S., mission is the organizational culture trait most highly

associated with effectiveness. Involvement is also found to be significantly related with overall performance. So, involvement appears to be important for creating an effective organization in both United States and Russia (Fey and Denison 2003).

Recently, Denison, Haaland and Goelzer (2004) examined the link between organizational culture and effectiveness with two separate studies. The first study examines this link with data from 230 organizations in Europe, North America or Asia. The second study examines the same topic using data from 218 organizations from seven countries: Canada, Australia, Brazil, U.S.A., Japan, Jamaica, and South Africa. With respect to the first study, the link between company culture and effectiveness appears to be both strong and consistent. With respect to the second study it is found that there is a high level of similarity in five of the countries, but a divergent pattern exists for Japan and Jamaica (Denison, Haaland and Goelzer 2004).

Several studies indicate the potential influence that firms' organizational culture may have on diversity-performance relationship. These studies mainly suggest that a diverse workforce will have greater potential to thrive in certain organizational cultures than in others. Dwyer et.al. (2003) evaluated gender diversity's interaction with organizational culture against organizational-level performance measures.

The results suggest that gender diversity's effects at the management level is moderated by the organizational culture. More specifically, support was found for the interaction between gender diversity and the clan culture type in relation to firm performance. The clan's core values of teamwork, participation, and cohesiveness appear to provide an environment that fosters the varied skills and abilities of a

diverse work force. The collectivist setting may be the prescription necessary to prevent the formation of in-groups, polarization, and discrimination predicted by social identity theory and observed in the work place. Once the potentially detrimental effects of diversity are suppressed by a supportive context, the beneficial aspects of diversity may prevail and contribute to firm success (Dwyer et.al. 2003).

The most interesting finding of Dwyer et.al. (2003) study is the fact that gender diversity did not provide benefits to firms with an adhocracy culture type as hypothesized. Specifically, the interaction of gender with the adhocracy culture type was found to be significantly and negatively associated with the return on equity performance measure. Like the clan culture type, the adhocracy culture type emphasizes informal organizational processes such as flexibility, individuality, and spontaneity. What distinguishes the two culture types, though, is their orientation to the conflicting demands of the internal and external environments. The clan culture type focuses inward on the firm and employees, placing high value on integration, teamwork, and other internal processes. The adhocracy culture type, in contrast, has an external focus that places priority on competition and interaction with environment. Thus, the adhocracy's results-oriented external emphasis and relatively lower level of employee-focused orientation may tend to overshadow its informal processes in its interaction with gender diversity. This may result in a relatively less supportive environment that potentially dampens an atmosphere of open-minded consideration necessary to fully elicit gender diversity's benefits such as sensitivity and breadth of perspectives (Dwyer et.al. 2003). All of these at the end may hinder performance.

Researchers have made a number of efforts to understand the behavior of individuals and groups in organizations using cultural concepts such as semiotics, rituals, ceremonies, stories, and language (Ouchi and Wilkins 1985; Smircich 1983; Swidler 1986; Trice and Beyer 1984). Kilmann, Saxton and Serpa (1986), Schein (1985) asserted that culture may be an important factor in determining how well an individual fits an organizational context. Implicit in writing on this theme is a logic of person-culture fit fundamentally drawn from an interactional psychology perspective in which aspects of both individual and situation combine to influence a focal individual's response to a given situation (Chatman 1989; Schneider 1987; Terborg 1981).

O'Reilly, Chatman and Caldwell (1991) developed and validated an instrument for assessing person-organization fit, which is named as Organizational Culture Profile. Results suggest that the dimensionality of individual preferences for organizational cultures and the existence of these cultures are interpretable. Further, person-organization fit predicts job satisfaction and organizational commitment a year after fit was measured and actual turnover after two years. This evidence attests to the importance of understanding the fit between individual's preferences and organizational cultures (O'Reilly, Chatman and Caldwell 1991). Sheridan (1992) investigated organizational culture and employee retention. Sheridan (1992) found that the variation in cultural values had a significant effect on the rates at which the newly hired employees voluntarily terminated employment. The relationship between the employees' job performance and their retention also varied significantly with organizational culture values.

2.4.ORGANIZATIONAL CAPABILITIES

Achieving and maintaining a superior competitive position is at the heart of the strategic development process. The emerging capabilities approach to strategic management is being mostly used to find out the necessities of a market-driven firm in order to have a sustainable and superior competitive position.

The marketing concept has been a paradox in the field of management. For over the 40 years managers have been exhorted to stay close to the customer, to put the customer at the top of the organizational chart and define the purpose of a business as the creation and retention of satisfied customers. Companies that are better equipped to respond to market requirements and anticipate changing conditions are expected to enjoy long-run competitive advantage and superior profitability (Day 1994). Day (1994) argued that throughout much of its history, marketing concept has been more an article of faith than a practical basis for managing a business. Little was known about the defining features or attributes of this organizational orientation. Consequently, managers had little guidance on how to improve or redirect their organization's external orientation toward their markets. Fortunately, this situation is changing following a rediscovery in the late 1980s (Dickson 1992; Webster 1988). A number of conceptual and empirical studies have appeared to clearly describe what a market orientation is and what it consists of. According to this literature, market orientation represents superior skills in understanding and satisfying customers (Day 1990). Its principle features are:

- A set of beliefs that puts the customer's interest first (Deshpande, Farley and Webster 1993).

- The ability of the organization to generate, disseminate and use superior information about customers and competitors (Kohli and Jaworski 1990).
- The coordinated application of interfunctional resources to the creation of superior customer value (Narver and Slater 1990; Shapiro 1988).

In addition, a growing body of empirical evidence supports the proposition that a market orientation is positively associated with superior performance (Deshpande, Farley and Webster 1993; Jaworski and Kohli 1993; Narver and Slater 1990; Ruekert 1992). Day (1994) indicates that despite the recent progress in understanding what a market-driven organization does and identifying who it is, trouble gaps and shortcomings remain. Little is known, for example, about the characteristics of successful programs for building market orientation. Day (1994) addresses the issue of examining the role of capabilities in creating a market-oriented organization.

2.4.1. The Nature and Importance of Organizational Capabilities

Capabilities are 'complex bundles of skills and collective learning, exercised through organizational processes, that ensure superior coordination of functional activities' (Day 1994, p.38).

The concept of capabilities is not new. An emphasis on building distinctive capabilities or competencies can be found in Selznick (1957) and Penrose (1959) and is featured in the strengths and weaknesses component of the early business policy frameworks (Learned et.al. 1969). Although these early frameworks provide useful insights, the lack of a thorough theoretical understanding of capabilities meant that in

practice firms did little more than compile lengthy and indiscriminate lists of strengths and weaknesses.

Organizations can become more market oriented by identifying and building the special capabilities that set market-driven organizations apart. Firms with superior capabilities in marketing are better generators of information about customer wants and needs and are also better at developing goods and services to meet those wants and needs (Day 1994).

Vorhies, Harker and Rao (1999, p.1175) defined marketing capabilities as 'the integrative process designed to apply the collective knowledge, skills, and resources of the firm to the market-related needs of the business, enabling the business to add value to its goods and services and meet competitive demands.

Superior capabilities in marketing give the firm the ability to generate and act on information about competitor actions and reactions. This process of generating knowledge and applying it in ways that support delivering superior customer value helps the firm develop the basis for a competitive advantage (Bharadwaj et.al. 1993; Narver and Slater 1990; Tuominen et.al. 1997; Woodruff 1997). If successfully focused through an appropriate set of business strategies, a firm with superior marketing capabilities would be expected to achieve a competitive advantage resulting in better performance than its less capable competition. (Day 1993, 1994; Day and Wensley 1988; Kohli and Jaworski 1990; Narver and Slater 1990). To sustain this advantage, these capabilities must add value, must be difficult to replace by substitute processes, must be difficult for competitors to imitate, and should be

immobile across firm boundaries (Barney 1991; Grant 1991, 1996). The strategic importance of capabilities lies in their demonstrable contribution to sustainable competitive advantages and superior profitability

2.4.2. The Capabilities Approach

The capabilities approach locates the sources of a defensible competitive position in the distinctive, hard-to-duplicate resources the firm has developed (Itami 1987; Rumelt, Schendel and Teece 1991). These resources which are made up of integrated combinations of assets and capabilities, are cultivated slowly over time and limit the ability of the firm to adapt to change. Assets are the resource endowments the business has accumulated and capabilities are the glue that brings these assets together and enable them to be deployed advantageously. Management's task is to determine how best to improve and exploit these firm-specific resources (Mahoney and Pandian 1992), although in times of turbulence the challenge of developing new capabilities comes to the fore (Barney 1991; Wernerfelt 1984; Grant 1991, 1996; Moller and Antill 1987 and Tuominen et.al. 1997).

Capabilities are manifested in such typical business activities as order fulfillment, new product development, and service delivery. Moreover, capabilities and organizational processes are closely entwined, because it is the capability that enables the activities in a business process to be carried out (Day 1994).

Every business acquires many capabilities that enable it to carry out the activities necessary to move its products or services through the value chain. Some will be done adequately, others poorly, but a few must be superior if a business is to

outperform the competition. These are the distinctive capabilities that support a market position that is valuable and difficult to match. They must be managed with special care through the focused commitment of resources, assignment of dedicated people, and continued efforts to learn, supported by dramatic goals for improvement (Day 1994).

The most defensible test of the distinctiveness of a capability is whether it makes a disproportionate contribution to the provision of superior customer value or permits the business to deliver value to customers in an appreciably more cost-effective way. Another test asks whether the capability can be readily matched by rivals. Because distinctive capabilities are difficult to develop, they resist imitation. Still another attribute of distinctive capabilities is that they are robust and can be used in different ways to speed the firm's adaptation to environmental change (Boynton and Victor 1991; Prahalad and Hamel 1990). The capabilities of a corporation that span and support multiple lines of business is core competencies. (Day 1994).

2.4.3. Classification of Organizational Capabilities

Day (1994) sorted capabilities into three categories as can be seen in Figure 2.4, depending on the orientation and focus of the defining processes:

- 1- Capabilities Related with Inside-Out Processes
- 2- Capabilities Related with Outside-In Processes
- 3- Capabilities Related with Spanning Processes

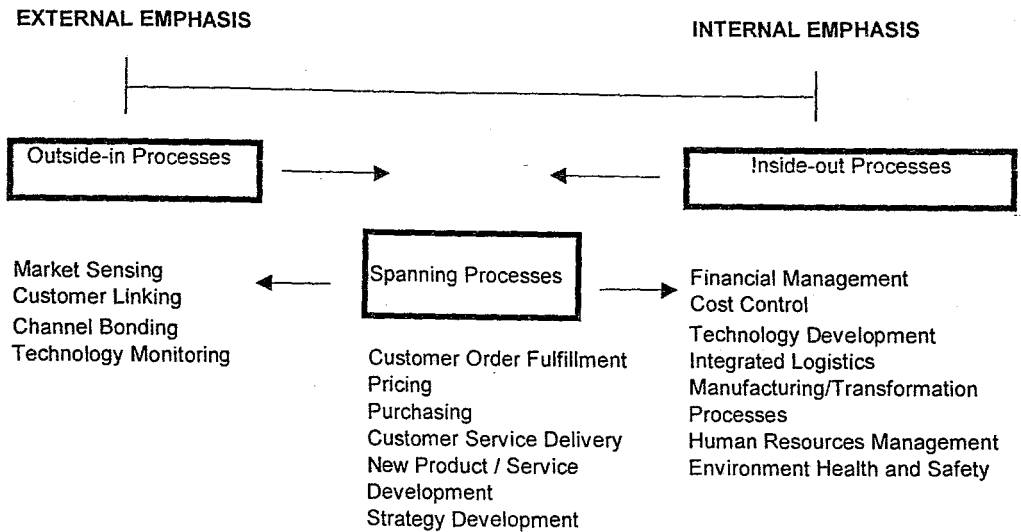


Figure 2.4. Classifying Capabilities (Day, 1994, p.41).

At the one end of the spectrum are those capabilities that are deployed from the inside out and activated by market requirements, competitive challenges, and external opportunities. Examples are manufacturing and other transformation activities, logistics, and human resource management, including recruiting, training and motivating employees.

At the other end of the spectrum are those capabilities whose focal point is almost exclusively outside the organization. The purpose of these outside-in capabilities is to connect the processes that define the other organizational capabilities to external environment and enable the business to compete by anticipating market requirements ahead of competitors and creating durable relationships with customers, channel members, and suppliers.

Finally, spanning capabilities are needed to integrate the inside-out and outside-in capabilities. Spanning capabilities are exercised through the sequences of activities

that comprise the processes used to satisfy the anticipated needs of customers identified by the outside-in capabilities and meet the commitments that have been made to enhance relationships. Strategy development, new product/service development, price setting, purchasing and customer order fulfillment are critical activities that must be informed by both external (outside-in) and internal (inside-out) analyses (Day 1994).

2.4.4. Capabilities of Market-Driven Organizations

Day (1994) claimed that market-driven organizations have superior

- 1- Market Sensing,
- 2- Customer Linking,
- 3- Channel Bonding,
- 4- Technology Monitoring capabilities.

The processes underlying market-driven firms' superior capabilities are well understood and effectively managed and deliver superior insights that inform and guide both spanning and inside-out capabilities. The effect is to shift the span of all processes further toward the external end of the orientation dimension. As an example when human resources are managed by the belief that customer satisfaction is both a cause and a consequence of employee satisfaction, key policies become market oriented. Rewards are based on measurable improvements in customer satisfaction and retention, employees are empowered to resolve customer problems without approvals, recruiting is based on customer problem-solving skills, and so forth. By contrast, the spanning and inside-out capabilities of internally oriented firms will be poorly guided by market considerations, which confines them to a

narrow band toward the internal end of the orientation dimension. One reason is that the necessary outside-in processes that comprise the market sensing, customer linking and channel bonding capabilities are likely to be poorly understood, badly managed or deficient (Day 1994).

The process of market sensing follows the usual sequence of information processing activities that organizations use to learn (Fiol and Lyles 1985; Huber 1991; Levitt and March 1988; Sinkula 1994). The sequence can be initiated by a forthcoming decision or an emerging problem, such as explaining why performance is declining. In addition, established procedures for collecting secondary information may prompt further market-sensing activity. This step leads to the active acquisition and distribution of information about the needs and responses of the market, how it is segmented, how relationships are sustained, the intentions and capabilities of competitors, and the evolving role of channel partners. Before this information can be acted on, it has to be interpreted through a process of sorting, classification and simplification to reveal coherent patterns. This interpretation is facilitated by the mental models of managers, which contain decision rules for filtering information and useful heuristics for deciding how to act on this information in light of anticipated outcomes. Further learning comes from observing and evaluating the results of the decisions taken on the basis of the prior information. Market-driven firms are distinguished by an ability to sense events and trends in their markets ahead of their competitors. They can anticipate more accurately the responses to actions designed to retain or attract customers, improve channel relations, or thwart competitors. They can act on information in a timely, coherent manner because the assumptions about the market are broadly shared. This anticipatory capability is

based on superiority in each step of the process. It is achieved through open-minded inquiry, synergistic information distribution, mutually informed interpretations, and accessible memories (Day 1994).

Customer-linking capability refers to creating and managing close customer relationships. At one time, standard purchasing practice emphasized arm's length adversarial bargaining with suppliers, aimed at achieving the lowest price for each transaction or contract. Not surprisingly, suppliers focused on individual transactions and gave little attention to the quality of the interface with the customer. They had little incentive to be open with buyers or develop superior or dedicated capabilities because they could easily lose the business to be a competitor. The buyer, in turn, was unlikely to be aware of a supplier's costs and capabilities (Day 1994). Now, customers as well as major channel members are seeking closer, more collaborative relationships with suppliers. In this regard, the capability of creating and managing close, collaborative relationships with channel members based on a high level of coordination, participation in joint programs and close communication links is depicted as channel bonding capability (Day 1994). Channel members want to replace the adversarial model, which assumes that advantages are gained through cutting input costs, with a cooperative model that seeks advantage through total quality improvement and reduced time to market. Achieving mutually satisfactory collaboration both in terms of customers and channel members requires close communication and joint problem solving, and coordinated activities (Day 1994).

Finally, technology monitoring capability refers to detecting technological changes in the environment and taking the necessary actions to cope with these changes (Day 1994).

Initiatives to enhance market sensing and customer linking capabilities are integral to broader efforts to build a market-driven organization. The overall objective is to demonstrate a pervasive commitment to a set of processes, beliefs, and values, reflecting the philosophy that all decisions start with the customer and are guided by a deep and shared understanding of the customer's needs and behavior and competitors' capabilities and intentions, for the purpose of realizing superior performance by satisfying customers better than competitors (Day 1994).

Day (1994) argues that guidance on the design of effective programs to enhance market sensing and customer linking capabilities comes from the capabilities approach to strategy and TQM (total quality management). Both these approaches share a conception of an organization as an interrelated collection of processes, and each has an associated set of methods and programs for seeking improvement. By combining the two approaches with prior empirical work on why some organizations are more market-oriented than others, Day (1994) proposed a comprehensive change program with the following elements:

- Diagnosis of current capabilities, using mapping and benchmarking methodologies,
- Anticipation of future needs for capabilities in light of the strategy for creating customer value,

- Bottom-up design, based on the formation of teams responsible for continuous improvement or radical redesign of underlying processes,
- Top-down direction from senior managers, who demonstrate a clear, continuing commitment to putting the customer first,
- Use of information technology to enable the organization to do things it could not do before, and
- Monitoring of progress toward improvement targets.

Day (1994) also proposes that this change program must be undertaken in conjunction with other actions aimed at enhancing a market orientation. Indeed, the market sensing, customer linking and channel bonding capabilities can not be nurtured or productively utilized without concurrent attention to the values, beliefs, and behaviors of the members of the organization and being supported by changes in the organization structure, system, control, incentives and decision processes.

2.4.5. Studies On Organizational Capabilities

Although progress has been made in understanding market-driven businesses from a theoretical perspective, relatively few empirical studies have addressed the capabilities needed to become market-driven and the performance advantages accruing to firms possessing these capabilities.

Vorhies, Harker and Rao (1999) examined the link between the capabilities and performance advantages of market-driven firms. Specifically, Vorhies, Harker and Rao (1999) aimed to determine the degree to which firms are market-driven, determine the set of marketing capabilities that support a market-driven approach and

test the performance of market-driven firms to compare with less market-driven firms. This study investigated six marketing areas for evidence of capabilities. These areas are market research, pricing, product development, management of firm's channels of distribution, promotion, and marketing management.

The first objective of this study was to determine the degree to which firms could be characterized as market driven by studying their market orientation and strategic focus. This objective was accomplished by measuring 87 firms with regards to their market intelligence generation, dissemination and responsiveness (Jaworski and Kohli 1993) and with regards to their degree of differentiation, cost-leadership and scope. By the help of a clustering technique, a group of firms rated highly in market orientation and differentiation emerged from the analysis (Vorhies, Harker and Rao 1999).

The second objective of this study was to explore the set of marketing capabilities that strategically focused market-driven firms have been predicted to develop. Market-driven firms demonstrated higher levels of marketing capabilities. These marketing capabilities are related with market research, product development, pricing, distribution, promotion and marketing management (Vorhies, Harker and Rao 1999). These findings support Day's (1994) theoretical work in marketing capabilities by demonstrating positive associations between the variables used to define market-driven behavior and the six marketing capabilities demonstrated by these firms.

The third objective of this study was to provide empirical support for the idea that strategically focused market-driven firms would outperform their competitors. As the results of this study demonstrated, market-driven firms outperformed less market driven firms across adaptability, customer satisfaction, growth and profitability dimensions (Vorhies, Harker and Rao 1999). This finding supports the theoretical work in marketing regarding the capabilities of market-driven firms (Day 1994) and extends the empirical findings of the market orientation researchers (Kohli and Jaworski 1993; Narver and Slater 1990) beyond simple measures of performance.

Another empirical study regarding organizational capabilities has been conducted by Moorman and Slotegraaf (1999). Based on the interdisciplinary research suggesting that organizational capabilities have a direct, unconditional impact on firm performance, Moorman and Slotegraaf (1999) extend the literature by developing a framework that proposes a contingency approach to the value of organizational capabilities. This framework highlights the effect of information in the external environment in stimulating firms to deploy their technology and marketing capabilities to influence the level and speed of relevant product development activities. Using a longitudinal quasiexperiment to isolate the effects of external information on the relationship between firm capabilities and product development outcomes, Moorman and Slotegraaf (1999) obtain results that are consistent with this framework. Moorman and Slotegraaf (1999) therefore conclude that the most valuable characteristics of firm capabilities may be their ability to serve as flexible strategic options. In this role, firms can deploy them in ways consistent with environmental forces.

A recent study on the issue of organizational capabilities came from Grewal and Tansuhaj (2001) who argued that as economic weak spots are integrated into the global economy, it is timely to develop an understanding of organizational capabilities that can help firms manage their way through such crises. Grewal and Tansuhaj (2001) investigated the role of two organizational capabilities, namely market orientation and strategic flexibility in helping Thai firms manage the recent Asian crisis. The results demonstrate the contingent nature of the influence of market orientation and strategic flexibility on firm performance after a crisis has occurred. Market orientation has an adverse effect on firm performance after a crisis. This effect is moderated by demand and technological uncertainty and is enhanced by competitive intensity. In contrast, strategic flexibility has a positive influence on firm performance after a crisis, which is enhanced by competitive intensity and moderated by demand and technological uncertainty. Grewal and Tansuhaj (2001) concluded that market orientation and strategic flexibility complement each other in their efficacy to help firms manage varying environmental conditions.

A more recent study about organizational capabilities has been conducted by Benedetto and Song (2003) who proposed that certain capabilities will be more important to certain strategic types. Using a data set of 245 Chinese firms, Benedetto and Song (2003) found that prospectors have greater relative inside-out capabilities and information technology capabilities, while defenders have greater relative outside-in capabilities and marketing capabilities.

2.5. ORGANIZATIONAL FORM

Organizational theorists and researchers use the organizational form concept in many ways, often without a precise definition. Romanelli (1991) indicated that there is no common definition for organizational form concept in use in her literature review on the emergence and establishment of new organizational forms.

2.5.1. Definitions of Organizational Form

At the broadest level, Romanelli (1991, p.81-82) defines organizational form as 'those characteristics of an organization that identify it as a distinct entity and at the same time classify it as a member of a group of similar organizations.' Boer, Bosch and Volberda (1999, p.382) express organizational form as 'an infrastructure which in a specific way enables the process of integrating knowledge.'

The most common type of form definition bases ideas on specific features of the organization (Carroll and Hannan 2000). This type of representation can be traced to the description of rational-legal bureaucracies that are defined by the features of authority, procedures and official employment relations. The feature-based conception of form has evolved to recognize that some features are more important than others in distinguishing forms. By this view, organizations with the same core features belong to the same form.

A second common definition reflects the presumption that distinctions among forms reflect social processes and boundary creation (McKendrick and Carroll 2001). In this view, the clarity and strength of social boundaries define forms such that sharp boundaries generate clear forms. The processes that create and maintain boundaries

are the key to understanding forms, including social networks, technological change, closed flows of personnel among a set of organizations, changes in the patterns of resource flows (McKendrick and Carroll 2001).

In the view of Polos et.al. (1998, 1999, 2002) both of these common types of definitions of form have limitations, the most serious of which is the failure to link forms and identities. By their view, the classification of organizational entities into types is not a process divorced from the social world. Rather, the process involves social and cultural typifications. Efforts to understand such typifications in empirical research on diverse kinds of organizations suggest that such processes build upon identities (McKendrick and Carroll 2001).

2.5.2. Types of Organizational Forms

Marketing authors commonly identify four broad types of organizational forms (Ruekert, Walker and Roering 1985):

- 1- Functional,
- 2- Product,
- 3- Market, and
- 4- Matrix organizations.

The functional organization has various functional marketing specialists reporting to a marketing vice president who serves as the coordinator of all of their activities. As the number of functions, products, or customer groups grow, the functional organization breaks down. The marketing vice president can no longer effectively

manage the diversity of challenges that the marketing department must address (Ruekert, Walker and Roering 1985).

The product management organization addresses these difficulties by adding another layer of managers, product managers, who are assigned responsibility for a specific set of products. For some firms problems of coordination arise due to the complexity of uses that a single product can have. Here difficulties arise as a result of different markets having different needs and thus requiring different strategies. Under these conditions, a market management organization may be employed where the product manager is replaced by a market manager who serves to coordinate marketing activities for a specific set of customers (Ruekert, Walker and Roering 1985).

A fourth organizational form combining both resource managers and program managers simultaneously at the same hierarchical level is known as the matrix organization. The matrix form generates groups or teams who work on projects related to specific products or markets or both (Ruekert, Walker and Roering 1985).

Similar to Ruekert, Walker and Roering (1985); based on the work of Ansoff and Bradenburg (1971), Boer, Bosch and Volberda (1999) classify four organizational forms:

- 1- The functional,
- 2- Division,
- 3- Matrix, and
- 4- Innovative forms.

The functional form is based on a functional grouping of similar activities under major functional managers, a hierarchy of authority consisting of many hierarchical levels with small spans of control, and a degree of functionalization of management which may be limited or high (Boer, Bosch and Volberda 1999).

The division form is based on grouping by product-market combinations, a limited hierarchy of authority consisting of few hierarchical levels with large spans of control, a limited functionalization of management in the form of some central staff functions. The matrix form is based on a dual grouping of activities, a dual hierarchy of authority consisting of few hierarchical levels, and a high degree of functionalization of management tasks. The innovative form negates some of the disadvantages of the matrix. The underlying principle of the innovative form is to gather currently profitable, established product markets into a current business group and to place development of new product-market positions into a team-based innovation group (Boer, Bosch and Volberda 1999).

2.5.3. Emergence of Organizational Forms: Theoretical Background

Many theorists stress the role of formal institutions in establishing a new organizational form. New industries require the development of a social and political infrastructure that provides working rules, governance structures, and legitimacy. This perspective associates new industries with new forms. Among other things, these institutions are viewed as providing social order and reducing uncertainty, although some theorists stress the control or domination aspects of prevailing institutions, and others emphasize the ways norms are generated and maintained (Ingram and Simons 2000).

Industry associations typically play all these roles. In the view of neocorporatists, such associations of organizational interests generate a distinct source of social order. They clarify the meanings of activities and technologies, thus simplifying a complex and differentiated world. They often establish and enforce standards. They defend and protect members' interests, directly and by defining appropriate responses to uncertainties. By grouping firms together in a single entity, they foster information exchange, facilitate recognition of mutual interests, and provide a forum for common identity formation. Taken together, these activities are commonly expected to engender collective and organizational identity, that is organizational form (McKendrick and Carroll 2001).

Other theorists, specifically those working from an ecological perspective highlight the role of organizational proliferation in establishing a form (Carroll and Hannan 2000). As the number of organizations using a particular organizational blueprint increases, the blueprint becomes a legitimated organizational form. However, many ecological researchers also provide social histories describing in detail the ways a form emerges and proliferates with initial rises in organizational density (McKendrick and Carroll 2001).

2.5.4. Formation of New Organizational Forms: Managerial Perspective

Webster (1992) points out that the normal conception of the marketing organization is in the context of the large, bureaucratic, hierarchical organizations, but that this view is increasingly undermined by the emergence of newer organizational forms (Piercy and Cravens 1995; Achrol and Kotler 1999; Osterloh and Frey 2000; McKendrick and Carroll 2001). Srivastava, Shervani and Fahey (1999) used

transactional form, relational form and networks when describing the impact of marketplace shifts on business processes.

Large, hierarchical, integrated corporate structures were the dominant organization form as the managerial approach to marketing developed in the 1950s and 1960s, and firms created marketing departments, often as extensions of the old sales department. Such large organizations moved deliberately only after careful analysis of all available data and options for action. The standard microeconomic profit maximization paradigm of marketing management fit well in this analytical culture. Responsible marketing management called for careful problem definition, followed by the development and evaluation of multiple decision alternatives, from which a course of action would ultimately be chosen that had highest probability, based on analysis, of maximization of profitability (Webster 1992). The task of the marketing function was first to develop a thorough understanding of the marketplace to ensure that the firm was producing goods and services required and desired by the consumer. With an optimal product mix in place, the marketing function through its sales, advertising, promotion and distribution subfunctions, were responsible for generating demand for these standardized products, for creating consumer preference through mass and personal communications, and for managing the channel of distribution through which products flowed to the consumer. Sound marketing research and analysis provided support for conducting these activities most efficiently and effectively, for testing alternative courses of action in each and every area (Webster 1992).

Marketing was a management function tended to be centralized at the corporate level well into the 1970s. Marketing organizations were often multitiered, with more experienced senior managers reviewing and coordinating the work of junior staff and relating marketing to other functions of the business, especially through the budgeting and financial reporting process. Corporate centralization allowed the development of specialized expertise and afforded economies of scale in the purchase of marketing services such as market research, advertising, and sales promotion. It also permitted tighter control of marketing efforts for individual brands and of sales efforts across the entire national market (Webster 1992).

This arrangement began to change in the late 1970s and into the 1980s as the concept of the strategic business unit gained widespread favor and corporate managements pushed operating decisions, and profit and loss responsibility, out to the operating business units. Though marketing became a more decentralized function in many large companies, it is not clear that the result was always heightened marketing effectiveness (Webster 1992). As the organizations became larger, the number of managers, analysts, and planners who were not directly involved in making or selling products also became larger. The burden of administrative costs, mostly in the form of salaries for these middle layers of management, became an increasing handicap in the competitive races that shaped up in the global marketplace of the 1970s and 1980s. More and more organizations found it necessary to downsize and delayer, some through their own initiative and many more through threatened or actual acquisition and restructuring by new owners whose vision was not clouded by the continuity of experience. Global competition resulted in increasingly better product performance at lower cost to the customer. Rapid advances in telecommunications, transportation,

and information processing broadened the choice set of both industrial buyers and consumers to the point that a product's country of origin was relatively unimportant and geographic distance was seldom a barrier. Companies had little choice but to reduce costs through reorganization and restructuring of assets, as well as through technological improvements in products and manufacturing processes (Webster 1992).

During the 1980s, new forms of business organization became prominent features of the economic landscape. Even before the forces of global competition became clearly visible, there was a trend toward more flexible organization forms, forms that are difficult to capture with a traditional organization chart (Miles and Snow 1984, 1986; Powell 1990; Thorelli 1986). The new organizations emphasized partnerships between firms, multiple types of ownership and partnering within the organization (divisions, wholly owned subsidiaries, licensees, franchisees, joint ventures, etc.), teamwork among members of the organization, often with team members from two or more cooperating firms, sharing of responsibility for developing converging and overlapping technologies, and often less emphasis on formal contracting and managerial reporting, evaluation and control systems (Webster 1992). The best visual image of these organizations was a wheel instead of a pyramid. These forms were pioneered in such industries as heavy construction, fashion, weapon systems contracting, and computers, where markets often span geographic boundaries, technology is complex, products change quickly, and doing everything yourself is impossible. Such organizations are also found in businesses as diverse as glass, chemicals, hospital supplies, book publishing, and tourism (Webster 1992).

These confederations of specialists are called by many names including networks (Miles and Snow 1986; Thorelli 1986), value-adding partnerships (Johnston and Lawrence 1988), alliances (Ohmae 1989), and shamrocks (Handy 1990). All are characterized by flexibility, specialization, and an emphasis on relationship management instead of market transactions. They depend on administrative processes but they are not hierarchies (Thorelli 1986). They engage in transactions within ongoing relationships and depend on negotiation, rather than market-based processes, as a principal basis for conducting business and determining prices, though market forces almost always influence and shape negotiation. The purpose of these new organization forms is to respond quickly and flexibly to accelerating change in technology, competition and customer preferences (Webster 1992).

Webster (1992) proposed a continuum for analyzing new organizational forms. At the one end of this continuum there exists pure transactions whereas at the other end there exists fully integrated hierarchical firms. As one moves along this continuum, one sees that firms use more administrative and bureaucratic control and less market control in the pursuit of economic efficiency. One step away from pure transactions is repeated transactions between buyer and seller. The next step is a long-term relationship that is still adversarial and depends heavily on market control. Then comes a real partnership, in which each partner approaches total dependence on the other in a particular area of activity and mutual trust replaces the adversarial assumptions. Prices are now determined by negotiation, subject to some market pressures, rather than by the market itself. The next step is strategic alliances, which are defined by the formation of a new entity such as a product development team, a research project, or a manufacturing facility, to which both parties commit resources

and which serves clear strategic purposes for both. Joint ventures, resulting in the formation of a new firm, are the epitome of strategic alliances. Like their parents, joint ventures are fully integrated firms with their own capital structures, something that other forms of strategic alliances lack. Network organizations are the corporate structures that result from multiple relationships, partnerships and strategic alliances (Webster 1992).

The range of marketing relationships can be depicted as follows in Figure 2.5:

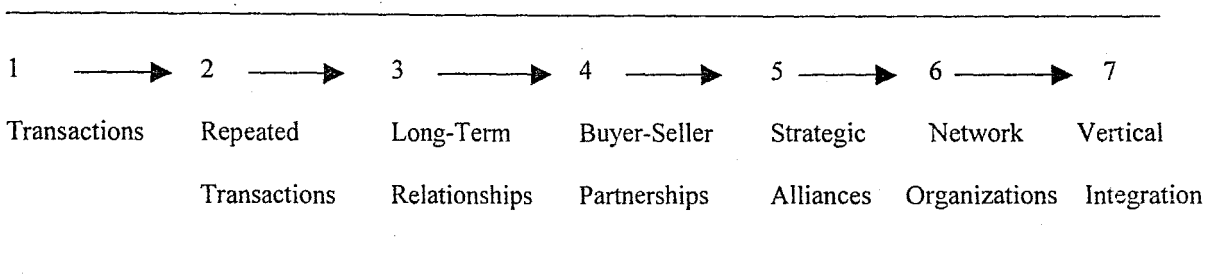


Figure 2.5. The Range of Marketing Relationships (Webster, 1992, p. 5).

According to Figure 2.5, the starting point of this continuum is a transaction between two economic actors in the competitive marketplace. In a pure market form of economic organization, all activity is conducted as a set of discrete, market-based transactions and virtually all necessary information is contained in the price of the product that is exchanged. The marketing job is simply to find buyers (Webster 1992).

One step along the continuum from a pure transaction is the repeated, frequent purchase of branded consumer packaged goods and some industrial components, maintenance, and operating supplies. In the marketing of such products, advertising,

and sales promotion are key activities and each brand spends aggressively to try to win the customer's preference, loyalty and repeat purchase. Marketing's role is to guide product differentiation and to create preference and loyalty that will earn higher prices and profits. The presence of brand loyalty and repeat purchase means a move from pure transactions. The rudiments of trust and credibility are present, which can be the foundations of a relationship.

With respect to long-term relationships, it can be asserted that in industrial markets, buyer-seller relationships have typically involved relatively long-term contractual commitments, but even here the relationship was often arm's length and adversarial, putting the customer against the vendor in a battle focused on low price. It was common practice for a buyer to maintain a list of qualified vendors who would be invited to submit bids' for a particular procurement on a product with specifications drawn in a way to attract maximum competition (Corey 1978; Spekman 1988). The importance of managing these buyer-seller relationships as strategic assets began to be recognized in the marketing literature of the 1980s (Jackson 1985; Webster 1984). Competitive forces in the global marketplace of the 1980s forced many firms to move significantly along the continuum from arm's length relationships with vendors and customers to much stronger partnerships characterized by much greater interdependence (Webster 1992).

Webster (1992) indicated that in some cases, the partnership between a supplier and its customer takes the form of an entirely new venture, a true strategic alliance. One of the essential features of a true strategic alliance is that it is intended to move each of the partners toward the achievement of some long-term, strategic goal (Osborn

and Hagedoorn 1997). This strategic objective is one distinguishing feature that separates strategic alliances from previous forms of interfirm cooperation. Strategic alliances take place in the context of a company's long-term strategic plan and seek to improve or dramatically change a company's competitive position (Devlin and Bleakley 1988). Another important characteristic of strategic alliances is shared objectives and a commitment of resources by both parties. In an era of intense global competition, firms realize that the effective use of global sourcing contributes significantly to their market performance. Increasingly, successful firms use a higher level of strategic alliance-based global sourcing for major components by cooperating with their suppliers, even when highly specific assets are involved (Murray 2001).

Webster (1992) argued that there are multiple types of strategic alliances; virtually all are within the theoretical domain of marketing as they involve partnerships with customers or resellers or with real or potential competitors for the development of new technology, new products, and new markets. Some are new ventures formed between vendors and customers to ensure a smooth flow of raw materials, components, or services into the customers' manufacturing operations. Others are forms between potential competitors in order to cooperate the development of related or convergent technologies, in the development of a new product or class of products, or in the development of a new market. Some alliances are formed between manufacturers and resellers. All strategic alliances are collaborations among partners involving the commitment of capital and management resources with the objective of enhancing the partners' competitive positions. Strategic alliances are much closer to the hierarchy end of the market-hierarchy continuum, but they stop short of

internalizing the functions within the firm itself. Instead, they create a separate entity to be managed by bureaucratic and administrative controls (Webster 1992).

Webster (1992) asserted that joint ventures are only one kind of strategic alliance. The unique feature of a joint venture is that a new firm is created, with its own capital structure, as well as the sharing of other resources. Joint ventures are typically established to exist in perpetuity, though the founding partners may subsequently change their ownership participation. Other types of strategic alliances, such as a product development project, have a finite life by definition. In fact, the finiteness with its inherent flexibility is one of the advantages of strategic alliances in comparison with more traditional organization forms. Interestingly, the joint venture soon faces all of the problems of its parent firms in terms of creating multiple partnerships and alliances and determining its core competence and its unique positioning in the value chain between vendors and customers (Webster 1992).

According to Webster (1992), the interesting paradox is that in the move toward strategic alliances, even the largest firms become more focused and specialized in their core activities. They realize that there is an increasingly smaller set of activities that represent true distinctive competence on their part. The trick is to avoid trying to do everything, especially the things they can not do well and to find other firms that also need a partner that can do the things the large firm does best. Strategic alliances become a primary tool in developing the firm's core competence and competitive advantage.

2.5.4.1. Networks

Webster (1992) defined that networks are the complex, multifaceted organization structures that result from multiple strategic alliances, usually combined with other forms of organization including divisions, subsidiaries, and value-added resellers. The basic characteristics of a network organization is confederation, a loose and flexible coalition guided from a hub where the key functions include development and management of the alliances themselves, coordination of financial resources and technology, definition and management of core competence, and strategy, developing relationships with customers, and managing information resources that bind the network (Brusoni and Prencipe 2001). Webster (1992) indicated that in the context of network organization, marketing is the function responsible for keeping all of the partners focused on the customer and informed about competitor product offerings and changing customer needs and expectations. Networks are characterized by flexibility, specialization, and an emphasis on relationship management instead of market transactions in order to respond quickly and flexibly to accelerating change in technology, competition and customer preferences (Piercy and Cravens 1995; Kallinikos 2003; Ritter and Gemünden 2003).

The structure of network organizations is studied by Houghton (1989) and this structure can be depicted as follows in Figure 2.6:



Figure 2.6. Network Organizations (Houghton, 1989, p.3)

Houghton (1989) indicated that at the hub of the wheel, there is the set of functional specialties such as contract negotiation, legal services, and financial coordination that provide the linkages that bind technology, shared values and shared resources. The center is also responsible for establishing priorities and managing the linkages that define the network; information management is a central strategic function and information technology has been a key facilitator of these new organizational forms. Another key responsibility of the center is to define, develop, and maintain the core competencies that are at the heart of the firm's ability to compete successfully in the global marketplace (Prahalad and Hamel 1990). In fact, one of the key core competencies of a network organization may be the ability to design, manage, and control strategic partnerships with customers, vendors, distributors and others.

Webster (1992) indicated that instead of vertical integration being the preferred model, the network paradigm is built around the assumption that small is better, that each part or process or function should be the responsibility of a specialized, independent entity, efficiently organized and managed, that has world class competence. Across the board, -for all factors of production including partners and subassemblies, services such as transportation and maintenance, and professional marketing services such as marketing research, some selling function, and most distribution functions -the bias has shifted from make to buy, from ownership to partnership, from fixed cost to variable cost, but in the context of stable, long-term relationships. A firm must define ever more narrowly those core competencies to which it will devote scarce resources in order to develop new knowledge and skills. For all other areas, it must depend on strategic partners who have placed their own focus best in the game of becoming world class competitors (Webster 1992).

Webster (1992) summarized that there is a clear evolution away from arm's length transactions and traditional hierarchical, bureaucratic forms of organization toward more flexible types of partnerships, alliances and networks. Within these new types of organizations, Webster (1992) claimed that traditional ways of organizing marketing functions and of thinking about the purpose of marketing activity must be reexamined, with focus on long-term customer relationships, partnerships, and strategic alliances.

2.5.4.1.1. Types of Network Organizations

In line with the logic of networks, Achrol (1991) proposed two innovative marketing organizational forms for coping with rapid environmental change:

- 1- The marketing exchange company and

2- The marketing coalition company.

The marketing exchange company is organized around consumers and markets. It can be thought of as a grand marketing information system, a brokerage system, and a clearinghouse of needs, products, and marketing services. The company will not locate any significant R&D or manufacturing functions within its boundaries, so there is little scope for interfunctional suboptimization, inertias or myopias. Its environmental scanning and adaptive mechanisms will be driven by consumers and markets. The quality of its market information network will be its primary source of coordinating power (Achrol 1991).

The marketing coalition company is a quasiorganization. The coalition develops a formal and stable quasiorganizational constellation of economic alliances around it. The alliance firms are highly specialized resource centers in some aspect of product or production technology related to an industry. The focal organization will entrust all or a large part of its functional needs in technology to alliance firms specializing in the various areas. The marketing coalition company must establish very close relations among its functional entities and yet maintain system flexibility so that organizational inertia, functional myopia and interfunctional suboptimization are minimized (Achrol 1991). Both these forms are seen as complex networks of functionally specialized firms.

Piercy and Cravens (1995) identified four illustrative types of network organizations:

- 1- The hollow network,
- 2- The flexible organization,

- 3- The value-added network and
- 4- The virtual network.

The hollow network is a transaction-based organizational form competing in highly volatile environments. It is customer-focused and the core organization draws heavily on other organizations to satisfy customer needs. The flexible organization is also encountered under conditions of high environmental volatility, but has intra-network links that tend to be collaborative and long-term. The value-added network may compete in markets where preferences are diffused and segments are difficult to define. This form utilizes a global network of suppliers coupled with substantial internal operations. Finally, the virtual network is likely to be a reformed version of the traditional organization. It has a long-term orientation of adapting to meet the needs of the segmented market structures, while competing in markets that experience low levels of volatility (Piercy and Cravens 1995).

Achrol and Kotler (1999) distinguished again four categories of network organizations:

- 1- Internal Networks,
- 2- Vertical Networks
- 3- Intermarket Networks
- 4- Opportunity Networks

Internal networks are designed to reduce hierarchy and open firms to their environments. Vertical networks maximize the productivity of serially dependent functions by creating partnerships among independent skill-specialized firms.

Intermarket networks seek to leverage horizontal synergies across industries. Finally, opportunity networks are organized around customer needs and market opportunities and designed to search for the best solutions to them.

2.6.ORGANIZATIONAL INNOVATION

Innovation is defined as adoption of an internally generated or purchased device, system, policy, program, process, product, or service that is new to the adopting organization (Daft 1982; Zaltman, Duncan and Holbek 1973). Innovation is a means of changing an organization, whether as a response to changes in its internal or external environment or as a pre-emptive action taken to influence an environment (Damanpour 1991).

Since there is no universally accepted definition for innovation, various approaches have been taken to define a new product or a service. Schiffman and Kanuk (2000) classified these approaches as:

- 1- Firm Oriented Definitions,
- 2- Product-Oriented Definitions,
- 3- Market-Oriented Definitions
- 4- Consumer-Oriented Definitions

Firm-oriented approach treats the newness of a product or service from the perspective of the company producing or marketing it. When the product or service is new to the company, it is considered to be new without considering whether it is also new to the marketplace. In contrast to a firm-oriented approach, a product-oriented approach focuses on the features inherent in the product or service itself and

on the effects these features are likely to have on consumers' established usage patterns. A market-oriented approach judges the newness of a product or service in terms of how much exposure consumers have to the new product or service. Two market-oriented definitions of product innovation have been extensively used: a) A product or service is considered new if it has been purchased by a relatively small percentage of the potential market and b) A product or service is considered new if it has been on the market for a relatively short period of time. Finally, for the consumer-oriented approaches it can be asserted that newness is based on the consumers' perception of the product or service, rather than on physical features or market realities (Schiffman and Kanuk 2000).

2.6.1. Typologies of Innovation

Researchers have relied on various subtheories of organizational innovation. Thus, Daft (1978), Kimberly and Evanisko (1981) and Damanpour (1987) distinguished between administrative and technical innovations; Dewar and Dutton (1986), Ettlie, Bridges and O'Keefe (1984), and Nord and Tucker (1987) discerned a difference between radical and incremental innovations; Marino (1982) and Zmud (1982) separated the initiation and implementation stages of the adoption of innovation; Kimberly (1981) have made distinctions between studies of the diffusion (Rogers 1962) and adoption of innovations; Van de Ven and Rogers (1988) distinguished innovating and innovativeness and Aiken, Bacharach and French (1980) distinguished innovativeness levels in organizational hierarchies.

Among the numerous typologies of innovation advanced in the literature, three gained the most attention. These are (Damanpour 1991):

- 1- Administrative and Technical Innovations,
- 2- Product and Process Innovations;
- 3- Radical and Incremental Innovations.

The distinction between administrative and technical innovations is important because it relates to a more general distinction between social structure and technology (Damanpour 1991). Administrative and technical innovations imply potentially different decision-making processes and together they represent changes introduced in a wide range of activities in an organization. Technical innovations pertain to products, services and production process technology and are related to basic work activities and can concern either product or process (Damanpour 1987). Administrative innovations involve organizational structure and administrative processes and are indirectly related to the basic work activities and are more directly related to its management (Kimberly and Evanisko 1981).

The rates of adoption of product and process innovations are different during the stages of the development of a business. Firms also differ in their emphases on product or process innovation for providing competitive advantages. Product innovations are new products or services introduced to meet an external user or market need, and process innovations are new elements introduced into an organization's production or service operations (Damanpour 1991). One of the widely used typology of product innovation is related with the extent to which a new product is likely to disrupt established behavior patterns. This typology defines the following three types of product innovations (Schiffman and Kanuk 2000):

- 1- Continuous Innovation: This has the least disruptive influence on established patterns of usage. It involves the introduction of a modified product, rather than a totally new product.
- 2- Dynamically Continuous Innovation: This is somewhat more disruptive than a continuous innovation but it still does not alter established usage patterns. This may involve the creation of a new product or the modification of an existing product.
- 3- Discontinuous Innovation: This requires consumers to adopt new behaviors.

Another well-recognized product innovation typology is the one developed by Booz, Allen and Hamilton (1982). This typology categorizes innovations as

- 1- New to the World,
- 2- New to the Firm,
- 3- Additions to an Existing Product Line,
- 4- Improvements or Revisions to Existing Product Lines,
- 5- Cost Reductions to Existing Products,
- 6- Repositioning Existing Products.

The adoption of innovation creates changes in the structure and functioning of an organization; however the extent of these changes is not equal for all innovations. Thus, innovations can be classified according to the degrees of change they make in the existing practices of an adopting organization. Radical innovations produce fundamental changes in the activities of an organization and represent clear departures from existing practices whereas incremental innovations result in little departure from existing practices (Dewar and Dutton 1986).

2.6.2. Innovation Research

Downs and Mohr (1976) asserted in their critical evaluation of research on innovation that extreme variances have occurred regularly among the findings of the empirical studies of innovation, adding that the variation of results in the field is beyond interpretation and despite there being many studies, findings have not been cumulative. Many other scholars have acknowledged Downs and Mohr's (1976) assertion of instability in the results of innovation research (Damanpour 1987; Dewar and Dutton 1986; Fennell 1984; Kimberly and Evanisko 1981; Meyer and Goes 1988; Miller and Friesen 1982; Zmud 1982). However, Damanpour (1991) argues that in none of those empirical studies nor in any conceptual article (Daft 1982; Kimberly 1981; Van de Ven 1986) have the empirical findings been systematically cumulated to confirm that they are actually unstable.

Despite these conflicting arguments about the findings, research on innovation can be grouped into two main categories. One category basically investigates determinants of organizational innovation, whereas the other category studies the consequences of organizational innovation.

2.6.2.1. Factors Influencing Organizational Innovation

Organizational innovation is subject to influences in different categories, including the individual, organizational and environmental (Baldrige and Burnham 1975). The individual influences are mainly related with characteristics of individuals adopting the innovation.

With respect to the environmental influences, it can be asserted that environmental variability provides pervasive stimuli to the organization. In a rapidly changing environment expectations increase faster than the services offered and demands for services outrun the ability to pay for them. A more heterogeneous environment with a varied clientele demands diverse services, so there is greater competition for scarce resources from the more fragmented socioeconomic and demographic forces. Increased uncertainty and diversity encourage the adoption of innovations (Baldrige and Burnham 1975).

Of all potential influences, a major area of inquiry in research on innovation has been the study of organizational contexts that impede or enhance the generation, adoption and diffusion of innovations (Drazin and Schoonhoven 1996).

Organizational dynamics are the major independent variables that influence the amount, the rate and the permanence of innovations. Prior research usually investigated the impact of two organizational factors on innovation. These are organizational size and organizational complexity. These studies conclude that increased size and complexity were positively related to innovation (Baldrige and Burnham 1975).

Recently, knowledge management, market orientation, organization design, organization structure, specialization, functional differentiation, professionalism, formalization, centralization, managerial attitude toward change, managerial tenure, technical knowledge resources, administrative intensity, slack resources, external communication, internal communication, vertical differentiation are the variables

studied as organizational determinants of innovations (Damanpour 1991; Jaworski and Kohli 1996; Hurley and Hult 1998; Darroch and McNaughton 2003; Shane and Ulrich 2004).

Damanpour (1991) conducted a meta-analysis of the relationships between organizational innovation and its potential determinants and found that specialization, functional differentiation, professionalism, centralization, managerial attitude toward change, technical knowledge resources, administrative intensity, slack resources, external communication, internal communication have significant relationships with innovation. Moderator analyses indicated that the type of organization adopting innovations and their scope are more effective moderators of the focal relationships than the type of innovation and the stage of adoption.

Darroch and McNaughton (2003) recently investigated knowledge management and innovativeness of New Zealand firms. Effective knowledge management practices are, in themselves organizational routines that are oriented toward the management of knowledge. Effective knowledge management also enables a firm to make good use of knowledge and other tangible and intangible resources. Whenever a routine changes, innovation is said to occur. For this reason, and the fact that knowledge in itself often contains new ideas, effective knowledge management is often cited as an antecedent of innovation (Nonaka and Takeuchi 1995; Darroch and McNaughton 2003).

Darroch and McNaughton (2003) found that firms with a knowledge-management orientation are more likely to develop a broad spectrum of innovations. Firms need to

innovate across a wide range of innovation types in order to perform better in the short and long term. This means firms should not constrain themselves with low-risk incremental innovations but occasionally they should move into areas where the business or scientific community has limited knowledge.

Recently, in the marketing literature, the concept of innovations has been held in its relation to market orientation and learning organizations. Market orientation is an important antecedent of innovation (Slater and Narver 1994; Kohli and Jaworski 1990). More recently, Jaworski and Kohli (1993) suggested that a market orientation involves doing something new for the market which can be viewed as a form of innovative behavior. In a subsequent work, Jaworski and Kohli (1996) argued that market orientation is an antecedent to innovation. Market orientation engenders product innovation behaviors that focus on understanding the articulated needs of customers. It therefore leads to the exploitation of innovation opportunities that are associated with the current domain of the firm and that take advantage of its currently available learning and experience (Atuahene-Gima and Ko 2001). In other words, market orientation encourages and supports the refinement and adaptations of current innovations to meet current needs.

Innovativeness is the notion of openness to new ideas as an aspect of a firm's culture. Innovativeness of a culture is a measure of the organization's orientation toward innovation. Hurley and Hult (1998) argue that there are antecedents to innovativeness, that is, various characteristics of a firm's culture, such as an emphasis on learning, participative decision making, support and collaboration, and power sharing, affect whether the firm has an innovation orientation. Learning

orientation, along with other aspects of organizational culture, functions as an antecedent to an innovation orientation.

A market and learning oriented culture, along with other factors, promotes receptivity to new ideas and innovation as part of an organization's culture. This can be defined as innovativeness. Innovativeness in an organization's culture, when adequate resources are present, facilitates the implementation of innovations and this can be called as the innovative capacity. According to Hurley and Hult (1998), market orientation, learning orientation, innovativeness, and innovative capacity are organizational properties that affect the innovation process.

2.6.2.2.Factors Influenced by Organizational Innovation

Performance is the mostly cited dependent variable that is influenced by organizational innovation. Innovation is usually taken as a contingency variable for the relationship between market orientation and business performance (Matear et.al. 2002).

Drucker (1954) was one of the first scholars to state that customer orientation and innovativeness are key determinants of business performance. Simply, customer-oriented and innovative firms perform better and this is the basic assertion of the marketing concept.

Hurley and Hult (1998) argue that the importance of organizational learning and the generation of new behaviors as central factors in models of market orientation brings forth the question of why the construct of innovation is absent in all of the existing

models of market orientation. Only, Deshpande, Farley and Webster (1993) and Menon and Varadarajan (1992) had related the market orientation construct to both culture and organizational innovativeness.

Deshpande, Farley and Webster (1993) studied the impact of culture, customer orientation and innovativeness on business performance and found a positive relationship between organizational innovativeness and business performance.

Drawing on Zaltman, Duncan and Holbek's (1973) differentiation of the initiation and implementation stages of innovation, Hurley and Hult (1998) introduced two innovation constructs into the models of market orientation. These are innovativeness and the capacity to innovate. Innovativeness is the notion of openness to new ideas as an aspect of a firm's culture. Innovativeness of a culture is a measure of the organization's orientation toward innovation. Hurley and Hult (1998) argue that there are antecedents to innovativeness, that is, various characteristics of a firm's culture, such as an emphasis on learning, participative decision making, support and collaboration, and power sharing, affect whether the firm has an innovation orientation. The capacity to innovate, a term first used by Burns and Stalker (1961) refers to the ability of the organization to adopt or implement new ideas, processes or products successfully. The innovativeness of the firm's culture acts in concert with various structural properties of the company to affect the innovative capacity of the organization. Innovative capacity can be measured by the number of innovations an organization is able to adopt or implement successfully. Innovativeness of the firm's culture, when combined with resources and other organizational characteristics, creates a greater capacity to innovate. Firms that have a greater capacity to innovate

are able to develop a competitive advantage and achieve higher levels of performance (Hurley and Hult 1998).

In the model developed by Hurley and Hult (1998), innovation replaces organizational learning as the central mechanism by which organizations develop capabilities and adapt to their environments. Learning orientation, along with other aspects of organizational culture, functions as an antecedent to an innovation orientation. It is the orientation to innovation and the capacity to implement innovations that determine whether the organization's market and learning orientations which will lead to the development of the firm and the achievement of superior performance. Firms with greater capacity to innovate will be more successful in responding to their environments and developing new capabilities that lead to competitive advantage and superior performance (Hurley and Hult 1998).

Matear et.al. (2002) utilized the inter-relationship between market orientation and innovation in order to examine alternative mechanisms through which market orientation and innovation contribute to service firm performance. It is found that market orientation contributes to performance through a dual mechanism in that it contributes both directly and through innovation, with innovation mediating the contribution (Matear 2002).

2.7.ORGANIZATIONAL LEARNING

Organizational learning was addressed by Cyert and March (1963) over nearly 40 years ago as a process by which organizations as collectives learn through interaction with their environments. Despite a robust and extensive literature on organizational

learning (Argyris and Schön 1978; Cohen 1991; Cyert and March 1963; Daft and Huber 1987; Daft and Weick 1984; Dixon 1992; Huber 1991; Jelinek 1979; Lawson and Ventris 1992; Sackmann 1991; Simon 1991; Walsch and Ungson 1991; Weick 1979), there has been relatively little scholarly research on the subject in a marketing context (Day 1991). However, since the AMA/MSI sponsored work on marketing research and knowledge development (Myers, Massy and Greyser 1980), a flurry of activity has been directed toward the question of market information use in organizations (Deshpande 1982; Deshpande and Zaltman 1982, 1984, 1987; Hu 1986; Moorman, Zaltman and Deshpande 1992; Sinkula 1990; Sinkula and Hampton 1988; Moorman 1995; Pennings, Barkema and Douma 1994). It is surprising that these two separate streams of research, which have such similar purposes, gone on without being integrated. After all, it would seem that the degree to which an organization uses market information is a function of what it has already learned (Sinkula 1994).

The literature review on organizational learning will first give the definitions, nature and types of the construct. Then processes of organizational learning will be examined in detail. Finally, research on organizational learning together with the determinants and consequences of the construct will be presented.

2.7.1. Definitions and Nature of Organizational Learning

At its most basic level, organizational learning is the development of new knowledge or insights that have the potential to influence behavior (Huber 1991; Slater and Narver 1995; Fiol and Lyles 1985; Sinkula 1994).

Simon (1969) explains organizational learning as the growing insights and successful restructurings of organizational problems by individuals reflected in the structural elements and outcomes of the organization itself.

Sinkula (1994) asserts that organizational learning is the means by which knowledge is preserved so that it can be used by individuals other than its progenitor.

Most recently, Holmqvist (2004, p. 71) defined organizational learning as 'the experiential production and reproduction of organizational rules, leading to behavioral stability or behavioral changes.' Learning in this regard is seen as a relatively permanent change in organizational knowledge that is produced by experience. The focus is on the adaptation of organizational rules to environmental changes as experienced by the organization (Holmqvist 2003).

Fiol and Lyles (1985) define organizational learning as the process of improving actions through better knowledge and understanding. Organizational knowledge, on the other hand, is described as 'the capability members of an organization have developed to draw distinctions in the process of carrying out their work, in particular concrete contexts, by enacting sets of generalizations whose application depends on historically evolved collective understandings' (Tsoukas and Vladimirou 2001, p.973).

A more detailed explanation of organizational learning expresses it as a 'cyclical process in which individuals' actions lead to organizational interactions with the environment, the environment responds, and environmental responses are interpreted

by individuals who learn by updating their beliefs about cause-effect relationships' (Lee, Courtney and O'Keefe 1992, p.23). Members of the organization share information, creating organizational memory in the form of shared beliefs, assumptions, and norms (Argyris and Schön 1978). This organizational memory, then, guides individual and organizational actions. Individuals are fundamental to the development of organizational learning (Argyris and Schön 1978).

Huber (1991) characterizes organizational learning in terms of attributes. These attributes of organizational learning are

- 1-Existence,
- 2-Breadth,
- 3-Elaborateness, and
- 4-Thoroughness.

With respect to the existence attribute of organizational learning, Huber (1991) asserts that an organization learns if any of its units acquires knowledge that it recognizes as potentially useful to the organization. For breadth attribute of organizational learning, Huber (1991) declares that more organizational learning occurs when more of the organization's components obtain this knowledge and recognize it as potentially useful. Concerning elaborateness attribute, it is explained that more organizational learning occurs when more and more varied interpretations are developed, because such development changes the range of potential behaviors (Huber 1991). Finally, with respect to thoroughness attribute, it is argued that more organizational learning occurs when more organizational units develop uniform comprehensions of the various interpretations (Huber 1991).

Sinkula (1994) expresses that understanding the nature of organizational learning is critical to the understanding of how organizations process market information. According to Sinkula (1994) organizational learning directed toward the markets is different from other types of organizational learning in at least five ways. First, it is a core competency pertaining to external foci and it is less visible than most internally focused organizational learning competencies like organizing work processes. Second, market-directed organizational learning results in the fundamental bases of competitive advantage. Third, market-based organizational learning requires the observation of others. Fourth, market information residing in organizational memory is typically more difficult to access. Finally, market-based organizational learning is unique in that market-based information is more equivocal. This means before the organization can act on this information, it should be interpreted. Interpreting market information is key to organizational learning (Sinkula 1994).

Sinkula (1994) proposes a hierarchy of market knowledge where low elements usually are addressed, at least in part, prior to the consideration of high level elements. A distinguishing factor of market-based organizational learning is that, to develop and particularly to maintain bases of competitive advantage, the organization must develop higher-order knowledge (Sinkula 1994).

Sinkula (1994. p.38-39) classifies 'dictionary', 'episodic', 'endorsed' and 'procedural' knowledge as early stages of knowledge development and 'axiomatic', 'augmented', 'deutero' knowledge as the latter stages of knowledge development.

Dictionary knowledge answers 'what is' type of questions and manifests itself in the definition of things, labels and events. Episodic knowledge answers 'what has been' type of questions and is manifested in the value placed in the development of historical databases. Endorsed knowledge answers the question of 'what is the espoused way of doing things' and its manifestation is the organizational system of norms, assumptions and strategies. Procedural knowledge refers to how things are actually done and a task system governed by tacit rules developed among members is the manifestation of it (Sinkula 1994).

A newly conceived organization enters the hierarchy with congenital knowledge, knowledge inherited from the organization's founders plus any additional knowledge acquired prior to its birth (Huber 1991). The breadth of congenital knowledge will have a profound effect on the degree and level at which market information processing will occur. It is also possible that a newly conceived organization could enter the hierarchy at the endorsed knowledge level because of extensive congenital knowledge deriving from market research, similar market experiences on the part of the founders, or other sources. Typically, newly conceived organizations possess congenital knowledge that focuses on generalized, rationalized concepts of how markets work with less situation-specific knowledge often comes only with trial and error. Thus, young organizations go about the business of acquiring dictionary and episodic knowledge to build on the base of congenital knowledge, establish routines and rules, and make sense of their markets (Sinkula 1994).

Over time, organizations learn to make sense of the markets and also they develop rules for the acquisition and distribution and interpretation of information about the

markets. This endorsed way of doing things manifests itself in the form of organizational norms, training programs, policies, and strategies. This represents procedural learning (Sinkula 1994). The difference between endorsed and procedural learning can be explained with an example. The market research unit's endorsed policy may be to get three proposals from vendors for a research project, but the procedural knowledge may require that such projects are given to vendors with whom top management had experience. As differences between endorsed and procedural knowledge as to how market information is processed, individuals in the organization will try to make sense about why these differences exist. This is referred to as axiomatic knowledge (Sinkula 1994; Sackmann 1991). In addition, response to detected differences between the espoused and the actual way of processing information could take the form of joint inquiry into the organizational norms themselves to resolve inconsistency and create new norms (Argyris and Schön 1978). This is defined as augmented knowledge (Sinkula 1994).

Deutero learning represents the organization's ability to look inward, to learn how to carry out the process of organizational learning. The study of knowledge creation, marketing's research and development system, innovative activities, and continuous improvement are representatives of the firm's desire to learn on the deutero level. Learning at this level is essential if the organization is to understand its ability to learn, its speed of learning, the correctness and relevance of what it learns, and ultimately the relationship between what it learns and how it performs in its relevant markets (Sinkula 1994).

2.7.2. Types of Organizational Learning

Slater and Narver (1995) identify two main types of organizational learning. One is adaptive learning and the other is generative learning.

Adaptive learning (Senge 1990) is also referred to as single-loop learning by Argyris (1977). It is the most basic form of learning that occurs within a set of recognized and unrecognized constraints that reflects the organization's assumptions about its environment and itself (Slater and Narver 1995). These constraints about the environment and the organization may sometimes reduce the range of opportunities that managers might pursue. The resulting learning boundary constrains organizational learning to the adaptive variety, which usually is sequential, incremental, and focused on issues or opportunities that are within the traditional scope of the organization's activities (Slater and Narver 1995).

Generative learning (Senge 1990) is also referred to as double-loop learning by Argyris (1977). Generative learning occurs when the organization is willing to question long-held assumptions about its mission, customers, capabilities, or strategy. It requires the development of a new way of looking at the world based on an understanding of the systems and relationships that link key issues and events. Systems thinking disciplines the organization to focus on the interrelationships and dynamic processes of change rather than on linear cause-effect chains (Senge 1990). Generative learning is frame-breaking and more likely to lead to competitive advantage than adaptive learning (Slater and Narver 1995)

2.7.3. Processes of Organizational Learning

Huber (1991), Slater and Narver (1995) argue that organizational learning is a three-stage process that includes information acquisition, information dissemination and shared interpretation.

Information Acquisition: It is the process by which knowledge is obtained. Information may be acquired from direct experience, the experience of others, or organizational memory. The learning curve, or experience curve, shows the clearest illustration of acquiring knowledge from internally-focused experience and the effect of cumulative production and user experience on productivity in manufacturing (Slater and Narver 1995).

Learning from others encompasses common practices, such as benchmarking, forming joint ventures, networking, making strategic alliances, and working with lead customers, who both recognize strong needs before the rest of the market and are motivated to find solutions to those needs (Kanter 1989; Webster 1992) Learning from others also includes providing continuing education or training.

Organizational memory is the means by which knowledge is stored for future use (Huber 1991). According to Walsh and Ungson (1991), organizational memory refers to stored information from an organization's history that can be brought to bear on present decisions. This information is stored as a consequence of implementing decisions to which they refer, by individual recollections, and through shared interpretations. Organizational memory prevents learning to have a relatively short half-life because of personnel turnover and the passage of time (Levitt and

March 1988; Sinkula 1994). Organizational memory is particularly important in the era of restructuring and reliance on temporary or contract workers. It is essential that important knowledge be codified or recorded in information systems, operating procedures, white papers, mission statements, organizational stories and routines. These procedures and rules can be positively interpreted as media of organizational learning (Beck and Kieser 2003). The extent to which these memories are used and are useful will determine how long they should persist.

Information Dissemination: It is the process by which information from different sources is shared and thereby leads to new information or understanding (Huber 1991). Organizational learning is distinguishable from personal learning by information dissemination and accomplishing a shared interpretation of the information. Effective dissemination, or sharing, increases information value when each piece of information can be seen in its broader context by all organizational players who might use or be affected by it and who are able to feedback questions, amplifications, or modifications that provide new insights to the sender (Glazer 1991; Quinn 1992). When organizations remove the functional barriers that impede the flow of information among departments, they improve the organization's ability to make rapid decisions and execute them effectively.

Shared Interpretation: It is the process by which distributed information is given one or more commonly understood interpretations (Huber 1991). Slater and Narver (1995) and Daft and Huber (1987) argue that for organizational learning to occur in any business unit, there must be a consensus on the meaning of the information and its implications for that business. There may be disagreement among organizational

members with respect to the interpretation of this information. The result of disagreement is a closer inspection of the validity of different assumptions and alternatives. Thus, high performance in a dynamic environment requires balancing the need for rapid decision making with the need to consider carefully the ramifications of alternative action plans through effective conflict resolution processes (Slater and Narver 1995). Effective conflict resolution may require the use of structured processes for surfacing disagreement, because allowing disagreement to surface informally may cause it to become emotional and adversarial and create long-term rifts among key members of the management team. Conflict resolution can further be enhanced by the development of group norms that encourage open sharing of information and remove constraints on information and communication flows (Slater and Narver 1995).

Figure 2.7. illustrates the organizational learning process and the boundary that constraints learning to the adaptive variety. The arrows indicate that generative learning requires knowledge development to reach beyond the learning boundary for information or new ways of interpreting information (Slater and Narver 1995).

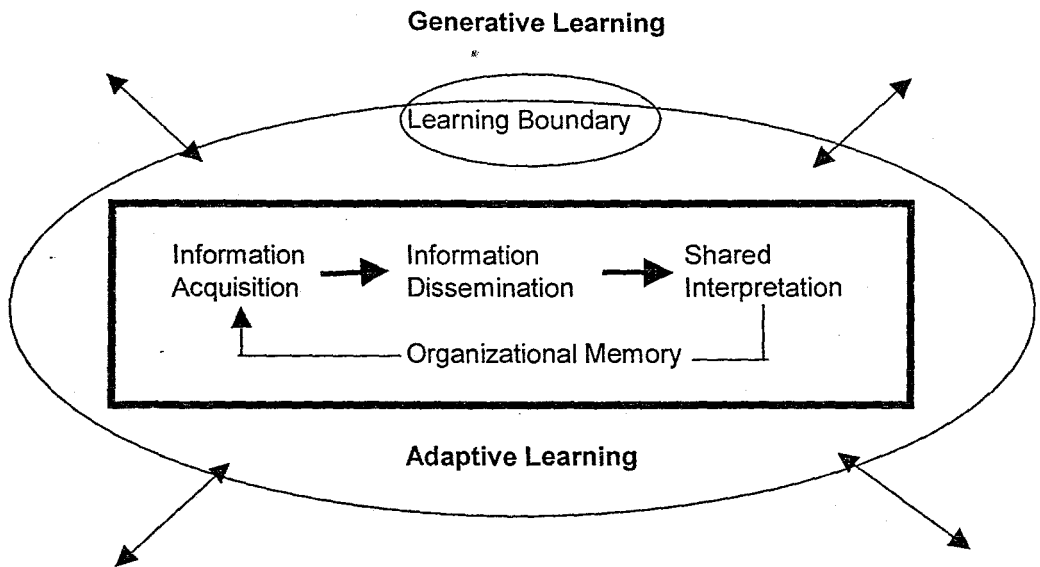


Figure 2.7. The Process of Organizational Learning (Slater and Narver, 1995, p. 66).

2.7.4. Research on Organizational Learning

Research on organizational learning encompasses both the factors that enhance or impede organizational learning and the consequences of organizational learning.

2.7.4.1. Factors Influencing Organizational Learning

Fiol and Lyles (1985) describe four contextual factors affecting the probability that learning will occur:

1-Corporate Culture: Learning in organizations often involves a change in the norms and belief systems that are the milestones of the culture of an organization (Williams 2001).

2-Strategy: The organization's strategic posture partially determines its learning capacity. Strategy determines the goals and objectives and the breadth of actions available for carrying out the strategy. Thus strategy influences learning by providing a boundary to decision-making and a context for the perception and interpretation of the environment.

3-Organizational Structure: Organizational structure can either encourage or retard organizational learning. Formalized and complex structures retard learning whereas decentralized and organic structures encourage learning.

4-Environment: If either the internal or the external environment is too complex and dynamic for the organization to handle, an overload may occur, and learning will not take place. Learning requires both change and stability between learners and their environment. Although too much stability within an organization can be dysfunctional, too much change and turbulence make it difficult for learners to map their environment (Fiol and Lyles 1985).

Like Fiol and Lyles (1985), recently James (2003) argued that learning organizations require a transformational organizational design. The basic components of a learning organization will be:

1-Leadership: In learning organizations leadership may be found at many levels, from workers to senior management. The focus of leadership is to learn, to teach and to transform the organization. Leadership tends to be more transformational and visionary than transactional (James 2003).

2-Culture: Learning organizations are characterized by strong egalitarian cultures, because this facilitates continuous improvement and adaptation at all levels. Organizations with strong egalitarian cultures create a set of norms, symbols, and beliefs that encourage organizational learning (James 2003).

3-Strategy: In learning organizations strategies can emerge from anywhere in the organization. Strategy formulation and implementation is no longer the sole responsibility of a few senior managers, rather they are also the responsibility of middle and lower level managers (James 2003).

4-Mechanisms: Integrating mechanisms link the organization both horizontally and vertically. These mechanisms reflect communication processes and policies that enhance the sharing of knowledge and learning across business units and are dominant in learning organizations (James 2003).

5-Structure: Learning organizations tend to be loosely structured federations, or adhocracies. The organization is networked together through a system of atomistic or web-like configurations. These organizations frequently violate vertical chains and unity of command to enhance integration of knowledge across business units and firm performance (James 2003; Owen-Smith and Powell 2004).

6- Employees: In learning organizations, employees must become knowledge workers. Each person is responsible for mastering her job and for disseminating important information to others in the organization (James 2003).

Slater and Narver (1995) argue that there are five critical components of the learning organization:

- 1- Market orientation,
- 2- Entrepreneurship,
- 3- Facilitative leadership,
- 4- Organic and open structure,
- 5- Decentralized approach to planning.

Market orientation and entrepreneurship are the elements of culture; whereas facilitative leadership, organic and open structure and decentralized approach to planning are the elements of climate. Culture refers to the deeply rooted set of values and beliefs that provide norms for organizational behavior (Deshpande and Webster

1989); climate describes how the organization operationalizes its culture, the structure and processes that facilitate the achievement of the desired behaviors (Deshpande and Webster 1989; Schein 1990).

Slater and Narver (1995) express that market orientation is the principle cultural foundation of the learning organizations. Slater and Narver (1995), based on the earlier definitions of market orientation from Deshpande, Farley and Webster (1993; Kohli and Jaworski 1990; Narver and Slater 1990; Shapiro 1988), define market orientation as the culture that places the highest priority on the profitable creation and maintenance of superior customer value while considering the interests of other key stakeholders and that provides norms for behavior regarding the organizational development of and responsiveness to market information. Since market orientation, as an overall organizational value system, provides strong norms for sharing of information and reaching a consensus on its meaning, it is inherently a learning orientation (Slater and Narver 1995). However, there is always the risk that a narrow construction of market orientation may lead to learning only within traditional boundaries. To be a powerful foundation for a learning organization and provide the opportunity for generative learning, the scope of market orientation must include all stakeholders and constituencies that (1) possess, or are developing, knowledge that has the potential to contribute to the creation of superior customer value or (2) are threats to competitive advantage. The conception of market should be broadened, according to Slater and Narver (1995), to encompass all sources of relevant knowledge and ideas pertaining to customers and customer value creating capabilities.

Hurley and Hult (1998) point to a contradiction in Slater and Narver's (1995) arguments. Slater and Narver (1995) on the one hand assert that market orientation and learning organization are inherent and inseparable, on the other hand they argue that a learning orientation mediates the market orientation-performance link. Hurley and Hult (1998) declare that this contradiction can be resolved by incorporating constructs related to innovation in these models. Hurley and Hult (1998) argue that models of market orientation should focus on innovation rather than learning as the primary mechanism for responding to markets. Furthermore, market and learning orientations both are separate antecedents of an innovative culture. Organizations whose cultures emphasize innovation when resources are available tend to implement more innovations and develop competitive advantage (Hurley and Hult 1998). Moreover, Hurley and Hult (1998) found that higher levels of innovativeness are associated with cultures that emphasize learning.

As indicated in the previous paragraphs, Slater and Narver (1995) take a somewhat different approach and indicate that market orientation promotes organizational learning and the organization's ability to learn then enhances performance. Li and Calantone (1998), like Slater and Narver (1995) state the relationship between market knowledge competence and organizational learning. Market knowledge competence resembles market orientation such that it consists of customer knowledge process, competitor knowledge process and marketing-R&D interface. More recently Liu et.al. (2003) studied the relationship between market orientation and organizational learning. Utilizing data from China's emerging economy, Liu et.al. (2003) found that organizations with higher levels of market orientation tend to be more learning-oriented.

Slater and Narver (1995) also argue that a market orientation with its focus on understanding latent needs is inherently entrepreneurial. A culture that values entrepreneurship and innovation provides the environment in which learning from exploration and experimentation is most likely to take place (Hamel and Prahalad 1991). Entrepreneurial cultures are often characterized as valuing traits such as high tolerance for risk, proactiveness, receptivity to innovation, active resistance to bureaucracy. These traits are strongly associated with knowledge acquisition through exploration, challenging assumptions to create generative learning and the rapid development of new behaviors to leverage learning (Slater and Narver 1995). Coupling market orientation with entrepreneurial values provide the necessary focus for the organization's information processing efforts, while it also encourages frame breaking action, thus greatly enhancing the prospects for generative learning (Slater and Narver 1995).

Facilitative leaders, on the other hand, can raise the awareness of colleagues, clients, and others about the issues of importance; arouse or alter the strength of values that may have been dormant or subverted; and foster a climate where people are motivated to do more than what is expected of them. These leaders constantly articulate and reinforce the organization's vision through their speech and actions and share information to maintain a competitive focus (Slater and Narver 1995).

The necessity of effective information sharing in the learning organizations demands that systematic or structural constraints on information flows be dismantled. Organic organizational structure is decentralized, with fluid and ambiguous job responsibilities and extensive lateral communication processes. Members of these

organizations, both internal and external, recognize their interdependence and are willing to cooperate and share information to sustain the effectiveness of the organization (Slater and Narver 1995). Organizational learning is a function of the form and strength of the organization's interdependence with its learning partners and organic structures are open to such external learning partners (Slater and Narver 1995).

In the learning organizations, planning is guided by a stable vision and operationalized through a flexible, responsive overlay of task-oriented planning teams. The motivating vision is grounded in a sound understanding of the market, guides the business' competitive advantage efforts, and is communicated continuously throughout the organization. The shared vision sets the broad outlines for strategy development and leaves the specific details to emerge later. A robust vision enables the organization to learn and adapt (Day 1990; Mintzberg 1994; Hamel and Prahalad and 1994; Senge 1990).

Slater and Narver (1995) also stress the role of the marketing function in the creation of a learning organization. Because of its external focus, marketing is well positioned to appreciate the benefits of market-driven learning and be the lead advocate of the market oriented, entrepreneurial values that constitute the culture of the learning organization.

Some researchers conceptualize organizational learning like individual learning and assert that organizational learning is a function of age and experience (Bedeian 1986; Dixon 1992; Feldman 1986; Simon 1991; Levin 2000). After all, it takes time for

organizational members to function as a shared cognition system (Simon 1991). In line with this view, Sinkula (1994) proposes that organizational learning is a function of the organization's age and experience and its environment. Under conditions of low environmental change, increasing supply of market information will have little effect on information distribution, interpretation, storage and organizational learning. Under conditions of high environmental change, increasing the supply of market information will result in increased information distribution, interpretation, storage and organizational learning. Also in old organizations, increasing supply of market information will have little effect on information distribution, interpretation, storage and organizational learning. In young organizations, increasing the supply of market information will result in increased information distribution, interpretation, storage and organizational learning (Sinkula 1994).

2.7.4.2. Factors Influenced by Organizational Learning

Like in the case of other constructs examined in this thesis, the mostly used dependent variable affected by organizational learning is performance. Still another factor influenced by organizational learning is competitive advantage.

It is asserted that an organization has a foundation for sustained competitive advantage when it postulates skills and resources that (1) provide superior value to customers, (2) are difficult to imitate, (3) are capable of multiple applications (Day 1994). First, an organization provides superior value to customers when its culture and climate foster behaviors that lead to improvements in effectiveness or efficiency which in turn, provide additional benefits or lower prices for customers. Second, imperfect imitateness might be the product of a socially complex organizational

environment that is difficult for competitors to understand and emulate. Finally, when an organizational system provides unique insights into opportunities in new or existing markets, it is capable of multiple applications (Slater and Narver 1995).

Organizational learning is valuable to a firm's customers in this context because it focuses on understanding and effectively satisfying their expressed and latent needs through new products, services, and ways of doing business. This should lead directly to superior outcomes, such as greater new product success, superior customer retention, higher customer defined quality, and ultimately superior growth and profitability (Slater and Narver 1995).

With respect to performance, Slater and Narver (1995) and Liu et.al. (2003) argue that market orientation enhances the performance of an organization when it is combined with a learning orientation.

Hult, Ferrell and Hurley (2002) examined the effects of organizational learning on subjective and objective cycle time performance in the purchasing process of a Fortune 500 multinational services corporation. Based on a sample of 346 worldwide SBUs, the results suggest that organizational learning in the strategic purchasing units positively influences the cycle time performance in the purchasing process (Hult, Ferrell and Hurley 2002).

Thomas, Sussman and Henderson (2001) developed model of strategic learning whereby they linked organizational learning, knowledge management and sensemaking. Strategic learning aims to generate learning in support of future

strategic initiatives that will, in turn, foster knowledge asymmetries that can lead to differences in organizational performance.

Chaston, Badger and Sadler-Smith (2000) declared that in the literature, relationship oriented firms are being advised to exploit organizational learning as a route through which to acquire the knowledge required to survive in rapidly changing and/or highly competitive markets. There is, however, only anecdotal evidence of the positive contribution that organizational learning can make to enhance the performance of firms. To acquire additional empirical data, Chaston, Badger and Sadler-Smith (2000) undertook a survey of learning style and perception of competences relative to competitors in small manufacturing firms. Results concerning organizational learning style appear to indicate that the firms who exhibit a relationship marketing style tend to adopt a double-loop learning style; whereas transactionally oriented firms appear to be single-loop learners. When compared with transactional firms, relationship oriented respondents also reported higher competences (higher performance) for some areas of marketing, human resources management and information management practices (Chaston, Badger and Sadler-Smith 2000).

An overview of the most notable studies examined in the literature review are demonstrated in Table 2.1. as a concluding remark for this section.

Table 2.1. An Overview of the Literature Review

ORGANIZATIONAL ORIENTATION			
Author	Title	Variables/Content	Findings/Results
Kohli and Jaworski (1990)	Market Orientation: The Construct, Research Propositions, and Managerial Implications	*Antecedents of market orientation: senior management factors, interdepartmental dynamics, organizational systems *Consequences of market orientation: customer responses, business performance, employee responses	*Clarification of the domain of market orientation construct *Provision of a foundation for developing a measure of market orientation
Narver and Slater (1990)	The Effect of a Market Orientation on Business Profitability	*Customer orientation, competitor orientation, interfunctional coordination as dimensions of market orientation *Effect of market orientation on business profitability	*Positive effect of market orientation on profitability
Kohli, Jaworski and Kumar (1993)	MARKOR: A Measure of Market Orientation	*Developing a valid measure of market orientation	*Proposed a 20-item market orientation scale
Diamantopoulos and Hart (1993)	Linking Market orientation and Company Performance: Preliminary Evidence on Kohli and Jaworski's Framework	*Examined the link between market orientation and performance	*Found moderating effects of environmental factors on this link.
Jaworski and Kohli (1993)	Market Orientation: Antecedents and Consequences	*Antecedents of market orientation: top management factors, interdepartmental dynamics, organizational systems *Dimensions of market orientation: intelligence generation, dissemination and responsiveness *Consequences of market orientation: employee responses, business performance *Moderating variables: market turbulence, competitive intensity, technological turbulence	*Top management emphasis on market orientation, their risk aversion, inter departmental conflict, connectedness, centralization, reward systems affect market orientation *effect of market orientation on judgmental measures of performance *effect of market orientation on organizational commitment and esprit de corps *no moderating effects
Slater and Narver (1994a)	Does Competitive Environment Moderate the Market Orientation-Performance Relationship?	*Moderating effects of market turbulence, technological turbulence, competitive intensity, strength of the economy on the relation between market orientation-performance	*Little support for the proposition that environment moderates the nature of market-orientation-performance relationship
Slater and Narver (1994b)	Market Orientation, Customer Value and Superior Performance	*Assess the relation between market orientation, customer value and performance	*Market orientation development strategies are defined
Siguaw, Brown, Widing (1994)	The Influence of the Market Orientation of the Firm on Sales Force Behavior and Attitudes	*Empirical test of a model incorporating market orientation, customer orientation, a difference score, job attitudes	*Market orientation influences salesperson customer orientation and job attitudes
Liu (1995)	Market Orientation and Firm Size: An Empirical Examination in UK Firms	*Examines the effect of firm size on market orientation	*Large firms are found to be more market oriented than medium sized firms.
Greenley (1995a)	Market Orientation and company Performance: Empirical Evidence from UK Companies	*Assess market orientation-performance link with Narver and Slater (1990) scale	*Market orientation is not appropriate for turbulent markets, for high technological turbulent environments
Greenley (1995b)	Forms of Market Orientation in UK Companies	*Forms of market orientation *Factors discriminating between these forms	*Established five forms of market orientation *Market intelligence distinguishes between forms of market orientation
Jaworski and Kohli (1996)	Market Orientation: Review, Refinement and Roadmap	*Meaning and impact of market orientation and quality of market oriented behaviors	*Gives conceptual synthesis and methodological suggestions
Selnes et.al. (1996)	Market Orientation in United States and Scandinavian Companies: A Cross-Cultural View	*Examines market orientation-performance link with Jaworski and Kohli's (1993) scale	*Market orientation-performance link was the same in both samples.

ORGANIZATIONAL ORIENTATION

Author	Title	Variables/Content	Findings/Results
Labianis et al. (1997)	Market Orientation in the Top 200 British Charity Organizations and Its Impact on Their Performance	*Examines the degree to which leading UK charities adopted the marketing concept and how this affected performance	*Found no differences in the levels of donor market orientation
Umar, Subramanian and Yaeger (1998)	Examining the Market Orientation-Performance Relationship: A Context-Specific Study	*Examination of market orientation -performance relationship	*Strong positive relation between market orientation and performance *Moderating effects of market turbulence, competitive hostility and supplier power are found.
Wongpaka (1998)	Factors Affecting the Adoption of Market Orientation: The Case of Thailand	*Conceptual model of factors affecting the manager's decision to adopt market orientation	*Attitude toward market orientation and attitude toward innovation affect foreign manager's intention to adopt market orientation
Ngai and Ellis (1998)	Market Orientation and Business Performance: Some Evidence from Hong Kong	*The effects of market and marketing orientation on performance	*Positive relationship between performance and marketing orientation
Avlonitis and Gounaris (1999)	Marketing - Orientation and Its Determinants: An Empirical Analysis	*Examination of factors that determine the degree of marketing orientation development	*Marketing orientation is determined by company specific and market specific factors
Deng and Dart (1999)	The Market Orientation of Chinese Enterprises During a Time of Transition	*Empirical study concerning the market orientation of various types of Chinese enterprises	*Substantial differences between the various types of operations
Srivastava, Shervani and Fahey (1999)	Marketing, Business Processes, and Shareholder Value: An Organizationally Embedded View of Marketing Activities and the Discipline of Marketing	*Develop a framework for understanding the integration of marketing with business processes and shareholder value	*Redefinition of marketing phenomena as embedded in three core business processes that generate value for customers
Akimova (2000)	Development of Market Orientation and Competitiveness of Ukrainian Firms	*Investigation of the relation between the level of market orientation and competitiveness in turbulent environments	*Level of competitiveness in turbulent environments is associated with the level of development of market orientation.
Harris (2000)	The Organizational Barriers to Developing Market Orientation	*Holistic analysis of the organizational characteristics that influence the extent of market orientation	*Strong associations between connectedness, centralization, formalization, service and cost focused strategy, communication systems, integration devices, coordination systems and market orientation
Slater and Narver (2000)	The Positive Effect of a Market Orientation on Business Profitability: A Balanced Replication	*The effect of market orientation and entrepreneurial orientation on profitability	*No relation of entrepreneurial orientation on profitability *Positive effect of market orientation on profitability
Hooley et al. (2000)	Market Orientation in the Transition Economies of Central Europe: Test of Narver and Slater's Market Orientation Scales	*Tested Narver and Slater's (1990) scale in Central Europe	*Relation between market orientation and performance found in transition economies resemble the one in Western economies.
Subramanian and Gopalakrishna (2001)	The Market Orientation-Performance Relationship in the Context of a Developing Economy: An Empirical Analysis	*Empirical test of market orientation-performance link in India	*Strong positive relation between market orientation and performance *No moderating effect of competitive hostility, suppliers' power and market turbulence
Harris (2001)	Market Orientation and Performance: Objective and Subjective Empirical Evidence From UK Companies	*Examination of the links between market orientation and objectively measured financial performance	*When subjective measures are used, market orientation is associated with performance, when objective measures are used, the findings are narrower.
Atuahene-Gima and Ko (2001)	An Empirical Investigation of the effect of Market Orientation and Entrepreneurship Orientation Alignment on Product Innovation	*Develops a concept of an alignment between market and entrepreneurship orientations and investigate its effects on innovation	*Entrepreneurial and marketing activities can be integrated by an orientation to entrepreneurial marketing that drives innovation in the firm.
O'Keefe and Hult (2001)	A Synthesis of Contemporary Market Orientation Perspectives	*Presents a conceptual framework that integrates five recently advanced perspectives on market orientation.	*Synthesized conceptualizations of market orientation

ORGANIZATIONAL ORIENTATION

Author	Title	Variables/Content	Findings/Results
Esteban et.al. (2002)	Market Orientation in Service: A Review and Analysis	*Evolution of market orientation in the service sector	*A historical summary of the evolution of market orientation in the service sector
Matear et.al. (2002)	How Does Market Orientation Contribute to Service Firm Performance? An Examination of Alternative Mechanisms	*Utilizes the inter-relationships between market orientation and innovation in order to examine alternative mechanisms through which market orientation contributes firm performance.	*Market orientation is found to contribute to performance through a dual mechanism in that it contributes both directly and through innovation, with innovation mediating the contribution.
Cadogan et.al. (2002)	Market Oriented Behavior: Comparing Service with Product Exporters	*Differences between product and service firms in terms of export market oriented behavior	*Export environment moderated the link between export market oriented behavior and export profit performance in different ways for product and service firms.
Perry and Shao (2002)	Market Orientation and Incumbent Performance in Dynamic Market	*Examination of market orientation-performance link in the context of services in Internet industry	*Market orientation did not affect directly performance *Perceptions of traditional competitors interacted with market orientation to affect performance
Guo (2002)	Market Orientation and Business Performance: A Framework for Service Organizations	*Directs attention to what lies beneath the relation between market orientation and performance	*Develop a framework to link market orientation and performance for service organizations
Helfert et.al. (2002)	Redefining Market Orientation from a Relationship Perspective: Theoretical Considerations and Empirical Results	*Notion of market orientation is explored with particular focus on inter-organizational relationships.	*Overall market orientation need to be translated to a relationship level in order to be effective.
Matsuno, Mentzer and Özsoyler (2002)	The Effects of Entrepreneurial Proclivity and Market Orientation on Business Performance	*Structural influences of entrepreneurial proclivity and market orientation on performance	*Entrepreneurial proclivity has a positive effect on market orientation * Entrepreneurial proclivity has an indirect effect on market orientation through reduction of departmentalization
Piercy et.al. (2002)	Market Orientation and Retail Operatives' Expectations	*Compares managerial perceptions of market orientation with operational employee beliefs and attitudes	*Employees in market oriented companies are aware of service and quality imperatives, but report little of the changes in their job attitudes in terms of motivation, team spirit, or autonomy in the workplace.
Hooley et.al. (2003)	Market Orientation in the Service Sector of the Transition Economies of Central Europe	*Test of Narver and Slater's scale (1990) in the context of service firms	*Service firms with higher market orientation found in turbulent, rapidly changing markets *They perform better on both financial and market based criteria.
Farrelly and Quester (2003)	The Effects of Market Orientation on Trust and Commitment: The case of the Sponsorship Business-to-Business Relationship	*Examines the effect of market orientation on trust and commitment	*Found a relation between market orientation and trust and commitment
Sin et.al (2003)	Market Orientation and Business Performance: A Comparative Study of firms in Mainland China and Hong Kong	*Examination of how the context of country/economy affects levels of market orientation and the strength of linkages between a company's market orientation and its performance	*Found that country/economic context influences the impact of market orientation on business performance but do not affect levels of market orientation
Tse et.al (2003)	Market Orientation and Business Performance in a Chinese Business Environment	*Empirical test of the relation between market orientation and performance using Narver and Slater's (1990) scale	*Positive correlation between market orientation and business performance

STRATEGIC ORIENTATION

Author	Title	Variables/Content	Findings/Results
Morgan and Strong (1998)	Market Orientation and Dimensions of Strategic Orientation	*Explains the nature of market orientation and its link with strategic orientation	*Firms' proactiveness, analysis and futurity in strategic orientation were positively related with market orientation.
Matsuno and Mentzer (2000)	The Effects of Strategy Type on the Market Orientation-Performance Relationship	*Examine the role of business strategy type as a moderator of the market orientation-performance relationship	*Find evidence that supports the moderating effects of business strategy type on market orientation-performance link
Voss and Voss (2000)	Strategic Orientation and Firm Performance in an Artistic Environment	*Examine the impact of strategic orientation on performance	*Association between strategic orientation and performance varies depending on the type of performance measure used.
Noble, Sinha and Kumar (2002)	Market Orientation and Alternative Strategic Orientations: A Longitudinal Assessment of Performance Implications	*Explore the relative performance effects of various dimensions of market orientation and examine the relative effects of alternative strategic orientations	*Firms possessing higher levels of competitor orientation, national brand focus and selling orientation exhibit superior performance.
Rogers and Bamford (2002)	Information Planning Process and Strategic Orientation: The Importance of Fit in High-Performing Organizations	*Discusses the importance of information processing within the context of the strategy a firm pursues.	*The coalignment of strategy, planning, and information is examined in top-performing banks and the performance implications of fit are revealed.
Camelo-Ordaz, Martin-Alcazar and Valle-Cabrera (2003)	Intangible Resources and Strategic Orientation of Companies: An Analysis in the Spanish Context	*Examines the consistency between a firm's resources and capacities and its strategic orientation	*Found that companies that compete on the basis of innovation and marketing capacity show a prospector orientation.
Morgan and Strong (2003)	Business Performance and Dimensions of Strategic Orientation	*Empirically examines the link between business performance strategic orientation	*Firms' emphasis upon analysis, defensiveness and futurity are related business performance.
Beer and Eisenstat (2004)	How to Have an Honest Conversation About Your Business Strategy?	*Discusses the challenges confronting firms in the execution of business strategies.	*Discusses the implication of execution of business strategy for various departments and managers.

ORGANIZATIONAL CULTURE

Author	Title	Variables/Content	Findings/Results
Barney (1986)	Organizational Culture: Can It Be a Source of Sustained Competitive Advantage	*Examines the link between organizational culture and competitive advantage	*Firms that have cultures with the required attributes—can obtain sustained superior financial performance from their cultures.
Deshpande and Webster (1989)	Organizational Culture and Marketing: Defining the Research Agenda	* Surveys emerging literature on organizational culture and integrate it in a conceptual framework.	*Develop a research agenda in marketing grounded in five cultural paradigms.
O'Reilly, Chatman and Caldwell (1991)	People and Organizational Culture: A Profile Comparison Approach to Assessing Person-Organization Fit	*Assess person-situation interaction *Assess quantitatively organizational culture	*Person-organization fit predicts job satisfaction and organizational commitment
Sheridan (1992)	Organizational Culture and Employee Retention	*Investigate the retention rates of 904 college graduates and the organizational values	*The variations in cultural values had a significant effect on the retention rates.
Deshpande, Farley and Webster (1993)	Corporate Culture, Customer Orientation, and Innovativeness in Japanese Firms: A Quadrad Analysis	*Examine the relations between corporate culture, customer orientation and innovativeness	*Business performance is related to customer orientation *Market and adhocracy cultures outperform clan and hierarchies *Successful innovation improved performance
Hatch (1993)	The Dynamics of Organizational Culture	Develops a new model called cultural dynamics	*Presents the implications of the cultural dynamics model
Chatman and Jehn (1994)	Assessing the Relationships Between Industry Characteristics and Organizational Culture: How Different Can You Be?	*Investigate the relationship between technology and growth and organizational culture.	*Specific cultural values are associated with levels of industry technology and growth.

ORGANIZATIONAL CULTURE

Author	Title	Variables/Content	Findings/Results
Harris and Ogbonna (1999)	Developing a Market Oriented Culture: A Critical Evaluation	*A critique of prescriptive-based literature of market oriented culture	*Suggests and discusses five principal areas which are ignored by the literature on market oriented culture
Deshpande and Farley (1999)	Corporate Culture and Market Orientation: Comparing Indian and Japanese Firms	*Examination of how corporate culture and market orientation affect performance in Indian firms	*Higher levels of market orientation are associated with higher levels of performance *Innovativeness and performance are positively correlated *Adhocracy and market cultures perform better than hierarchical and clan cultures
Harris and Ogbonna (1999)	Developing a Market Oriented Culture: A Critical Evaluation	*A critique of prescriptive-based literature of market oriented culture	*Suggests and discusses five principal areas which are ignored by the literature on market oriented culture
Homburg and Pflesser (2000)	A Multiple Layer Model of Market Oriented Organizational Culture: Measurement Issues and Performance Outcomes	*Develop a multi layer model of market oriented organizational culture	*Market oriented culture influences financial performance indirectly through market performance
Wilson (2001)	Understanding Organizational Culture and the Implications for Corporate Marketing	*Studies organizational culture and its impact on service personnel	*Identifies the importance of organizational culture for the behavior of service personnel and on the messages they communicate.
Kasper (2002)	Culture and Leadership in Market-Oriented Service Organizations	*Focuses on the culture of market-oriented services organizations and the leadership styles that may belong to such a culture	*An open culture and achievement oriented leaders are the essential features.
Dwyer, Richard and Chadwick (2003)	Gender Diversity in Management and Firm Performance: The Influence of Growth Orientation and Organizational Culture	*Examines the influence of gender diversity in management on firm performance	*Firm's strategic orientation and organizational culture moderate gender diversity's effects on performance
Denison, Haaland and Goelzer (2004)	Corporate Culture and Organizational Effectiveness: Is Asia Different From the Rest of the World?	*Study the link between organizational culture and effectiveness in two separate studies	*Strong link between organizational culture and effectiveness.

ORGANIZATIONAL CAPABILITIES

Author	Title	Variables/Content	Findings/Results
Day (1994)	The Capabilities of Market-Driven Organizations	*Investigation of the capabilities of market driven firms	*Market sensing and customer linking capabilities are distinctive capabilities of market driven firms *Proposes a comprehensive change program aimed at enhancing market driven capabilities
Vorhies, Harker and Rao (1999)	The Capabilities and Performance Advantages of Market Driven Firms	*Develops a multi-dimensional measure useful for assessing the degree to which a firm is market driven	*Presents evidence that market driven firms develop higher levels of marketing capabilities and outperform their rivals.
Grewal and Tansuhaj (2001)	Building Organizational Capabilities for Managing Economic Crisis: The Role of Market Orientation and Strategic Flexibility	*Investigation of the role of market orientation and strategic flexibility in helping Thai firms manage the Asian crisis	*Contingent nature of the influence of market orientation and strategic flexibility in firm performance after crisis
Benedetto and Song (2003)	The Relationship Between Strategic Type and Firm Capabilities in Chinese Firms	*Examines whether firms applying different strategic orientation have different capabilities.	*Finds that prospectors have greater inside-out capabilities and information technology capabilities *Defenders have greater outside-in capabilities and marketing capabilities.

ORGANIZATIONAL FORM

Author	Title	Variables/Content	Findings/Results
Achrol (1991)	Evolution of the Marketing Organization: New Forms for Turbulent Environments	*Explores the new forms of marketing organizations needed to cope with complex and dynamic task environments	*Discusses marketing exchange company and the marketing coalition company as the new organizational forms
Webster (1992)	The Changing Role of Marketing in the Corporation	*Discusses the role of marketing in new organizational forms	*A new conception of marketing will focus on managing strategic partnerships and customer relationships.
Piercy and Cravens (1995)	The Network Paradigm and The Marketing Organization: Developing a New Management Agenda	*Discusses marketing in networks	*Provides a structure for analyzing the issues for the marketing organization thrown up by networks
Achrol and Kotler (1999)	Marketing In the Network Economy	*Explores the role of marketing in networks	*The most radical implication for marketing is the shift from being an agent of the seller to being an agent of the buyer, from being a marketer to being a customer consultant
McKendrick and Carroll (2001)	On the Genesis of Organizational Forms: Evidence from the Market for Disk Arrays	*Examines the formation of new organizational forms	*Formal institutions will result in a taken-for-granted organizational form.

ORGANIZATIONAL INNOVATION

Author	Title	Variables/Content	Findings/Results
Atuahene-Gima (1996)	Market Orientation and Innovation	*Studies the influence of market orientation on innovation characteristics	*Market orientation has significant relationships with innovation characteristics
Hurley and Hult (1998)	Innovation, Market Orientation, and Organizational Learning: An Integration and Empirical Examination	*Present a framework for incorporating constructs that pertain to innovation in market orientation research.	*Higher levels of innovativeness are associated with learning cultures and greater capacity for adaptation and innovation
Ritter and Gemünden (2003)	Network Competence: Its Impact on Innovation Success and Its Antecedents	*Investigates the impact of network competence on innovation	*Network competence has a strong positive influence on the extent of interorganizational technological collaborations and on a firm's product innovation success.
Gerwin and Ferris (2004)	Organizing New Product Development Projects in Strategic Alliances	*Examines the options for new product innovations in strategic alliances	*Determines the points at which costs and benefits indicate a switch from one organizational form to another in new product development projects.

ORGANIZATIONAL LEARNING

Author	Title	Variables/Content	Findings/Results
Sinkula (1994)	Market Information Processing and Organizational Learning	*Examines the extant literature on organizational learning	*Proposes a hierarchy of market sense making and provides research propositions
Fiol and Lyles (1995)	Organizational Learning	*Clarifies the distinction between organizational learning and organizational adaptation.	*There are different levels of learning, each having a different impact on the strategic management of the firm.
Slater and Narver (1995)	Market Orientation and the Learning Organization	*Describe the processes through which firms develop and use new knowledge to improve performance	*Propose a set of organizational elements that comprise the learning organization
Boer, Bosch and Volberda (1999)	Managing Organizational Knowledge Integration in the Emerging Multimedia Complex	*Presents a conceptual framework of the role different organizational forms and combinative capabilities play in the management of organizational knowledge.	*Organizational form has to be matched with appropriate capabilities in order to integrate knowledge to serve as a platform for generating new product-market combinations.

ORGANIZATIONAL LEARNING

Author	Title	Variables/Content	Findings/Results
Williams (2001)	A Belief-Focused Process Model of Organizational Learning	*Develops a proposed model for capturing the essential process of organizational learning	*A discussion of emergent and planned learning enables a case to be made for the importance of understanding organizational learning in a competitive and changing environment.
Thomas, Sussman and Henderson (2001)	Understanding Strategic Learning: Linking Organizational Learning, Knowledge Management and Sensemaking	*Develops a model of strategic learning	*Highlights key dimensions of strategic learning and suggests design parameters for organizations building strategic learning systems.
Damanpour (2001)	Organizational Innovation: A Meta-analysis of Effects of Determinants and Moderators	*A meta-analysis of the relationships between organizational innovation and 13 of its potential determinants	*Relations between the determinants and innovation are stable.
Darroch and McNaughton (2003)	Beyond Market Orientation: Knowledge Management and the Innovativeness of New Zealand Firms	*Identifies clusters of firms based on knowledge management practices	*Firms with a knowledge management orientation outperformed those classified as market-oriented.
Holmqvist (2004)	Experiential Learning Processes of Exploitation and Exploration Within and Between Organizations: An Empirical Study of Product Development	*Examines the dynamics of exploitation and exploration in intra and interorganizational learning processes.	*Experiential learning is a driving force behind intra and interorganizational change.

III. CONCEPTUAL MODEL

This chapter consists of three main sections. The first section will present the conceptual model of the study. The general logic behind the conceptual model and the constructs making up the conceptual model will be explained in detail.

The second section will give the operationalization of the variables used in the study. The operationalization of the variables will be discussed in detail with respect to the scales used in the questionnaire. Some of these scales, thereby operationalization of some of the variables used in the conceptual model are taken from the literature; whereas the remaining scales and the operationalization of the corresponding variables are developed by the researcher.

Finally, the last section will present the hypotheses regarding the relationships between the variables used in the study.

3.1. CONCEPTUAL MODEL of the STUDY

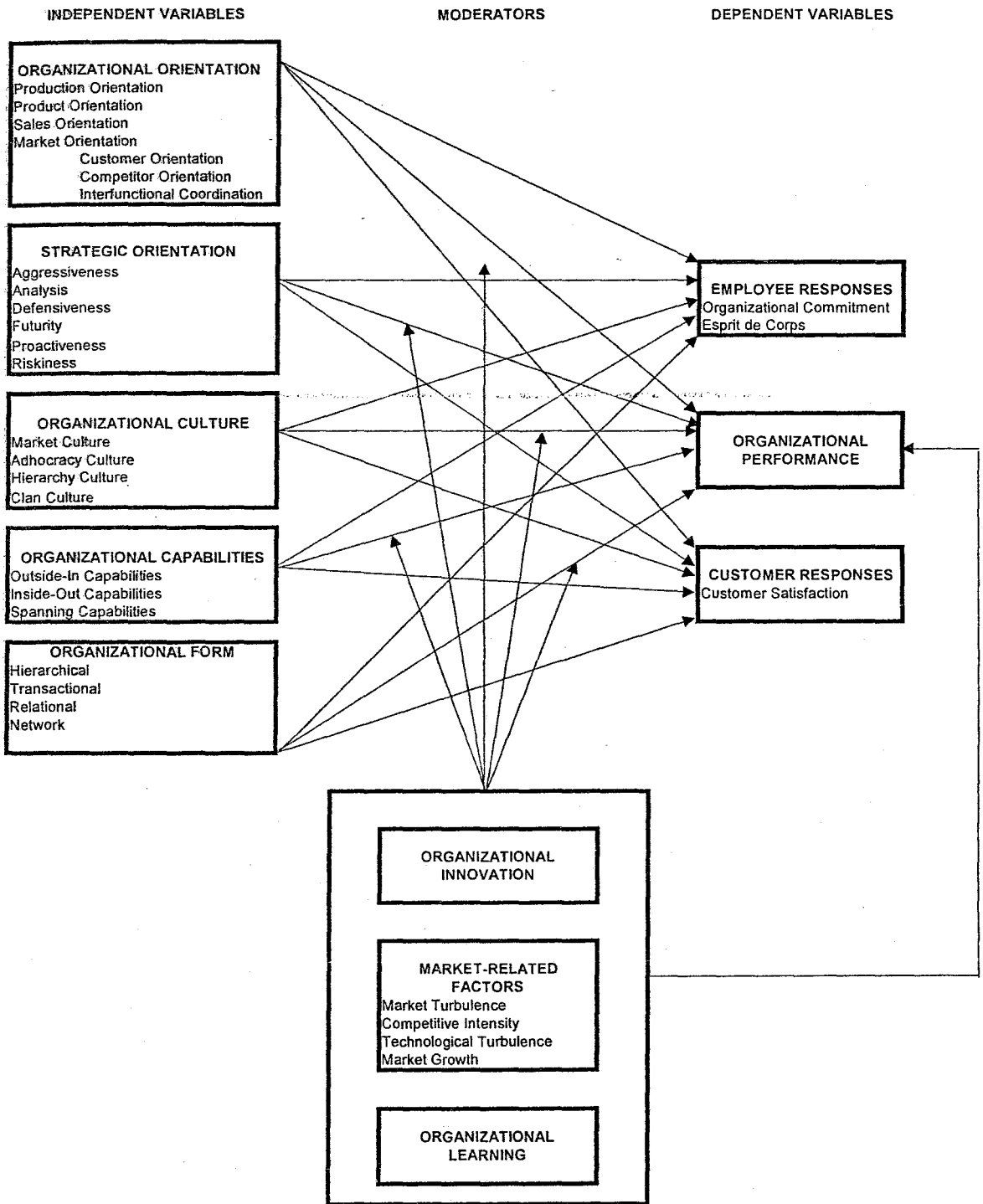


Figure 3.1. Conceptual Model of the Study

The conceptual model of the study consists of three main parts. The first part contains the independent variables of the study, namely organizational orientation, strategic orientation, organizational culture, organizational capabilities and organizational form.

The second part of the conceptual model deals with the moderator variables. The moderators consist of the market-related factors, organizational innovation and organizational learning. Market turbulence, competitive intensity, technological turbulence, and market growth are the variables that make up the contingency market-related factors.

The last part of the conceptual model is composed of the dependent variables of the study. These dependent variables are employee responses, organizational performance and customer responses.

The objectives of this research are to find out the relationships between the independent and dependent variables and also to find out whether these relationships (only organizational performance will be taken as the dependent variable to be investigated in this regard) are moderated by organizational learning, organizational innovation, and by market-related factors. Given the objectives of this research, only the relationships between the variables that are to be investigated are shown in the conceptual model. It should be noted that there are many other relationships that can be covered within this conceptual model such as the relationships among the independent variables, the relationships among the dependent variables and the impact of the moderators on either the independent or the dependent variables. The

investigation of such relationships are out of the scope of this study and can be shown as areas for future research.

3.2. OPERATIONALIZATION of the VARIABLES

This section will discuss the operationalization of each variable with respect to the scales used in the questionnaire.

3.2.1. Operationalization of the Independent Variables

This section will discuss the operationalization of 'organizational' orientation, strategic orientation, organizational culture, organizational capabilities and organizational form constructs. These constructs are the independent variables of the study.

3.2.1.1. Organizational Orientation

Organizational orientation construct has been taken to be made up of four main dimensions. These are: production orientation, product orientation, sales orientation and market orientation. The scales to measure production, product and sales orientation are developed by the author with the descriptions adopted from Kotler (2002); whereas the scale to measure the market orientation construct has been taken from Narver and Slater (1990).

In order to operationalize production, product, and sales orientations, a 5-point scale, ranging from 'strongly disagree = 1' to 'strongly agree = 5' is used. Questions 1, 2, and 3 measure the production, product and sales orientation dimensions in the

questionnaire. The items measuring these dimensions can be seen in Table 3.1, 3.2, and 3.3, respectively.

Table 3.1. Operationalization of Production Orientation

We believe that consumers will prefer products/services that are widely available and inexpensive. Our managers concentrate on achieving high production efficiency, low costs, and mass distribution. Our managers assume that consumers are primarily interested in product/service availability and low prices.

Source: Developed by the author with the descriptions taken from Kotler, 2002, p.17.

Table 3.2. Operationalization of Product Orientation

We believe that consumers will favor products/services that offer the most quality, performance and innovative features. Our managers focus on designing, developing and engineering the functionally best possible product or delivering superior services and improving them over time. Our managers assume that buyers admire well-made products or well-delivered services and can appraise quality and performance. Customers are seen solely as a means to sell, deliver, and service the product or service. Supply chain is designed and managed to obtain and use the functionally best raw materials and supplies. Our business unit gives little importance to customer inputs and/or competitors' offerings when designing the products or services. Instead, we are mainly driven by the inputs of the manufacturing/operations departments.

Source: Developed by the author with the descriptions taken from Kotler, 2002, p.17-18.

Table 3.3. Operationalization of Sales Orientation

We believe that consumers and businesses, if left alone, will ordinarily not buy enough of the business unit's products and services. The business unit must, therefore, undertake an aggressive selling and promotion effort. We assume that consumers typically show buying inertia or resistance and must be coaxed into buying. We intend to sell what we make rather than make what the market wants.

Source: Developed by the author with the descriptions taken from Kotler, 2002, p.18.

The dimension of market orientation has three elements: customer orientation, competitor orientation and interfunctional coordination. The scale used for the measurement of market orientation dimension consisted of 15 items; six of which pertain to customer orientation, four to competitor orientation, and five to interfunctional coordination elements. Each item measuring market orientation dimension was scored on a 5-point Likert scale, ranging from 'strongly disagree = 1' to 'strongly agree = 5'. In the questionnaire, Questions 4 to 18 measure the market orientation dimension. The operationalization of market orientation dimension can be seen in Table 3.4 through Table 3.6, with tables showing customer orientation, competitor orientation and interfunctional coordination elements respectively.

Table 3.4. Operationalization of Customer Orientation

1. Business objectives are driven by customer needs.
2. We monitor / assess commitment in serving customer needs.
3. Competitive advantage is based on understanding customer needs.
4. Strategies are driven by goal of increasing customer value.
5. We frequently measure customer satisfaction.
6. We pay close attention to after sales service.

Source: Narver and Slater, 1990, p.24.

Table 3.5. Operationalization of Competitor Orientation

1. We share information about competitors.
2. We response rapidly to competitor actions.
3. Management regularly discusses competitor strengths/weaknesses.
4. We target customers for competitive advantage opportunities.

Source: Narver and Slater, 1990, p.24.

Table 3.6. Operationalization of Interfunctional Coordination

1. We share information across departments.
2. There is sharing of customer information among functions.
3. We understand how employees can create customer value.
4. There is functional integration in strategy.
5. We share resources among business units.

Source: Narver and Slater, 1990, p.24.

3.2.1.2.Strategic Orientation

As indicated in the literature review section, strategic orientation refers to 'how an organization uses strategy to adapt and/or change aspects of organization's environment for a more favorable alignment.' (Manu and Sriram 1996, p.79). Morgan and Strong (1998) argued that strategic orientation has been examined from three main viewpoints in the literature: the narrative approach; the classificatory approach; and the comparative approach.

In this study, strategic orientation construct will be measured by utilizing the comparative approach. Comparative models enable assessment of strategic orientation, not across various strategy classifications but, instead, along dimensions of competitive strategy. The theoretical bases underlying these dimensions of strategic orientation are discussed in Venkatraman (1989), who has proposed six dimensions of competitive strategy: Aggressiveness, Analysis, Defensiveness, Futurity, Proactiveness, Riskiness.

In order to operationalize strategic orientation with its six above mentioned dimensions, the Venkatraman (1989) measures that are also adopted by Morgan and Strong (1998) were used. Respondents were asked the extent to which they agreed/disagreed with a series of statements about overall strategic orientation of the business unit. A 5 point scale ranging from 'strongly disagree =1' to 'strongly agree = 5' was used to measure responses. Some of the items in the scale are reverse coded. These items are shown in Tables 3.7 to 3.12 by the sign 'RC'. The scale for the reverse coded items ranges from 'strongly agree = 1' to 'strongly disagree =5'. In the questionnaire, Questions 19 to 44 measure the strategic orientation construct. The

operationalization of strategic orientation construct can be seen in Tables 3.7. to 3.12 with its dimensions of aggressiveness, analysis, defensiveness, futurity, proactiveness, and riskiness respectively.

Table 3.7. Operationalization of Agressiveness

1. We often sacrifice profitability to gain market share.
2. We often cut prices to increase market share.
3. We often set prices below competition.
4. We often seek market share position at the expense of cash flow and profitability.

Source: Morgan and Strong, 1998, p.1062

Table 3.8. Operationalization of Analysis

1. We emphasize effective coordination among different functional areas.
2. Our information systems provide support for decision making.
3. When confronted with a major decision, we usually try to develop through analysis.
4. We use several planning techniques.
5. We use the outputs of management information and control systems.
6. We commonly use manpower planning and performance appraisal of senior managers

Source: Morgan and Strong, 1998, p.1062

Table 3.9. Operationalization of Defensiveness

1. We occasionally conduct significant modifications to manufacturing technology.
2. We often use cost control systems for monitoring performance.
3. We often use production management techniques.
4. We often emphasize product quality through the use of quality circles.

Source: Morgan and Strong, 1998, p.1062

Table 3.10. Operationalization of Futurity

1. We emphasize basic research to provide us with future competitive edge.
2. Forecasting key indicators of operations is common.
3. Formal tracking of significant general trends is common.
4. We often conduct 'what if' analyses of critical issues.

Source: Morgan and Strong, 1998, p.1063

Table 3.11. Operationalization of Proactiveness

1. We are constantly seeking new opportunities related to present operations.
2. We are usually the first ones to introduce new brands or products/services on the market.
3. We are constantly on the look for businesses that can be acquired.
4. Operations in later stages of the life cycle are strategically eliminated.

Source: Morgan and Strong, 1998, p.1063

Table 3.12. Operationalization of Riskiness

- | |
|--|
| <ol style="list-style-type: none"> 1. We seem to adopt a rather conservative view when making major decisions (RC). 2. New projects are approved on a 'stage by stage' basis rather than with blanket approval (RC). 3. We have a tendency to support projects where the expected returns are certain (RC). 4. Our operations have generally followed the 'tried and true' paths (RC). |
|--|

Source: Morgan and Strong, 1998, p.1063

3.2.1.3. Organizational Culture

Organizational culture construct has four dimensions: market culture, adhocracy culture, hierarchic culture and clan culture. This classification has been developed by Quinn (1988) and by Quinn and Rohrbaugh (1983) and used by Deshpande and Farley (1999).

Organizational culture was measured by the scales used by Deshpande, Farley and Webster (1993) and Deshpande and Farley (1999) which are adapted from Quinn (1988) and Cameron and Freeman (1991).

Organizational culture was operationalized by sixteen items shown as Questions 45 to 48 in the questionnaire. These sixteen items are given to respondents in four groups of questions. Respondents are asked to distribute 100 points among the four description items in each group depending on how similar the description is to their business. The scale type used for this construct is ratio scale. Table 3.13 presents the items used for the operationalization of organizational culture construct.

Table 3.13. Operationalization of Organizational Culture

1. Kind of Organization	
(A) My business unit is a very personal place. It is like an extended family. People seem to share a lot of themselves.	(B) My business unit is a very dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.
(C) My business unit is a very formalized and structural place. Established procedures generally govern what people do.	(D) My business unit is very production oriented . A major concern is getting the job done, without much personal involvement.
2. Leadership	
(A) The head of my business unit is generally considered to be a mentor, sage, or a father or mother figure.	(B) The head of my business unit is generally considered to be an entrepreneur, an innovator, or a risk taker .
(C) The head of my business unit generally considered to be a coordinator, an organizer, or an administrator .	(D) The head of my business unit is generally considered to be a producer, a technician, or a hard-driver .
3. What Holds the Organization Together	
(A) The glue that holds my business unit together is loyalty and tradition . Commitment to this firm runs high.	(B) The glue that holds my business unit together is a commitment to innovation and development . There is an emphasis on being first.
(C) The glue that holds my business unit together is formal rules and policies . Maintaining a smooth-running institution is important here.	(D) The glue that holds my business unit together is the emphasis on tasks and goal accomplishment . A production orientation is commonly shared.
4. What is Important	
(A) My business unit emphasizes human resources . High cohesion and morale in the firm are important.	(B) My business unit emphasizes growth and acquiring new resources . Readiness to meet new challenges is important.
(C) My business unit emphasizes permanence and stability . Efficient, smooth operations are important.	(D) My business unit emphasizes competitive actions and achievement. Measurable goals are important.

Source: Deshpande, Farley and Webster, 1993, p.34

The four culture scores are computed by adding all four values of the A items for clan, the B items for adhocracy, the C items for hierarchy, and the D items for market culture.

3.2.1.4. Organizational Capabilities

According to Day (1994), capabilities can be usefully sorted into three categories, depending on the orientation and focus of the defining processes. The classification of organizational capabilities is adopted from Day (1994) and the scale to measure the organizational capabilities dimension has been developed by the author. Organizational capability construct has three dimensions: outside-in capabilities, inside-out capabilities and spanning capabilities (Day 1994). The elements constituting the outside-in capabilities are: market sensing, customer linking, channel bonding and technology monitoring capabilities. The elements constituting inside-out capabilities are: financial management, cost control, technology development, logistics, manufacturing/transformation, human resources management, environment health and safety capabilities. Finally, the elements constituting the spanning capabilities are: customer order fulfilment, pricing, purchasing, customer service delivery, new product/service development, strategy development.

In order to operationalize organizational capabilities construct, respondents will be asked to indicate the importance level of various capabilities for their organizations. A scale ranging from 'not important at all = 1' to 'very important = 5' is used to measure responses. In the questionnaire, Questions 49 to 65 measure the organizational capabilities construct. Among these questions, Questions 49 to 52 measure outside-in capabilities dimension, Questions 53 to 59 measure inside-out

capabilities dimension and Questions 60 to 65 measure spanning capabilities dimension. The operationalization of organizational capabilities construct with outside-in, inside-out and spanning capabilities dimensions can be seen in Tables 3.14 to 3.16 respectively.

Table 3.14. Operationalization of Outside-In Capabilities

1. Item Measuring Market Sensing Capability

The capability of learning about customers, competitors, and channel members in order to continuously sense and act on events and trends in present and prospective markets.

2. Item Measuring Customer Linking Capability

The capability of creating and managing close and long-lasting customer relationships.

3. Item Measuring Channel Bonding Capability

The capability of creating and managing close, collaborative relationships with channel members based on a high level of coordination, participation in joint programs and close communication links.

4. Item Measuring Technology Monitoring Capability

The capability of detecting technological changes in the environment and taking the necessary actions to cope with these changes.

Source: Developed by the author with categorizations adopted from Day, 1994.

Table 3.15. Operationalization of Inside-Out Capabilities

- | |
|---|
| <ol style="list-style-type: none"> 1. Financial Management Capability 2. Cost Control Capability 3. Technology Development Capability 4. Logistics Capability 5. Manufacturing or Operational Capability 6. Human Resources Management Capability 7. The Capability for Preserving and Improving Environment Health and Safety |
|---|

Source: Day, 1994, p.41.

Table 3.16. Operationalization of Spanning Capabilities

- | |
|---|
| <ol style="list-style-type: none"> 1. Customer Order Fulfillment Capability 2. Pricing Capability 3. Purchasing Capability 4. Customer Service Delivery Capability 5. New Product/Service Development Capability 6. Strategy Development Capability |
|---|

Source: Day, 1994, p.41.

3.2.1.5. Organizational Form

Webster (1992) indicated that large, bureaucratic, hierarchical organizations were the dominant organizational form a few decades ago, but now there is a trend towards more flexible organizational forms. Webster (1992) classifies these new organizational forms along a continuum changing from transactions at one-end and networks organizations at the other end. Between these two end points, there are

organizational forms with varying degrees of marketing relationships like repeated transactions, long-term relationships, buyer-seller partnerships, and strategic alliances. Accordingly, Srivastava, Shervani and Fahey (1999) used transactional form, relational form and networks when describing the impact of marketplace shifts on business processes. Srivastava, Shervani and Fahey (1999) also identify three main types of business processes, which are product/service development management, supply chain management and customer relationship management. These main business processes will be used when operationalizing new organizational forms. Based on Webster's (1992) description of hierarchies as old organizational forms and based on Webster's (1992) classification and Srivastava, Shervani and Fahey's (1999) description of new organizational forms, this construct has four dimensions: hierarchical form, transactional form, relational form and network form.

The scale to measure organizational form is developed by the author with the descriptions adopted from Webster (1992) and Srivastava, Shervani and Fahey (1999). Respondents were asked the extent to which they agreed/disagreed with a series of statements about their organizational form. A scale ranging from 'strongly disagree = 1' to 'strongly agree = 5' was used to measure responses. In the questionnaire Questions 66 to 69 measure the organizational form construct. Among these questions, Question 66 operationalizes hierarchical form, Question 67 operationalizes transactional form, Question 68 operationalizes relational form and finally Question 69 operationalize network form. The operationalization of organizational form construct can be seen in Table 3.17.

Table 3.17. Operationalization of Organizational Form***1. Item Measuring Hierarchical Form***

Our organizational chart has a pyramid shape with increasingly fewer and more highly paid people from the bottom to the top. There are clear distinctions between line and staff responsibilities in our organization which is also characterized by functional specialization.

2. Item Measuring Transactional Form

There is a set of independent, discrete contracts with external suppliers and disconnected arrangements with internal units for supply chain management process.

3. Item Measuring Relational Form

Our business unit gives very much importance to developing, fostering and leveraging relationships with individuals and sets of customers and there is a set of ongoing, tightly bonded relationships internal and external to the business unit in terms of product/service.

4. Item Measuring Network Form

Our business unit develops and manages a network of relationships with entities like rivals, channels, end-users and market professionals to identify, reach, and satisfy customers. It also leads and participates in multiple networks to spawn, nurture and integrate the development of products/services that otherwise would be impossible.

Source: Developed by the author with descriptions adopted from Webster (1992) and Srivastava, Shervani and Fahey (1999).

3.2.2. Operationalization of the Moderator Variables

This section will discuss the operationalization of the moderators of the study that are organizational innovation, organizational learning and market-related factors, namely market turbulence, competitive intensity, technological turbulence and market growth.

3.2.2.1. Organizational Innovation

Organizational innovation was operationalized as measured by Deshpande, Farley and Webster (1993) and Deshpande and Farley (1999) and as adapted from Capon, Farley and Hulbert (1988) and Capon, Farley, Hulbert and Lehmann (1992). Respondents are asked to indicate how often their company engages in activities given in the statements when introducing new product/service. Responses are measured on a 5-point scale ranging from 'never = 1' to 'always = 5'. Some of the items in the scale are reverse coded. These items are shown in Table 3.18 by the sign 'RC'. The scale for the reverse coded items ranges from 'always = 1' to 'never = 5'. In the questionnaire Questions 70 to 73 measure the organizational innovation construct. The operationalization of organizational innovation construct can be seen in Table 3.18.

Table 3.18. Operationalization of Organizational Innovation

- | |
|--|
| <ol style="list-style-type: none"> 1. First to market with new products and services 2. Later entrant in established but still growing markets (RC). 3. Entrant in mature, stable markets (RC). 4. At the cutting edge of technological innovation |
|--|

Source: Deshpande and Farley, 1999, p.124.

3.2.2.2. Organizational Learning

Based on Slater and Narver's (1995) operationalization, organizational learning construct has three dimensions which are information acquisition, information dissemination and shared interpretation. The scale to measure organizational learning is developed by the author based on the descriptions adapted from Slater and Narver (1995) and Hurley and Hult (1998). Respondents are asked the extent to which they agreed/disagreed with the statements about organizational learning. A scale ranging from 'strongly disagree = 1' to 'strongly agree = 5' was used to measure responses. The reverse coded items are shown in Tables 3.19 to 3.21 by the sign 'RC'. The scale for the reverse coded items ranges from 'strongly agree = 1' to 'strongly disagree = 5'. In the questionnaire, Questions 74 to 87 measure the organizational learning construct. The operationalization of organizational learning construct can be seen in Tables 3.19 to 3.21 with information acquisition, information dissemination and shared interpretation dimensions respectively.

Table 3.19. Operationalization of Information Acquisition

1. Our strategic business unit does not give emphasis to acquiring information from internally-focused experience (RC).
2. Our strategic business unit gives emphasis to acquiring information from externally-focused experience by using small-scale market experiments, large-scale demonstration projects, etc.
3. Our strategic business unit gives emphasis to acquiring information from the experience of others through common practices like benchmarking, forming joint ventures, networking, making strategic alliances, working with lead customers, etc.
4. Our strategic business unit provides opportunities for individual development other than formal training like work assignments and job rotation.
5. Our strategic business unit does not encourage its members to attend formal developmental activities like training, professional seminars, symposia (RC).
6. Important knowledge in our strategic business unit is recorded in information systems, operating procedures, mission statements, organizational stories etc. so that people can have access to this strategic business unit memory.

Source: Developed by the author with descriptions adopted from Slater & Narver (1995); Hurley & Hult (1998).

Table 3.20. Operationalization of Information Dissemination

1. In our strategic business unit, information is accessible in a broader context by all organizational players who might use or be affected by it.
2. Our strategic business unit does not put emphasis on multifunctional activities and discussions (RC).
3. Our strategic business unit puts emphasis on information exchange among departments.
4. Our strategic business unit puts emphasis on the removal of functional barriers that impede the flow of information among departments.

Source: Developed by the author with descriptions adopted from Slater & Narver (1995); Hurley & Hult (1998).

Table 3.21. Operationalization of Shared Interpretation

1. Our strategic business unit continually attempts to reach a consensus on the meaning of information and its implications for business.
2. In strategic business unit, the ramifications of alternative action plans are carefully considered through effective conflict resolution processes.
3. In strategic business unit, conflict resolution is enhanced by the development of group norms that encourage open sharing of information.
4. In strategic business unit, conflict resolution is not enhanced by the development of group norms that remove constraints on information and communication flows (RC).

Source: Developed by the author with descriptions adopted from Slater & Narver (1995); Hurley & Hult (1998).

3.2.2.3. Market Turbulence

Market turbulence refers to the rate of change in the composition of customers and their preferences (Jaworski and Kohli 1993). The scale to measure market turbulence consisted of five items that assessed the extent to which the composition and preferences of an organization's customers tended to change over time. A 5-point Likert scale adapted from Jaworski and Kohli (1993) is used for the operationalization of market turbulence. The scale ranges from 'strongly disagree = 1' to 'strongly agree = 5'. Some of the items in the scale are reverse coded. These items are shown in Table 3.22 by the sign 'RC'. The scale for the reverse coded items ranges from 'strongly agree = 1' to 'strongly disagree = 5'. In the questionnaire Questions 88 to 92 measure market turbulence. The operationalization of market turbulence can be seen in Table 3.22

Table 3.22. Operationalization of Market Turbulence

- | |
|---|
| <ol style="list-style-type: none"> 1. In our kind of business, customers' product/service preferences change quite a bit over time (RC). 2. Our customers tend to look for new products/services all the time. 3. We are witnessing demand for our products and services from customers who never bought them before. 4. New customers tend to have product/service related needs that are different from those of our existing customers. 5. We cater to many of the same customers that we used to in the past (RC). |
|---|

Source: Jaworski and Kohli, 1993, p. 68.

3.2.2.4. Competitive Intensity

The scale to measure competitive intensity consisted of six items that assessed the behaviour, resources and ability of competitors to differentiate. A 5-point Likert scale ranging from 'strongly disagree = 1' to 'strongly agree = 5' and adapted from Jaworski and Kohli (1993) is used for the operationalization of competitive intensity. Some of the items in the scale are reverse coded. These items are shown in Table 3.23 by the sign 'RC'. The scale for the reverse coded items ranges from 'strongly agree =1' to 'strongly disagree = 5'. In the questionnaire Questions 93 to 98 measure competitive intensity. The operationalization of competitive intensity can be seen in Table 3.23.

Table 3.23. Operationalization of Competitive Intensity

- | |
|--|
| <ol style="list-style-type: none"> 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 of our industry. 5. One hears of a new competitive move almost every day. 6. Our competitors are relatively weak (RC). |
|--|

Source: Jaworski and Kohli, 1993, p. 68.

3.2.2.5. Technological Turbulence

Technological turbulence refers to the rate of technological change (Jaworski and Kohli 1993). The four items used to measure technological turbulence taps the extent to which technology in an industry is in a state of flux. A 5-point Likert scale adapted from Jaworski and Kohli (1993) and ranging from 'strongly disagree = 1' to 'strongly agree = 5' is used for the operationalization of technological turbulence. Some of the items in the scale are reverse coded. These items are shown in Table 3.24 by the sign 'RC'. The scale for the reverse coded items ranges from 'strongly agree =1' to 'strongly disagree = 5'. In the questionnaire Questions 99 to 102 measure technological turbulence. The operationalization of technological turbulence can be seen in Table 3.24.

Table 3.24. Operationalization of Technological Turbulence

- | |
|--|
| <ol style="list-style-type: none"> 1. The technology in our industry is changing rapidly. 2. Technological changes provide big opportunities in our industry. 3. A large number of new product/service ideas have been made possible through technological breakthroughs in our industry. 4. Technological developments in our industry are rather minor (RC). |
|--|

Source: Jaworski and Kohli, 1993, p. 68-69.

3.2.2.6. Market Growth

According to Kohli and Jaworski (1990) and Slater and Narver (1994), market growth refers to the strength of the economy. Strong economies are characterized by markets with strong demand growth and weak economies are characterized by markets with stable or weak demand growth. Market growth was assessed by using a 5-point scale (ranging from 'rapidly declining = 1' to 'rapidly growing = 5') and by asking the respondents to indicate how the market they operate in evolved during last year in terms of revenue. The scale is adapted from Avlonitis and Gounaris (1999). In the questionnaire Question 103 measure market growth. The operationalization of market growth can be seen in Table 3.25.

Table 3.25. Operationalization of Market Growth

Evolution of the market in terms of revenue during last year
--

Source: Avlonitis and Gounaris, 1999, p. 1017.

3.2.3. Operationalization of the Dependent Variables

This section will discuss the operationalization of the dependent variables of the study that are employee responses, customer responses and organizational performance.

3.2.3.1. Employee Responses

The first set of dependent variables of this study is the responses of employees. Based on the operationalization of Kohli and Jaworski (1990) and Jaworski and Kohli (1993), employee responses construct has two dimensions: organizational commitment and esprit de corps. Organizational commitment and esprit de corps are measured by two 5-item scales adapted from Jaworski and Kohli (1993). The organizational commitment scale items tap the extent to which a business unit's employees are fond of the organization, see their future tied to that of the organization, and are willing to make personal sacrifices for the business unit. The esprit de corps scale assessed the extent to which a team spirit prevails in the organization. All items are scored on a 5-point Likert scale ranging from 'strongly disagree = 1' to 'strongly agree = 5'. Some of the items in the scale are reverse coded. These items are shown in Tables 3.26 and 3.27 by the sign 'RC'. The scale for the reverse coded items ranges from 'strongly agree = 1' to 'strongly disagree = 5'. In the questionnaire, Questions 104 to 116 measure employee responses construct with the first seven questions measuring organizational commitment and the last six questions measuring esprit de corps dimensions respectively. The

operationalization of organizational commitment and esprit de corps can be seen in Tables 3.26 and 3.27 respectively.

Table 3.26. Operationalization of Organizational Commitment

- | |
|---|
| <ol style="list-style-type: none"> 1. Employees feel as though their future is intimately linked to that of this strategic business unit. 2. Employees would be happy to make personal sacrifices if it were important for the business unit's well-being. 3. The bonds between this strategic business unit and its employees are weak (RC). 4. In general, employees are proud to work for this business unit. 5. Employees often go above and beyond the call of duty to ensure this business unit's well-being. 6. Our people have little or no commitment to this business unit (RC). 7. It is clear that employees are fond of this business unit. |
|---|

Source: Jaworski and Kohli, 1993, p. 68.

Table 3.27. Operationalization of Esprit De Corps

- | |
|---|
| <ol style="list-style-type: none"> 1. People in this business unit are genuinely concerned about the needs and problems of each other. 2. A team spirit pervades all ranks in this business unit. 3. Working for this business unit is like being a part of a big family. 4. People in this business unit feel emotionally attached to each other. 5. This business unit lacks an esprit de corps (RC). 6. People in this business unit view themselves as independent individuals who have to tolerate others around them. |
|---|

Source: Jaworski and Kohli, 1993, p. 68.

3.2.3.2. Customer Response

The second dependent variable of this study is customer response. According to Kohli and Jaworski (1990), customer satisfaction is a good measure for operationalization of customer response. Customer satisfaction is measured on a 100-point scale developed by the author ranging from 'completely dissatisfied = 0' to

'completely satisfied = 100'. The respondents are asked to indicate how satisfied are their customers with the products/services of their business unit and how satisfied the customers are with their business unit in general. In the questionnaire, Questions 117 and 118 measure the customer response construct. The operationalization of customer response construct can be seen in Table 3.28.

Table 3.28. Operationalization of Customer Response: Customer Satisfaction

- | |
|--|
| <ol style="list-style-type: none"> 1. Customers satisfaction with the products/services of the business unit 2. Customers satisfaction with the business unit in general |
|--|

Source: Developed by the author.

3.2.3.3. Organizational Performance

The last set of dependent variables of this study is organizational performance. Organizational performance is measured in the literature with two approaches: one using a subjective approach (Verhage and Waarts 1988; Narver and Slater 1990; Golden 1992; Deshpande, Farley and Webster 1993; Slater and Narver 1994; Greenley 1995a; Raju et.al. 1995; Pitt et.al. 1996; Deshpande and Farley 1999; Matzuno and Mentzer 2000) and the other using an objective approach (Chakravarthy 1986; Cronin and Page 1988). Some researchers have taken both approaches (Jaworski and Kohli 1993) and have found a strong correlation between subjective and objective responses (Dess and Robinson 1984; Robinson and Pearce 1988; Venkatraman and Ramanujam 1986, 1987). The literature review reveals that return on assets (ROA), return on investment (ROI), sales growth, new product success, market share growth, sales revenue has been used in order to operationalize organizational performance (Deshpande, Farley and Webster 1993; Deshpande and

Farley 1999; Jaworski and Kohli 1993; Slater and Narver 1994; Narver and Slater 1990; Greenley 1995a, 1995b; Hart and Diamantopoulos 1993; Ruekert 1992).

In this study organizational performance will be measured by subjective and objective measures. In the questionnaire, Questions 119 to 141 measure organizational performance. It should be noted that the analysis will be conducted by using only the subjective measures of performance. Therefore descriptive findings with respect to objective measures of performance will not be reported. Further research can conduct the same analysis with objective measures of performance and then compare the findings.

The subjective assessment of performance consists of three categories that are overall subjective performance, comparative performance and performance compared to objectives. The subjective scale will first ask respondents for their assessment of the overall performance of the business rated on a 5-point scale ranging from 'poor = 1' to 'excellent =5'. This scale is adapted from Jaworski and Kohli (1993). In the questionnaire, Questions 119 and 120 measure overall subjective performance. The operationalization of overall subjective performance can be seen in Table 3.29.

Table 3.29. Operationalization of Overall Subjective Performance

- | |
|--|
| <ol style="list-style-type: none"> 1. Overall performance of the business unit last year 2. Overall performance relative major competitors last year |
|--|

Source: Jaworski and Kohli, 1993, p.68.

Apart from overall evaluation of subjective performance, respondents are asked to evaluate their comparative performance; in other words their business unit's market

share, market share growth, sales growth, new product/service success (in terms of numbers of successful new products/services and percentage of sales generated by new products/services), profitability, total sales revenue, and sales volume with respect to their major competitors over the past year. A 5-point scale ranging from ‘much worse than competition = 1’ to ‘much better than competition = 5’ has been used. The scale is developed by the author with some of the items adapted from Vorhies, Harker and Rao (1999); Matzuno and Mentzer (2000) and Yalman (2003). In the questionnaire, Questions 121 to 128 measure comparative performance. The operationalization of comparative performance can be seen in Table 3.30.

Table 3.30. Operationalization of Subjective Comparative Performance

When compared with the major competitors over the past year,

1. Business unit’s market share
2. Business unit’s market share growth
3. Business unit’s sales growth in %
4. Number of successful products/services introduced by the business unit
5. Percentage of sales generated by new product/services in the business unit
6. Business unit’s profitability
7. Business unit’s total sales revenue in TL
8. Business unit’s sales volume in units

Source: Developed by the author with items adopted from Vorhies, Harker and Rao (1999); Matzuno and Mentzer (2000) and Yalman (2003).

Finally; the subjective assessment of performance captures performance compared to objectives of the business unit. A 5-point scale ranging from ‘poor = 1’ to ‘excellent = 5’ adopted from Cavusgil and Zou (1994) has been used to measure performance compared to the objectives of the business unit. In the questionnaire, Questions 129 to 131 measure this dimension of performance and the operationalization of performance compared to objectives can be seen in Table 3.31.

Table 3.31. Operationalization of Subjective Performance Compared to Objectives

- | |
|---|
| <ol style="list-style-type: none"> 1. Customer satisfaction 2. Customer retention 3. Product/service quality |
|---|

Source: Cavusgil and Zou, 1994, p.483.

Organizational performance is also assessed by objective measures of total sales revenue, profits, market share, market share growth, sales volume, sales growth, number of successful new products/services, sales generated by new products/services. In the questionnaire Questions 132 to 141 measure the objective performance. The operationalization of objective performance can be seen in Table 3.32.

Table 3.32. Operationalization of Objective Performance

- | |
|---|
| <p>The business unit's</p> <ol style="list-style-type: none"> 1. Last year's total sales revenue (TL) 2. Sales revenue (TL) growth compared to year before (%) 3. Last year's total profit (TL) 4. Profit growth compared to year before (%) 5. Last year's market share in principal served market (%) 6. Market share growth in principal served market compared to year before (%) 7. Last year's total sales volume in principal served market (units) 8. Unit sales growth compared to year before (%) 9. Number of successful new products/services introduced last year 10. Percentage of sales generated by new products/services last year (%) |
|---|

Source: Author; Deshpande, Farley & Webster(1993); Deshpande & Farley (1999); Ruekert (1992); Jaworski&Kohli (1993); Narver&Slater (1990); Slater & Narver (1994); Greenley (1995a, 1995b); Hart & Diamantopoulos (1993), Yalman (2003).

3.3. HYPOTHESES of the STUDY

This section will present the hypotheses that are to be tested in the following chapter.

3.3.1. Hypotheses about the Relationship Between Organizational Orientation and Organizational Performance

This section gives the hypotheses about the relationship between organizational orientation of production, product, sales and market orientation and organizational performance.

3.3.1.1. Hypotheses about the Relationship Between Production Orientation and Organizational Performance

H1.1a: The greater the production orientation of a firm, the higher is its overall performance.

H1.1b: The greater the production orientation of a firm, the higher is its comparative performance.

H1.1c: The greater the production orientation of a firm, the higher is its performance compared to objectives.

H1.1d: The greater the production orientation of a firm, the higher is its total perceived performance.

3.3.1.2. Hypotheses about the Relationship Between Product Orientation and Organizational Performance

H1.2a: The greater the product orientation of a firm, the higher is its overall performance.

H1.2b: The greater the product orientation of a firm, the higher is its comparative performance.

H1.2c: The greater the product orientation of a firm, the higher is its performance compared to objectives.

H1.2d: The greater the product orientation of a firm, the higher is its total perceived performance.

3.3.1.3. Hypotheses about the Relationship Between Sales Orientation and Organizational Performance

H1.3a: The greater the sales orientation of a firm, the higher is its overall performance.

H1.3b: The greater the sales orientation of a firm, the higher is its comparative performance.

H1.3c: The greater the sales orientation of a firm, the higher is its performance compared to objectives.

H1.3d: The greater the sales orientation of a firm, the higher is its total perceived performance.

3.3.1.4. Hypotheses about the Relationship Between Market Orientation, Customer Orientation, Competitor Orientation, Interfunctional Coordination and Organizational Performance

H1.4a: The greater the market orientation of a firm, the higher is its overall performance.

H1.4b: The greater the market orientation of a firm, the higher is its comparative performance.

H1.4c: The greater the market orientation of a firm, the higher is its performance compared to objectives.

H1.4d: The greater the market orientation of a firm, the higher is its total perceived performance.

H1.4e: The greater the customer orientation of a firm, the higher is its overall performance.

H1.4f: The greater the customer orientation of a firm, the higher is its comparative performance.

H1.4g: The greater the customer orientation of a firm, the higher is its performance compared to objectives.

H1.4h: The greater the customer orientation of a firm, the higher is its total perceived performance.

H1.4i: The greater the competitor orientation of a firm, the higher is its overall performance.

H1.4j: The greater the competitor orientation of a firm, the higher is its comparative performance.

H1.4k: The greater the competitor orientation of a firm, the higher is its performance compared to objectives.

H1.4l: The greater the competitor orientation of a firm, the higher is its total perceived performance.

H1.4m: The greater the interfunctional coordination of a firm, the higher is its overall performance.

H1.4n: The greater the interfunctional coordination of a firm, the higher is its comparative performance.

H1.4o: The greater the interfunctional coordination of a firm, the higher is its performance compared to objectives.

H1.4p: The greater the interfunctional coordination of a firm, the higher is its total perceived performance.

3.3.2. Hypotheses about the Relationship Between Organizational Orientation and Employee Responses

This section gives the hypotheses about the relationship between organizational orientation of production, product, sales and market orientation and employee responses.

3.3.2.1. Hypotheses about the Relationship Between Production Orientation and Employee Responses

H.2.1a The greater the production orientation of a firm, the more favorable will be the responses of employees.

H2.1b: The greater the production orientation of a firm, the higher will be the organizational commitment.

H2.1c: The greater the production orientation of a firm, the higher will be the esprit de corps.

3.3.2.2. Hypotheses about the Relationship Between Product Orientation and Employee Responses

H2.2a The greater the product orientation of a firm, the more favorable will be the responses of employees.

H2.2b: The greater the product orientation of a firm, the higher will be the organizational commitment.

H2.2c: The greater the product orientation of a firm, the higher will be the esprit de corps.

3.3.2.3. Hypotheses about the Relationship Between Sales Orientation and Employee Responses

H2.3a The greater the sales orientation of a firm, the more favorable will be the responses of employees.

H2.3b: The greater the sales orientation of a firm, the higher will be the organizational commitment.

H2.3c: The greater the sales orientation of a firm, the higher will be the esprit de corps.

3.3.2.4. Hypotheses about the Relationship Between Market Orientation, Customer Orientation, Competitor Orientation, Interfunctional Coordination and Employee Responses

H2.4a The greater the market orientation of a firm, the more favorable will be the responses of employees.

H2.4b: The greater the market orientation of a firm, the higher will be the organizational commitment.

H2.4c: The greater the market orientation of a firm, the higher will be the esprit de corps.

H2.4d: The greater the customer orientation of a firm, the more favorable will be the responses of employees.

H2.4e: The greater the customer orientation of a firm, the higher will be the organizational commitment.

H2.4f: The greater the customer orientation of a firm, the higher will be the esprit de corps.

H2.4g: The greater the competitor orientation of a firm, the more favorable will be the responses of employees.

H2.4h: The greater the competitor orientation of a firm, the higher will be the organizational commitment.

H2.4i: The greater the competitor orientation of a firm, the higher will be the esprit de corps.

H2.4j: The greater the interfunctional coordination of a firm, the more favorable will be the responses of employees.

H2.4k: The greater the interfunctional coordination of a firm, the higher will be the organizational commitment.

H2.4l: The greater the interfunctional coordination of a firm, the higher will be the esprit de corps.

3.3.3. Hypotheses about the Relationship Between Organizational Orientation and Customer Responses

This section gives the hypotheses about the relationship between organizational orientation of production, product, sales and market orientation and customer responses.

3.3.3.1. Hypotheses about the Relationship Between Production, Product and Sales Orientation and Customer Responses

H3.1a: The greater the production orientation of firm, the higher will be the customer satisfaction.

H3.1b: The greater the product orientation of a firm, the higher will be the customer satisfaction.

H3.1c: The greater the sales orientation of a firm, the higher will be the customer satisfaction.

3.3.3.2. Hypotheses about the Relationship Between Market Orientation, Competitor Orientation, Customer Orientation, Interfunctional Coordination and Customer Responses

H3.2a: The greater the market orientation of a firm, the higher will be the customer satisfaction.

H3.2b: The greater the customer orientation of a firm, the higher will be the customer satisfaction.

H3.2c: The greater the competitor orientation of a firm, the higher will be the customer satisfaction.

H3.2d: The greater the interfunctional coordination of a firm, the higher will be the customer satisfaction.

3.3.4. Hypotheses about the Moderators of the Relationship Between Organizational Orientation and Organizational Performance

This section will present the hypotheses about the moderating effects of organizational innovation, organizational learning and market-related factors on the relationship between organizational orientation and organizational performance.

3.3.4.1. Hypotheses about the Moderating Effects of Organizational Innovation on the Relationship Between Organizational Orientation and Organizational Performance

H4.1a: The relationship between production orientation and overall performance is contingent upon organizational innovation.

H4.1b: The relationship between production orientation and comparative performance is contingent upon organizational innovation.

H4.1c: The relationship between production orientation and performance compared to objectives is contingent upon organizational innovation.

H4.1d: The relationship between production orientation and total perceived performance is contingent upon organizational innovation.

H4.1e: The relationship between product orientation and overall performance is contingent upon organizational innovation.

H4.1f: The relationship between product orientation and comparative performance is contingent upon organizational innovation.

H4.1g: The relationship between product orientation and performance compared to objectives is contingent upon organizational innovation.

H4.1h: The relationship between product orientation and total perceived performance is contingent upon organizational innovation.

H4.1i: The relationship between sales orientation and overall performance is contingent upon organizational innovation.

H4.1j: The relationship between sales orientation and comparative performance is contingent upon organizational innovation.

H4.1k: The relationship between sales orientation and performance compared to objectives is contingent upon organizational innovation.

H4.1l: The relationship between sales orientation and total perceived performance is contingent upon organizational innovation.

H4.1m: The relationship between market orientation and overall performance is contingent upon organizational innovation.

H4.1n: The relationship between market orientation and comparative performance is contingent upon organizational innovation.

H4.1o: The relationship between market orientation and performance compared to objectives is contingent upon organizational innovation.

H4.1p: The relationship between market orientation and total perceived performance is contingent upon organizational innovation.

H4.1r: The relationship between customer orientation and overall performance is contingent upon organizational innovation.

H4.1s: The relationship between customer orientation and comparative performance is contingent upon organizational innovation.

H4.1t: The relationship between customer orientation and performance compared to objectives is contingent upon organizational innovation.

H4.1.u: The relationship between customer orientation and total perceived performance is contingent upon organizational innovation.

H4.1.v: The relationship between competitor orientation and overall performance is contingent upon organizational innovation.

H4.1.w: The relationship between competitor orientation and comparative performance is contingent upon organizational innovation.

H4.1.x: The relationship between competitor orientation and performance compared to objectives is contingent upon organizational innovation.

H4.1.y: The relationship between competitor orientation and total perceived performance is contingent upon organizational innovation.

H4.1.z: The relationship between interfunctional coordination and overall performance is contingent upon organizational innovation.

H4.1.aa: The relationship between interfunctional coordination and comparative performance is contingent upon organizational innovation.

H4.1.ab: The relationship between interfunctional coordination and performance compared to objectives is contingent upon organizational innovation.

H4.1ac: The relationship between interfunctional coordination and total perceived performance is contingent upon organizational innovation.

3.3.4.2. Hypotheses about the Moderating Effects of Organizational Learning on the Relationship Between Organizational Orientation and Organizational Performance

H4.2a: The relationship between production orientation and overall performance is contingent upon organizational learning.

H4.2b: The relationship between production orientation and comparative performance is contingent upon organizational learning.

H4.2c: The relationship between production orientation and performance compared to objectives is contingent upon organizational learning.

H4.2d: The relationship between production orientation and total perceived performance is contingent upon organizational learning.

H4.2e: The relationship between product orientation and overall performance is contingent upon organizational learning.

H4.2f: The relationship between product orientation and comparative performance is contingent upon organizational learning.

H4.2g: The relationship between product orientation and performance compared to objectives is contingent upon organizational learning.

H4.2h: The relationship between product orientation and total perceived performance is contingent upon organizational learning.

H4.2i: The relationship between sales orientation and overall performance is contingent upon organizational learning.

H4.2j: The relationship between sales orientation and comparative performance is contingent upon organizational learning.

H4.2k: The relationship between sales orientation and performance compared to objectives is contingent upon organizational learning.

H4.2l: The relationship between sales orientation and total perceived performance is contingent upon organizational learning.

H4.2m: The relationship between market orientation and overall performance is contingent upon organizational learning.

H4.2n: The relationship between market orientation and comparative performance is contingent upon organizational learning.

H4.2o: The relationship between market orientation and performance compared to objectives is contingent upon organizational learning.

H4.2p: The relationship between market orientation and total perceived performance is contingent upon organizational learning.

H4.2r: The relationship between customer orientation and overall performance is contingent upon organizational learning.

H4.2s: The relationship between customer orientation and comparative performance is contingent upon organizational learning.

H4.2t: The relationship between customer orientation and performance compared to objectives is contingent upon organizational learning.

H4.2u: The relationship between customer orientation and total perceived performance is contingent upon organizational learning.

H4.2v: The relationship between competitor orientation and overall performance is contingent upon organizational learning.

H4.2w: The relationship between competitor orientation and comparative performance is contingent upon organizational learning.

H4.2x: The relationship between competitor orientation and performance compared to objectives is contingent upon organizational learning.

H4.2y: The relationship between competitor orientation and total perceived performance is contingent upon organizational learning.

H4.2z: The relationship between interfunctional coordination and overall performance is contingent upon organizational learning.

H4.2aa: The relationship between interfunctional coordination and comparative performance is contingent upon organizational learning.

H4.2ab: The relationship between interfunctional coordination and performance compared to objectives is contingent upon organizational learning.

H4.2ac: The relationship between interfunctional coordination and total perceived performance is contingent upon organizational learning.

3.3.4.3. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Production Orientation and Organizational Performance

H4.3a: The relationship between production orientation and overall performance is contingent upon market turbulence.

H4.3b: The relationship between production orientation and comparative performance is contingent upon market turbulence.

H4.3c: The relationship between production orientation and performance compared to objectives is contingent upon market turbulence.

H4.3d: The relationship between production orientation and total perceived performance is contingent upon market turbulence.

H4.3e: The relationship between production orientation and overall performance is contingent upon competitive intensity.

H4.3f: The relationship between production orientation and comparative performance is contingent competitive intensity.

H4.3g: The relationship between production orientation and performance compared to objectives is contingent upon competitive intensity.

H4.3h: The relationship between production orientation and total perceived performance is contingent upon competitive intensity.

H4.3i: The relationship between production orientation and overall performance is contingent upon technological turbulence.

H4.3j: The relationship between production orientation and comparative performance is contingent upon technological turbulence.

H4.3k: The relationship between production orientation and performance compared to objectives is contingent upon technological turbulence.

H4.3l: The relationship between production orientation and total perceived performance is contingent upon technological turbulence.

H4.3m: The relationship between production orientation and overall performance is contingent upon market growth.

H4.3n: The relationship between production orientation and comparative performance is contingent upon market growth.

H4.3o: The relationship between production orientation and performance compared to objectives is contingent upon market growth.

H4.3p: The relationship between production orientation and performance compared to objectives is contingent upon market growth.

3.3.4.4. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Product Orientation and Organizational Performance

H4.4a: The relationship between product orientation and overall performance is contingent upon market turbulence.

H4.4b: The relationship between product orientation and comparative performance is contingent upon market turbulence.

H4.4c: The relationship between product orientation and performance compared to objectives is contingent upon market turbulence.

H4.4d: The relationship between product orientation and total perceived performance is contingent upon market turbulence.

H4.4e: The relationship between product orientation and overall performance is contingent upon competitive intensity.

H4.4f: The relationship between product orientation and comparative performance is contingent upon competitive intensity.

H4.4g: The relationship between product orientation and performance compared to objectives is contingent upon competitive intensity.

H4.4h: The relationship between product orientation and total perceived performance is contingent upon competitive intensity.

H4.4i: The relationship between product orientation and overall performance is contingent upon technological turbulence.

H4.4j: The relationship between product orientation and comparative performance is contingent upon technological turbulence.

H4.4k: The relationship between product orientation and performance compared to objectives is contingent upon technological turbulence.

H4.4l: The relationship between product orientation and total perceived performance is contingent upon technological turbulence.

H4.4m: The relationship between product orientation and overall performance is contingent upon market growth.

H4.4n: The relationship between product orientation and comparative performance is contingent upon market growth.

H4.4o: The relationship between product orientation and performance compared to objectives is contingent upon market growth.

H4.4p: The relationship between product orientation and total perceived performance is contingent upon market growth.

3.3.4.5. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Sales Orientation and Organizational Performance

H4.5a: The relationship between sales orientation and overall performance is contingent upon market turbulence.

H4.5b: The relationship between sales orientation and comparative performance is contingent upon market turbulence.

H4.5c: The relationship between sales orientation and performance compared to objectives is contingent upon market turbulence.

H4.5d: The relationship between sales orientation and total perceived performance is contingent upon market turbulence.

H4.5e: The relationship between sales orientation and overall performance is contingent upon competitive intensity.

H4.5f: The relationship between sales orientation and comparative performance is contingent competitive intensity.

H4.5g: The relationship between sales orientation and performance compared to objectives is contingent upon competitive intensity.

H4.5h: The relationship between sales orientation and total perceived performance is contingent upon competitive intensity.

H4.5i: The relationship between sales orientation and overall performance is contingent upon technological turbulence.

H4.5j: The relationship between sales orientation and comparative performance is contingent upon technological turbulence.

H4.5k: The relationship between sales orientation and performance compared to objectives is contingent upon technological turbulence.

H4.5l: The relationship between sales orientation and total perceived performance is contingent upon technological turbulence.

H4.5m: The relationship between sales orientation and overall performance is contingent upon market growth.

H4.5n: The relationship between sales orientation and comparative performance is contingent upon market growth.

H4.5o: The relationship between sales orientation and performance compared to objectives is contingent upon market growth.

H4.5p: The relationship between sales orientation and total perceived performance is contingent upon market growth.

3.3.4.6. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Market Orientation, Customer Orientation, Competitor Orientation, Interfunctional Coordination and Organizational Performance

H4.6a: The relationship between market orientation and overall performance is contingent upon market turbulence.

H4.6b: The relationship between market orientation and comparative performance is contingent upon market turbulence.

H4.6c: The relationship between market orientation and performance compared to objectives is contingent upon market turbulence.

H4.6d: The relationship between market orientation and total perceived performance is contingent upon market turbulence.

H4.6e: The relationship between market orientation and overall performance is contingent upon competitive intensity.

H4.6f: The relationship between market orientation and comparative performance is contingent competitive intensity.

H4.6g: The relationship between market orientation and performance compared to objectives is contingent upon competitive intensity.

H4.6h: The relationship between market orientation and total perceived performance is contingent upon competitive intensity.

H4.6i: The relationship between market orientation and overall performance is contingent upon technological turbulence.

H4.6j: The relationship between market orientation and comparative performance is contingent upon technological turbulence.

H4.6k: The relationship between market orientation and performance compared to objectives is contingent upon technological turbulence.

H4.6l: The relationship between market orientation and total perceived performance is contingent upon technological turbulence.

H4.6m: The relationship between market orientation and overall performance is contingent upon market growth.

H4.6n: The relationship between market orientation and comparative performance is contingent upon market growth.

H4.6o: The relationship between market orientation and performance compared to objectives is contingent upon market growth.

H4.6p: The relationship between market orientation and total perceived performance is contingent upon market growth.

H4.6r: The relationship between customer orientation and overall performance is contingent upon market turbulence.

H4.6s: The relationship between customer orientation and comparative performance is contingent upon market turbulence.

H4.6t: The relationship between customer orientation and performance compared to objectives is contingent upon market turbulence.

H4.6u: The relationship between customer orientation and total perceived performance is contingent upon market turbulence.

H4.6v: The relationship between customer orientation and overall performance is contingent upon competitive intensity.

H4.6w: The relationship between customer orientation and comparative performance is contingent upon competitive intensity.

H4.6x: The relationship between customer orientation and performance compared to objectives is contingent upon competitive intensity.

H4.6y: The relationship between customer orientation and total perceived performance is contingent upon competitive intensity.

H4.6z: The relationship between customer orientation and overall performance is contingent upon technological turbulence.

H4.6aa: The relationship between customer orientation and comparative performance is contingent upon technological turbulence.

H4.6ab: The relationship between customer orientation and performance compared to objectives is contingent upon technological turbulence.

H4.6ac: The relationship between customer orientation and total perceived performance is contingent upon technological turbulence.

H4.6ad: The relationship between customer orientation and overall performance is contingent upon market growth.

H4.6ae: The relationship between customer orientation and comparative performance is contingent upon market growth.

H4.6af: The relationship between customer orientation and performance compared to objectives is contingent upon market growth.

H4.6ag: The relationship between customer orientation and total perceived performance is contingent upon market growth.

H4.6ah: The relationship between competitor orientation and overall performance is contingent upon market turbulence.

H4.6ai: The relationship between competitor orientation and comparative performance is contingent upon market turbulence.

H4.6aj: The relationship between competitor orientation and performance compared to objectives is contingent upon market turbulence.

H4.6ak: The relationship between competitor orientation and total perceived performance is contingent upon market turbulence.

H4.6al: The relationship between competitor orientation and overall performance is contingent upon competitive intensity.

H4.6am: The relationship between competitor orientation and comparative performance is contingent upon competitive intensity.

H4.6an: The relationship between competitor orientation and performance compared to objectives is contingent upon competitive intensity.

H4.6ao: The relationship between competitor orientation and total perceived performance is contingent upon competitive intensity.

H4.6ap: The relationship between competitor orientation and overall performance is contingent upon technological turbulence.

H4.6ar: The relationship between competitor orientation and comparative performance is contingent upon technological turbulence.

H4.6as: The relationship between competitor orientation and performance compared to objectives is contingent upon technological turbulence.

H4.6at: The relationship between competitor orientation and total perceived performance is contingent upon technological turbulence.

H4.6au: The relationship between competitor orientation and overall performance is contingent upon market growth.

H4.6av: The relationship between competitor orientation and comparative performance is contingent upon market growth.

H4.6aw: The relationship between competitor orientation and performance compared to objectives is contingent upon market growth.

H4.6ax: The relationship between competitor orientation and total perceived performance is contingent upon market growth.

H4.6ay: The relationship between interfunctional coordination and overall performance is contingent upon market turbulence.

H4.6az: The relationship between interfunctional coordination and comparative performance is contingent upon market turbulence.

H4.6ba: The relationship between interfunctional coordination and performance compared to objectives is contingent upon market turbulence.

H4.6bb: The relationship between interfunctional coordination and total perceived performance is contingent upon market turbulence.

H4.6bc: The relationship between interfunctional coordination and overall performance is contingent upon competitive intensity.

H4.6bd: The relationship between interfunctional coordination and comparative performance is contingent upon competitive intensity.

H4.6be: The relationship between interfunctional coordination and performance compared to objectives is contingent upon competitive intensity.

H4.6bf: The relationship between interfunctional coordination and total perceived performance is contingent upon competitive intensity.

H4.6bg: The relationship between interfunctional coordination and overall performance is contingent upon technological turbulence.

H4.6bh: The relationship between interfunctional coordination and comparative performance is contingent upon technological turbulence.

H4.6bi: The relationship between interfunctional coordination and performance compared to objectives is contingent upon technological turbulence.

H4.6bj: The relationship between interfunctional coordination and total perceived performance is contingent upon technological turbulence.

H4.6bk: The relationship between interfunctional coordination and overall performance is contingent upon market growth.

H4.6bl: The relationship between interfunctional coordination and comparative performance is contingent upon market growth.

H4.6bm: The relationship between interfunctional coordination and performance compared to objectives is contingent upon market growth.

H4.6bn: The relationship between interfunctional coordination and total perceived performance is contingent upon market growth.

3.3.5. Hypotheses about the Relationship Between Strategic Orientation and Organizational Performance

This section gives the hypotheses about the relationship between strategic orientations of aggressiveness, analysis, defensiveness, futurity, procativeness, riskiness and organizational performance.

3.3.5.1. Hypotheses about the Relationship Between Aggressiveness Orientation and Organizational Performance

H5.1a: The greater the aggressiveness orientation of a firm, the higher is its overall performance.

H5.1b: The greater the aggressiveness orientation of a firm, the higher is its comparative performance.

H5.1c: The greater the aggressiveness orientation of a firm, the higher is its performance compared to objectives.

H5.1d: The greater the aggressiveness orientation of a firm, the higher is its total perceived performance.

3.3.5.2. Hypotheses about the Relationship Between Analysis Orientation and Organizational Performance

H5.2a: The greater the analysis orientation of a firm, the higher is its overall performance.

H5.2b: The greater the analysis orientation of a firm, the higher is its comparative performance.

H5.2c: The greater the analysis orientation of a firm, the higher is its performance compared to objectives.

H5.2.d: The greater the analysis orientation of a firm, the higher is its total perceived performance.

3.3.5.3. Hypotheses about the Relationship Between Defensiveness Orientation and Organizational Performance

H5.3a: The greater the defensiveness orientation of a firm, the higher is its overall performance.

H5.3b: The greater the defensiveness orientation of a firm, the higher is its comparative performance.

H5.3c: The greater the defensiveness orientation of a firm, the higher is its performance compared to objectives.

H5.3d: The greater the defensiveness orientation of a firm, the higher is its total perceived performance.

3.3.5.4. Hypotheses about the Relationship Between Futurity Orientation and Organizational Performance

H5.4a: The greater the futurity orientation of a firm, the higher is its overall performance.

H5.4b: The greater the futurity orientation of a firm, the higher is its comparative performance.

H5.4c: The greater the futurity orientation of a firm, the higher is its performance compared to objectives.

H5.4d: The greater the futurity orientation of a firm, the higher is its total perceived performance.

3.3.5.5. Hypotheses about the Relationship Between Proactiveness Orientation and Organizational Performance

H5.5a: The greater the proactiveness orientation of a firm, the higher is its overall performance.

H5.5b: The greater the proactiveness orientation of a firm, the higher is its comparative performance.

H5.5c: The greater the proactiveness orientation of a firm, the higher is its performance compared to objectives.

H5.5d: The greater the proactiveness orientation of a firm, the higher is its total perceived performance.

3.3.5.6. Hypotheses about the Relationship Between Riskiness Orientation and Organizational Performance

H5.6a: The greater the riskiness orientation of a firm, the higher is its overall performance.

H5.6b: The greater the riskiness orientation of a firm, the higher is its comparative performance.

H5.6c: The greater the riskiness orientation of a firm, the higher is its performance compared to objectives.

H5.6d: The greater the riskiness orientation of a firm, the higher is its total perceived performance.

3.3.6. Hypotheses about the Relationship Between Strategic Orientation and Employee Responses

This section gives the hypotheses about the relationship between strategic orientation of aggressiveness, analysis, defensiveness, futurity, procativeness, riskiness and employee responses.

3.3.6.1. Hypotheses about the Relationship Between Aggressiveness Orientation and Employee Responses

H6.1a The greater the aggressiveness orientation of a firm, the more favorable will be the responses of employees.

H6.1b: The greater the aggressiveness orientation of a firm, the higher will be the organizational commitment.

H6.1c: The greater the aggressiveness orientation of a firm, the higher will be the esprit de corps.

3.3.6.2. Hypotheses about the Relationship Between Analysis Orientation and Employee Responses

H6.2a The greater the analysis orientation of a firm, the more favorable will be the responses of employees.

H6.2b: The greater the analysis orientation of a firm, the higher will be the organizational commitment.

H6.2c: The greater the analysis orientation of a firm, the higher will be the esprit de corps.

3.3.6.3. Hypotheses about the Relationship Between Defensiveness Orientation and Employee Responses

H6.3a The greater the defensiveness orientation of a firm, the more favorable will be the responses of employees.

H6.3b: The greater the defensiveness orientation of a firm, the higher will be the organizational commitment.

H6.3c: The greater the defensiveness orientation of a firm, the higher will be the esprit de corps.

3.3.6.4. Hypotheses about the Relationship Between Futurity Orientation and Employee Responses

H6.4a The greater the futurity orientation of a firm, the more favorable will be the responses of employees.

H6.4b: The greater the futurity orientation of a firm, the higher will be the organizational commitment.

H6.4c: The greater the futurity orientation of a firm, the higher will be the esprit de corps.

3.3.6.5. Hypotheses about the Relationship Between Proactiveness Orientation and Employee Responses

H6.5a: The greater the proactiveness orientation of a firm, the more favorable will be the responses of employees.

H6.5b: The greater the proactiveness orientation of a firm, the higher will be the organizational commitment.

H6.5c: The greater the proactiveness orientation of a firm, the higher will be the esprit de corps.

3.3.6.6. Hypotheses about the Relationship Between Riskiness Orientation and Employee Responses

H6.6a: The greater the riskiness orientation of a firm, the more favorable will be the responses of employees.

H6.6b: The greater the riskiness orientation of a firm, the higher will be the organizational commitment.

H6.6c: The greater the riskiness orientation of a firm, the higher will be the esprit de corps.

3.3.7. Hypotheses about the Relationship Between Strategic Orientation and Customer Responses

This section gives the hypotheses about the relationship between strategic orientations of aggressiveness, analysis, defensiveness, futurity, proactiveness and riskiness and customer responses.

H7a: The greater the aggressiveness orientation of firm, the higher will be the customer satisfaction.

H7b: The greater the analysis orientation of a firm, the higher will be the customer satisfaction.

H7c: The greater the defensiveness orientation of a firm, the higher will be the customer satisfaction.

H7d: The greater the futurity orientation of a firm, the higher will be the customer satisfaction.

H7e: The greater the proactiveness orientation of a firm, the higher will be the customer satisfaction.

H7f: The greater the riskiness orientation of a firm, the higher will be the customer satisfaction.

3.3.8. Hypotheses about the Moderators of the Relationship Between Strategic Orientation and Organizational Performance

This section will present the hypotheses about the moderating effects of organizational innovation, organizational learning and market-related factors on the relationship between strategic orientations and organizational performance.

3.3.8.1. Hypotheses about the Moderating Effects of Organizational Innovation on the Relationship Between Strategic Orientation and Organizational Performance

H8.1a: The relationship between aggressiveness orientation and overall performance is contingent upon organizational innovation.

H8.1b: The relationship between aggressiveness orientation and comparative performance is contingent upon organizational innovation.

H8.1c: The relationship between aggressiveness orientation and performance compared to objectives is contingent upon organizational innovation.

H8.1d: The relationship between aggressiveness orientation and total perceived performance is contingent upon organizational innovation.

H8.1e: The relationship between analysis orientation and overall performance is contingent upon organizational innovation.

H8.1f: The relationship between analysis orientation and comparative performance is contingent upon organizational innovation.

H8.1g: The relationship between analysis orientation and performance compared to objectives is contingent upon organizational innovation.

H8.1h: The relationship between analysis orientation and total perceived performance is contingent upon organizational innovation.

H8.1i: The relationship between defensiveness orientation and overall performance is contingent upon organizational innovation.

H8.1j: The relationship between defensiveness orientation and comparative performance is contingent upon organizational innovation.

H8.1k: The relationship between defensiveness orientation and performance compared to objectives is contingent upon organizational innovation.

H8.1l: The relationship between defensiveness orientation and total perceived performance is contingent upon organizational innovation.

H8.1m: The relationship between futurity orientation and overall performance is contingent upon organizational innovation.

H8.1n: The relationship between futurity orientation and comparative performance is contingent upon organizational innovation.

H8.1o: The relationship between futurity orientation and performance compared to objectives is contingent upon organizational innovation.

H8.1p: The relationship between futurity orientation and total perceived performance is contingent upon organizational innovation.

H8.1r: The relationship between proactiveness orientation and overall performance is contingent upon organizational innovation.

H8.1s: The relationship between proactiveness orientation and comparative performance is contingent upon organizational innovation.

H8.1t: The relationship between proactiveness orientation and performance compared to objectives is contingent upon organizational innovation.

H8.1u: The relationship between proactiveness orientation and total perceived performance is contingent upon organizational innovation.

H8.1v: The relationship between riskiness orientation and overall performance is contingent upon organizational innovation.

H8.1w: The relationship between riskiness orientation and comparative performance is contingent upon organizational innovation.

H8.1x: The relationship between riskiness orientation and performance compared to objectives is contingent upon organizational innovation.

H8.1y: The relationship between riskiness orientation and total perceived performance is contingent upon organizational innovation.

3.3.8.2. Hypotheses about the Moderating Effects of Organizational Learning on the Relationship Between Strategic Orientation and Organizational Performance

H8.2a: The relationship between aggressiveness orientation and overall performance is contingent upon organizational learning.

H8.2b: The relationship between aggressiveness orientation and comparative performance is contingent upon organizational learning.

H8.2c: The relationship between aggressiveness orientation and performance compared to objectives is contingent upon organizational learning.

H8.2d: The relationship between aggressiveness orientation and total perceived performance is contingent upon organizational learning.

H8.2e: The relationship between analysis orientation and overall performance is contingent upon organizational learning.

H8.2f: The relationship between analysis orientation and comparative performance is contingent upon organizational learning.

H8.2g: The relationship between analysis orientation and performance compared to objectives is contingent upon organizational learning.

H8.2h: The relationship between analysis orientation and total perceived performance is contingent upon organizational learning.

H8.2i: The relationship between defensiveness orientation and overall performance is contingent upon organizational learning.

H8.2j: The relationship between defensiveness orientation and comparative performance is contingent upon organizational learning.

H8.2k: The relationship between defensiveness orientation and performance compared to objectives is contingent upon organizational learning.

H8.2l: The relationship between defensiveness orientation and total perceived performance is contingent upon organizational learning.

H8.2m: The relationship between futurity orientation and overall performance is contingent upon organizational learning.

H8.2n: The relationship between futurity orientation and comparative performance is contingent upon organizational learning.

H8.2o: The relationship between futurity orientation and performance compared to objectives is contingent upon organizational learning.

H8.2p: The relationship between futurity orientation and total perceived performance is contingent upon organizational learning.

H8.2r: The relationship between proactiveness orientation and overall performance is contingent upon organizational learning.

H8.2s: The relationship between proactiveness orientation and comparative performance is contingent upon organizational learning.

H8.2t: The relationship between proactiveness orientation and performance compared to objectives is contingent upon organizational learning.

H8.2u: The relationship between proactiveness orientation and total perceived performance is contingent upon organizational learning.

H8.2v: The relationship between riskiness orientation and overall performance is contingent upon organizational learning.

H8.2w: The relationship between riskiness orientation and comparative performance is contingent upon organizational learning.

H8.2x: The relationship between riskiness orientation and performance compared to objectives is contingent upon organizational learning.

H8.2y: The relationship between riskiness orientation and total perceived performance is contingent upon organizational learning.

3.3.8.3. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Aggressiveness Orientation and Organizational Performance

H8.3a: The relationship between aggressiveness orientation and overall performance is contingent upon market turbulence.

H8.3b: The relationship between aggressiveness orientation and comparative performance is contingent upon market turbulence.

H8.3c: The relationship between aggressiveness orientation and performance compared to objectives is contingent upon market turbulence.

H8.3d: The relationship between aggressiveness orientation and total perceived performance is contingent upon market turbulence.

H8.3e: The relationship between aggressiveness orientation and overall performance is contingent upon competitive intensity.

H8.3f: The relationship between aggressiveness orientation and comparative performance is contingent competitive intensity.

H8.3g: The relationship between aggressiveness orientation and performance compared to objectives is contingent upon competitive intensity.

H8.3h: The relationship between aggressiveness orientation and total perceived performance is contingent upon competitive intensity.

H8.3i: The relationship between aggressiveness orientation and overall performance is contingent upon technological turbulence.

H8.3j: The relationship between aggressiveness orientation and comparative performance is contingent upon technological turbulence.

H8.3k: The relationship between aggressiveness orientation and performance compared to objectives is contingent upon technological turbulence.

H8.3l: The relationship between aggressiveness orientation and total perceived performance is contingent upon technological turbulence.

H8.3m: The relationship between aggressiveness orientation and overall performance is contingent upon market growth.

H8.3n: The relationship between aggressiveness orientation and comparative performance is contingent upon market growth.

H8.3o: The relationship between aggressiveness orientation and performance compared to objectives is contingent upon market growth.

H8.3p: The relationship between aggressiveness orientation and total perceived performance is contingent upon market growth.

3.3.8.4. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Analysis Orientation and Organizational Performance

H8.4a: The relationship between analysis orientation and overall performance is contingent upon market turbulence.

H8.4b: The relationship between analysis orientation and comparative performance is contingent upon market turbulence.

H8.4c: The relationship between analysis orientation and performance compared to objectives is contingent upon market turbulence.

H8.4d: The relationship between analysis orientation and total perceived performance is contingent upon market turbulence.

H8.4e: The relationship between analysis orientation and overall performance is contingent upon competitive intensity.

H8.4f: The relationship between analysis orientation and comparative performance is contingent upon competitive intensity.

H8.4g: The relationship between analysis orientation and performance compared to objectives is contingent upon competitive intensity.

H8.4h: The relationship between analysis orientation and total perceived performance is contingent upon competitive intensity.

H8.4i: The relationship between analysis orientation and overall performance is contingent upon technological turbulence.

H8.4j: The relationship between analysis orientation and comparative performance is contingent upon technological turbulence.

H8.4k: The relationship between analysis orientation and performance compared to objectives is contingent upon technological turbulence.

H8.4l: The relationship between analysis orientation and total perceived performance is contingent upon technological turbulence.

H8.4m: The relationship between analysis orientation and overall performance is contingent upon market growth.

H8.4n: The relationship between analysis orientation and comparative performance is contingent upon market growth.

H8.4o: The relationship between analysis orientation and performance compared to objectives is contingent upon market growth.

H8.4p: The relationship between analysis orientation and total perceived performance is contingent upon market growth.

3.3.8.5. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Defensiveness Orientation and Organizational Performance

H8.5a: The relationship between defensiveness orientation and overall performance is contingent upon market turbulence.

H8.5b: The relationship between defensiveness orientation and comparative performance is contingent upon market turbulence.

H8.5c: The relationship between defensiveness orientation and performance compared to objectives is contingent upon market turbulence.

H8.5d: The relationship between defensiveness orientation and total perceived performance is contingent upon market turbulence.

H8.5e: The relationship between defensiveness orientation and overall performance is contingent upon competitive intensity.

H8.5f: The relationship between defensiveness orientation and comparative performance is contingent upon competitive intensity.

H8.5g: The relationship between defensiveness orientation and performance compared to objectives is contingent upon competitive intensity.

H8.5h: The relationship between defensiveness orientation and total perceived performance is contingent upon competitive intensity.

H8.5i: The relationship between defensiveness orientation and overall performance is contingent upon technological turbulence.

H8.5j: The relationship between defensiveness orientation and comparative performance is contingent upon technological turbulence.

H8.5k: The relationship between defensiveness orientation and performance compared to objectives is contingent upon technological turbulence.

H8.5l: The relationship between defensiveness orientation and total perceived performance is contingent upon technological turbulence.

H8.5m: The relationship between defensiveness orientation and overall performance is contingent upon market growth.

H8.5n: The relationship between defensiveness orientation and comparative performance is contingent upon market growth.

H8.5o: The relationship between defensiveness orientation and performance compared to objectives is contingent upon market growth.

H8.5p: The relationship between defensiveness orientation and total perceived performance is contingent upon market growth.

3.3.8.6. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Futurity Orientation and Organizational Performance

H8.6a: The relationship between futurity orientation and overall performance is contingent upon market turbulence.

H8.6b: The relationship between futurity orientation and comparative performance is contingent upon market turbulence.

H8.6c: The relationship between futurity orientation and performance compared to objectives is contingent upon market turbulence.

H8.6d: The relationship between futurity orientation and total perceived performance is contingent upon market turbulence.

H8.6e: The relationship between futurity orientation and overall performance is contingent upon competitive intensity.

H8.6f: The relationship between futurity orientation and comparative performance is contingent upon competitive intensity.

H8.6g: The relationship between futurity orientation and performance compared to objectives is contingent upon competitive intensity.

H8.6h: The relationship between futurity orientation and total perceived performance is contingent upon competitive intensity.

H8.6i: The relationship between futurity orientation and overall performance is contingent upon technological turbulence.

H8.6j: The relationship between futurity orientation and comparative performance is contingent upon technological turbulence.

H8.6k: The relationship between futurity orientation and performance compared to objectives is contingent upon technological turbulence.

H8.6l: The relationship between futurity orientation and total perceived performance is contingent upon technological turbulence.

H8.6m: The relationship between futurity orientation and overall performance is contingent upon market growth.

H8.6n: The relationship between futurity orientation and comparative performance is contingent upon market growth.

H8.6o: The relationship between futurity orientation and performance compared to objectives is contingent upon market growth.

H8.6p: The relationship between futurity orientation and total perceived performance is contingent upon market growth.

3.3.8.7. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Proactiveness Orientation and Organizational Performance

H8.7a: The relationship between proactiveness orientation and overall performance is contingent upon market turbulence.

H8.7b: The relationship between proactiveness orientation and comparative performance is contingent upon market turbulence.

H8.7c: The relationship between proactiveness orientation and performance compared to objectives is contingent upon market turbulence.

H8.7d: The relationship between proactiveness orientation and total perceived performance is contingent upon market turbulence.

H8.7e: The relationship between proactiveness orientation and overall performance is contingent upon competitive intensity.

H8.7f: The relationship between proactiveness orientation and comparative performance is contingent upon competitive intensity.

H8.7g: The relationship between proactiveness orientation and performance compared to objectives is contingent upon competitive intensity.

H8.7h: The relationship between proactiveness orientation and total perceived performance is contingent upon competitive intensity.

H8.7i: The relationship between proactiveness orientation and overall performance is contingent upon technological turbulence.

H8.7j: The relationship between proactiveness orientation and comparative performance is contingent upon technological turbulence.

H8.7k: The relationship between proactiveness orientation and performance compared to objectives is contingent upon technological turbulence.

H8.7l: The relationship between proactiveness orientation and total perceived performance is contingent upon technological turbulence.

H8.7m: The relationship between proactiveness orientation and overall performance is contingent upon market growth.

H8.7n: The relationship between proactiveness orientation and comparative performance is contingent upon market growth.

H8.7o: The relationship between proactiveness orientation and performance compared to objectives is contingent upon market growth.

H8.7p: The relationship between proactiveness orientation and total perceived performance is contingent upon market growth.

3.3.8.8. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Riskiness Orientation and Organizational Performance

H8.8a: The relationship between riskiness orientation and overall performance is contingent upon market turbulence.

H8.8b: The relationship between riskiness orientation and comparative performance is contingent upon market turbulence.

H8.8c: The relationship between riskiness orientation and performance compared to objectives is contingent upon market turbulence.

H8.8d: The relationship between riskiness orientation and total perceived performance is contingent upon market turbulence.

H8.8e: The relationship between riskiness orientation and overall performance is contingent upon competitive intensity.

H8.8f: The relationship between riskiness orientation and comparative performance is contingent competitive intensity.

H8.8g: The relationship between riskiness orientation and performance compared to objectives is contingent upon competitive intensity.

H8.8h: The relationship between riskiness orientation and total perceived performance is contingent upon competitive intensity.

H8.8i: The relationship between riskiness orientation and overall performance is contingent upon technological turbulence.

H8.8j: The relationship between riskiness orientation and comparative performance is contingent upon technological turbulence.

H8.8k: The relationship between riskiness orientation and performance compared to objectives is contingent upon technological turbulence.

H8.8l: The relationship between riskiness orientation and total perceived performance is contingent upon technological turbulence.

H8.8m: The relationship between riskiness orientation and overall performance is contingent upon market growth.

H8.8n: The relationship between riskiness orientation and comparative performance is contingent upon market growth.

H8.8o: The relationship between riskiness orientation and performance compared to objectives is contingent upon market growth.

H8.8p: The relationship between riskiness orientation and total perceived performance is contingent upon market growth.

3.3.9. Hypotheses about the Relationship Between Organizational Culture and Organizational Performance

This section gives the hypotheses about the relationship between organizational culture (market, adhocracy, hierarchy, clan) and organizational performance.

3.3.9.1. Hypotheses about the Relationship Between Market Culture and Organizational Performance

H9.1a: The dominant the market culture in a firm, the higher is its overall performance.

H9.1b: The dominant the market culture in a firm, the higher is its comparative performance.

H9.1c: The dominant the market culture in a firm, the higher is its performance compared to objectives.

H9.1d: The dominant the market culture in a firm, the higher is its total perceived performance.

3.3.9.2. Hypotheses about the Relationship Between Adhocracy Culture and Organizational Performance

H9.2a: The dominant the adhocracy culture in a firm, the higher is its overall performance.

H9.2b: The dominant the adhocracy culture in a firm, the higher is its comparative performance.

H9.2c: The dominant the adhocracy culture in a firm, the higher is its performance compared to objectives.

H9.2d: The dominant the adhocracy culture in a firm, the higher is its total perceived performance.

3.3.9.3. Hypotheses about the Relationship Between Hierarchy Culture and Organizational Performance

H9.3a: The dominant the hierarchy culture in a firm, the higher is its overall performance.

H9.3b: The dominant the hierarchy culture in a firm, the higher is its comparative performance.

H9.3c: The dominant the hierarchy culture in a firm, the higher is its performance compared to objectives.

H9.3d: The dominant the hierarchy culture in a firm, the higher is its total perceived performance.

3.3.9.4. Hypotheses about the Relationship Between Clan Culture and Organizational Performance

H9.4a: The dominant clan culture in a firm, the higher is its overall performance.

H9.4b: The dominant the clan culture in a firm, the higher is its comparative performance.

H9.4c: The dominant the clan culture in a firm, the higher is its performance compared to objectives.

H9.4d: The dominant the clan culture in a firm, the higher is its total perceived performance.

3.3.10. Hypotheses about the Relationship Between Organizational Culture and Employee Responses

This section gives the hypotheses about the relationship between organizational culture (market, adhocracy, hierarchy, clan) and employee responses.

3.3.10.1. Hypotheses about the Relationship Between Market Culture and Employee Responses

H10.1a: The dominant the market culture in a firm, the more favorable will be the responses of employees.

H10.1b: The dominant the market culture in a firm, the higher will be the organizational commitment.

H10.1c: The dominant the market culture in a firm, the higher will be the esprit de corps.

3.3.10.2. Hypotheses about the Relationship Between Adhocracy Culture and Employee Responses

H10.2a: The dominant the adhocracy culture in a firm, the more favorable will be the responses of employees.

H10.2b: The dominant the adhocracy culture in a firm, the higher will be the organizational commitment.

H10.2c: The dominant the adhocracy culture in a firm, the higher will be the esprit de corps.

3.3.10.3. Hypotheses about the Relationship Between Hierarchy Culture and Employee Responses

H10.3a: The dominant the hierarchy culture in a firm, the more favorable will be the responses of employees.

H10.3b: The dominant the hierarchy culture in a firm, the higher will be the organizational commitment.

H10.3c: The dominant the hierarchy culture in a firm, the higher will be the esprit de corps.

3.3.10.4. Hypotheses about the Relationship Between Clan Culture and Employee Responses

H10.4a: The dominant the clan culture in a firm, the more favorable will be the responses of employees.

H10.4b: The dominant the clan culture in a firm, the higher will be the organizational commitment.

H10.4c: The dominant the clan culture in a firm, the higher will be the esprit de corps.

3.3.11. Hypotheses about the Relationship Between Organizational Culture and Customer Responses

This section gives the hypotheses about the relationship between organizational culture (market, adhocracy, hierarchy and clan) and customer responses.

H11a: The dominant the market culture in a firm, the higher will be the customer satisfaction.

H11b: The dominant the adhocracy culture in a firm, the higher will be the customer satisfaction.

H11c: The dominant the hierarchy culture in a firm, the higher will be the customer satisfaction.

H11d: The dominant the clan culture in a firm, the higher will the customer satisfaction.

3.3.12. Hypotheses about the Moderators of the Relationship Between Organizational Culture and Organizational Performance

This section will present the hypotheses about the moderating effects of organizational innovation, organizational learning and market-related factors on the relationship between organizational culture and organizational performance.

3.3.12.1. Hypotheses about the Moderating Effects of Organizational Innovation on the Relationship Between Organizational Culture and Organizational Performance.

H12.1a: The relationship between market culture and overall performance is contingent upon organizational innovation.

H12.1b: The relationship between market culture and comparative performance is contingent upon organizational innovation.

H12.1c: The relationship between market culture and performance compared to objectives is contingent upon organizational innovation.

H12.1d: The relationship between market culture and total perceived performance is contingent upon organizational innovation.

H12.1e: The relationship between adhocracy culture and overall performance is contingent upon organizational innovation.

H12.1f: The relationship between adhocracy culture and comparative performance is contingent upon organizational innovation.

H12.1g: The relationship between adhocracy culture and performance compared to objectives is contingent upon organizational innovation.

H12.1h: The relationship between adhocracy culture and total perceived performance is contingent upon organizational innovation.

H12.1i: The relationship between hierarchy culture and overall performance is contingent upon organizational innovation.

H12.1j: The relationship between hierarchy culture and comparative performance is contingent upon organizational innovation.

H12.1k: The relationship between hierarchy culture and performance compared to objectives is contingent upon organizational innovation.

H12.1l: The relationship between hierarchy culture and total perceived performance is contingent upon organizational innovation.

H12.1m: The relationship between clan culture and overall performance is contingent upon organizational innovation.

H12.1n: The relationship between clan culture and comparative performance is contingent upon organizational innovation.

H12.1o: The relationship between clan culture and performance compared to objectives is contingent upon organizational innovation.

H12.1p: The relationship between clan culture and total perceived performance is contingent upon organizational innovation.

3.3.12.2. Hypotheses about the Moderating Effects of Organizational Learning on the Relationship Between Organizational Culture and Organizational Performance

H12.2a: The relationship between market culture and overall performance is contingent upon organizational learning.

H12.2b: The relationship between market culture and comparative performance is contingent upon organizational learning.

H12.2c: The relationship between market culture and performance compared to objectives is contingent upon organizational learning.

H12.2d: The relationship between market culture and total perceived performance is contingent upon organizational learning.

H12.2e: The relationship between adhocracy culture and overall performance is contingent upon organizational learning.

H12.2f: The relationship between adhocracy culture and comparative performance is contingent upon organizational learning.

H12.2g: The relationship between adhocracy culture and performance compared to objectives is contingent upon organizational learning.

H12.2h: The relationship between adhocracy culture and total perceived performance is contingent upon organizational learning.

H12.2i: The relationship between hierarchy culture and overall performance is contingent upon organizational learning.

H12.2j: The relationship between hierarchy culture and comparative performance is contingent upon organizational learning.

H12.2k: The relationship between hierarchy culture and performance compared to objectives is contingent upon organizational learning.

H12.2l: The relationship between hierarchy culture and total perceived performance is contingent upon organizational learning.

H12.2m: The relationship between clan culture and overall performance is contingent upon organizational learning.

H12.2n: The relationship between clan culture and comparative performance is contingent upon organizational learning.

H12.2o: The relationship between clan culture and performance compared to objectives is contingent upon organizational learning.

H12.2p: The relationship between clan culture and total perceived performance is contingent upon organizational learning.

3.3.12.3. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Market Culture and Organizational Performance

H12.3a: The relationship between market culture and overall performance is contingent upon market turbulence.

H12.3b: The relationship between market culture and comparative performance is contingent upon market turbulence.

H12.3c: The relationship between market culture and performance compared to objectives is contingent upon market turbulence.

H12.3d: The relationship between market culture and total perceived performance is contingent upon market turbulence.

H12.3e: The relationship between market culture and overall performance is contingent upon competitive intensity.

H12.3f: The relationship between market culture and comparative performance is contingent competitive intensity.

H12.3g: The relationship between market culture and performance compared to objectives is contingent upon competitive intensity.

H12.3h: The relationship between market culture and total perceived performance is contingent upon competitive intensity.

H12.3i: The relationship between market culture and overall performance is contingent upon technological turbulence.

H12.3j: The relationship between market culture and comparative performance is contingent upon technological turbulence.

H12.3k: The relationship between market culture and performance compared to objectives is contingent upon technological turbulence.

H12.3l: The relationship between market culture and total perceived performance is contingent upon technological turbulence.

H12.3m: The relationship between market culture and overall performance is contingent upon market growth.

H12.3n: The relationship between market culture and comparative performance is contingent upon market growth.

H12.3o: The relationship between market culture and performance compared to objectives is contingent upon market growth.

H12.3p: The relationship between market culture and total perceived performance is contingent upon market growth.

3.3.12.4. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Adhocracy Culture and Organizational Performance

H12.4a: The relationship between adhocracy culture and overall performance is contingent upon market turbulence.

H12.4b: The relationship between adhocracy culture and comparative performance is contingent upon market turbulence.

H12.4c: The relationship between adhocracy culture and performance compared to objectives is contingent upon market turbulence.

H12.4d: The relationship between adhocracy culture and total perceived performance is contingent upon market turbulence.

H12.4e: The relationship between adhocracy culture and overall performance is contingent upon competitive intensity.

H12.4f: The relationship between adhocracy culture and comparative performance is contingent competitive intensity.

H12.4g: The relationship between adhocracy culture and performance compared to objectives is contingent upon competitive intensity.

H12.4h: The relationship between adhocracy culture and total perceived performance is contingent upon competitive intensity.

H12.4i: The relationship between adhocracy culture and overall performance is contingent upon technological turbulence.

H12.4j: The relationship between adhocracy culture and comparative performance is contingent upon technological turbulence.

H12.4k: The relationship between adhocracy culture and performance compared to objectives is contingent upon technological turbulence.

H12.4l: The relationship between adhocracy culture and total perceived performance is contingent upon technological turbulence.

H12.4m: The relationship between adhocracy culture and overall performance is contingent upon market growth.

H12.4n: The relationship between adhocracy culture and comparative performance is contingent upon market growth.

H12.4o: The relationship between adhocracy culture and performance compared to objectives is contingent upon market growth.

H12.4p: The relationship between adhocracy culture and total perceived performance is contingent upon market growth.

3.3.12.5. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Hierarchy Culture and Organizational Performance

H12.5a: The relationship between hierarchy culture and overall performance is contingent upon market turbulence.

H12.5b: The relationship between hierarchy culture and comparative performance is contingent upon market turbulence.

H12.5c: The relationship between hierarchy culture and performance compared to objectives is contingent upon market turbulence.

H12.5d: The relationship between hierarchy culture and total perceived performance is contingent upon market turbulence.

H12.5e: The relationship between hierarchy culture and overall performance is contingent upon competitive intensity.

H12.5f: The relationship between hierarchy culture and comparative performance is contingent competitive intensity.

H12.5g: The relationship between hierarchy culture and performance compared to objectives is contingent upon competitive intensity.

H12.5h: The relationship between hierarchy culture and total perceived performance is contingent upon competitive intensity.

H12.5i: The relationship between hierarchy culture and overall performance is contingent upon technological turbulence.

H12.5j: The relationship between hierarchy culture and comparative performance is contingent upon technological turbulence.

H12.5k: The relationship between hierarchy culture and performance compared to objectives is contingent upon technological turbulence.

H12.5l: The relationship between hierarchy culture and total perceived performance is contingent upon technological turbulence.

H12.5m: The relationship between hierarchy culture and overall performance is contingent upon market growth.

H12.5n: The relationship between hierarchy culture and comparative performance is contingent upon market growth.

H12.5o: The relationship between hierarchy culture and performance compared to objectives is contingent upon market growth.

H12.5p: The relationship between hierarchy culture and total perceived performance is contingent upon market growth.

3.3.12.6. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Clan Culture and Organizational Performance

H12.6a: The relationship between clan culture and overall performance is contingent upon market turbulence.

H12.6b: The relationship between clan culture and comparative performance is contingent upon market turbulence.

H12.6c: The relationship between clan culture and performance compared to objectives is contingent upon market turbulence.

H12.6d: The relationship between clan culture and total perceived performance is contingent upon market turbulence.

H12.6e: The relationship between clan culture and overall performance is contingent upon competitive intensity.

H12.6f: The relationship between clan culture and comparative performance is contingent competitive intensity.

H12.6g: The relationship between clan culture and performance compared to objectives is contingent upon competitive intensity.

H12.6h: The relationship between clan culture and total perceived performance is contingent upon competitive intensity.

H12.6i: The relationship between clan culture and overall performance is contingent upon technological turbulence.

H12.6j: The relationship between clan culture and comparative performance is contingent upon technological turbulence.

H12.6k: The relationship between clan culture and performance compared to objectives is contingent upon technological turbulence.

H12.6l: The relationship between clan culture and total perceived performance is contingent upon technological turbulence.

H12.6m: The relationship between clan culture and overall performance is contingent upon market growth.

H12.6n: The relationship between clan culture and comparative performance is contingent upon market growth.

H12.6o: The relationship between clan culture and performance compared to objectives is contingent upon market growth.

H12.6p: The relationship between clan culture and total perceived performance is contingent upon market growth.

3.3.13. Hypotheses about the Relationship Between Organizational Capabilities and Organizational Performance

This section gives the hypotheses about the relationship between organizational capabilities (outside-in, inside-out and spanning capabilities) and organizational performance.

3.3.13.1. Hypotheses about the Relationship Between Outside-In Capabilities and Organizational Performance

H13.1a: The more excelled a firm's outside-in capabilities, the higher is its overall performance.

H13.1b: The more excelled a firm's outside-in capabilities, the higher is its comparative performance.

H13.1c: The more excelled a firm's outside-in capabilities, the higher is its performance compared to objectives.

H13.1d: The more excelled a firm's outside-in capabilities, the higher is its total perceived performance.

3.3.13.2. Hypotheses about the Relationship Between Inside-Out Capabilities and Organizational Performance

H13.2a: The more excelled a firm's inside-out capabilities, the higher is its overall performance.

H13.2b: The more excelled a firm's inside-out capabilities, the higher is its comparative performance.

H13.2c: The more excelled a firm's inside-out capabilities, the higher is its performance compared to objectives.

H13.2d: The more excelled a firm's inside-out capabilities, the higher is its total perceived performance.

3.3.13.3. Hypotheses about the Relationship Between Spanning Capabilities and Organizational Performance

H13.3a: The more excelled a firm's spanning capabilities, the higher is its overall performance.

H13.3b: The more excelled a firm's spanning capabilities, the higher is its comparative performance.

H13.3c: The more excelled a firm's spanning capabilities, the higher is its performance compared to objectives.

H13.3d: The more excelled a firm's spanning capabilities, the higher is its total perceived performance.

3.3.14. Hypotheses about the Relationship Between Organizational Capabilities and Employee Responses

This section gives the hypotheses about the relationship between organizational capabilities (outside-in, inside-out and spanning) and employee responses.

3.3.14.1. Hypotheses about the Relationship Between Outside-In Capabilities and Employee Responses

H.14.1a: The more excellent a firm's outside-in capabilities, the more favorable will be the responses of employees.

H14.1b: The more excellent a firm's outside-in capabilities, the higher will be the organizational commitment.

H14.1c: The more excellent a firm's outside-in capabilities, the higher will be the esprit de corps.

3.3.14.2. Hypotheses about the Relationship Between Inside-Out Capabilities and Employee Responses

H14.2a: The more excellent a firm's inside-out capabilities, the more favorable will be the responses of employees.

H14.2b: The more excellent a firm's inside-out capabilities, the higher will be the organizational commitment.

H14.2c: The more excellent a firm's inside-out capabilities, the higher will be the esprit de corps.

3.3.14.3. Hypotheses about the Relationship Between Spanning Capabilities and Employee Responses

H14.3a: The more excellent a firm's spanning capabilities, the more favorable will be the responses of employees.

H14.3b: The more excelled a firm's spanning capabilities, the higher will be the organizational commitment.

H14.3c: The more excelled a firm's spanning capabilities, the higher will be the esprit de corps.

3.3.15. Hypotheses about the Relationship Between Organizational Capabilities and Customer Responses

This section gives the hypotheses about the relationship between organizational capabilities (outside-in, inside-out and spanning) and customer responses.

H15a: The more excelled a firm's outside-in capabilities, the higher will be the customer satisfaction.

H15b: The more excelled a firm's inside-out capabilities, the higher will be the customer satisfaction.

H15c: The more excelled a firm's spanning capabilities, the higher will be the customer satisfaction.

3.3.16. Hypotheses about the Moderators of the Relationship Between Organizational Capabilities and Organizational Performance

This section will present the hypotheses about the moderating effects of organizational innovation, organizational learning and market-related factors on the relationship between organizational capabilities and organizational performance.

3.3.16.1. Hypotheses about the Moderating Effects of Organizational Innovation on the Relationship Between Organizational Capabilities and Organizational Performance

H16.1a: The relationship between a firm's outside-in capabilities and its overall performance is contingent upon organizational innovation.

H16.1b: The relationship between a firm's outside-in capabilities and its comparative performance is contingent upon organizational innovation.

H16.1c: The relationship between a firm's outside-in capabilities and its performance compared to objectives is contingent upon organizational innovation.

H16.1d: The relationship between a firm's outside-in capabilities and its total perceived performance is contingent upon organizational innovation.

H16.1e: The relationship between a firm's inside-out capabilities and its overall performance is contingent upon organizational innovation.

H16.1f: The relationship between a firm's inside-out capabilities and its comparative performance is contingent upon organizational innovation.

H16.1g: The relationship between a firm's inside-out capabilities and its performance compared to objectives is contingent upon organizational innovation.

H16.1h: The relationship between a firm's inside-out capabilities and its total perceived performance is contingent upon organizational innovation.

H16.1i: The relationship between a firm's spanning capabilities and its overall performance is contingent upon organizational innovation.

H16.1j: The relationship between a firm's spanning capabilities and its comparative performance is contingent upon organizational innovation.

H16.1k: The relationship between a firm's spanning capabilities and its performance compared to objectives is contingent upon organizational innovation.

H16.11: The relationship between a firm's spanning capabilities and its total perceived performance is contingent upon organizational innovation.

3.3.16.2. Hypotheses about the Moderating Effects of Organizational Learning on the Relationship Between Organizational Capabilities and Organizational Performance

H16.2a: The relationship between a firm's outside-in capabilities and its overall performance is contingent upon organizational learning.

H16.2b: The relationship between a firm's outside-in capabilities and its comparative performance is contingent upon organizational learning.

H16.2c: The relationship between a firm's outside-in capabilities and its performance compared to objectives is contingent upon organizational learning.

H16.2d: The relationship between a firm's outside-in capabilities and its total perceived performance is contingent upon organizational learning.

H16.2e: The relationship between a firm's inside-out capabilities and its overall performance is contingent upon organizational learning.

H16.2f: The relationship between a firm's inside-out capabilities and its comparative performance is contingent upon organizational learning.

H16.2g: The relationship between a firm's inside-out capabilities and its performance compared to objectives is contingent upon organizational learning.

H16.2h: The relationship between a firm's inside-out capabilities and its total perceived performance is contingent upon organizational learning.

H16.2i: The relationship between a firm's spanning capabilities and its overall performance is contingent upon organizational learning.

H16.2j: The relationship between a firm's spanning capabilities and its comparative performance is contingent upon organizational learning.

H16.2k: The relationship between a firm's spanning capabilities and its performance compared to objectives is contingent upon organizational learning.

H16.2l: The relationship between a firm's spanning capabilities and its total perceived performance is contingent upon organizational learning.

3.3.16.3. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Outside-In Capabilities and Organizational Performance

H16.3a: The relationship between a firm's outside-in capabilities and its overall performance is contingent upon market turbulence.

H16.3b: The relationship between a firm's outside-in capabilities and its comparative performance is contingent upon market turbulence.

H16.3c: The relationship between a firm's outside-in capabilities and its performance compared to objectives is contingent upon market turbulence.

H16.3d: The relationship between a firm's outside-in capabilities and its total perceived performance is contingent upon market turbulence.

H16.3e: The relationship between a firm's outside-in capabilities and its overall performance is contingent upon competitive intensity.

H16.3f: The relationship between a firm's outside-in capabilities and its comparative performance is contingent competitive intensity.

H16.3g: The relationship between a firm's outside-in capabilities and its performance compared to objectives is contingent upon competitive intensity.

H16.3h: The relationship between a firm's outside-in capabilities and its total perceived performance is contingent upon competitive intensity.

H16.3i: The relationship between a firm's outside-in capabilities and its overall performance is contingent upon technological turbulence.

H16.3j: The relationship between a firm's outside-in capabilities and its comparative performance is contingent upon technological turbulence.

H16.3k: The relationship between a firm's outside-in capabilities and its performance compared to objectives is contingent upon technological turbulence.

H16.3l: The relationship between a firm's outside-in capabilities and its total perceived performance is contingent upon technological turbulence.

H16.3m: The relationship between a firm's outside-in capabilities and its overall performance is contingent upon market growth.

H16.3n: The relationship between a firm's outside-in capabilities and its comparative performance is contingent upon market growth.

H16.3o: The relationship between a firm's outside-in capabilities and its performance compared to objectives is contingent upon market growth.

H16.3p: The relationship between a firm's outside-in capabilities and its total perceived performance is contingent upon market growth.

3.3.16.4. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Inside-Out Capabilities and Organizational Performance

H16.4a: The relationship between a firm's inside-out capabilities and its overall performance is contingent upon market turbulence.

H16.4b: The relationship between a firm's inside-out capabilities and its comparative performance is contingent upon market turbulence.

H16.4c: The relationship between a firm's inside-out capabilities and its performance compared to objectives is contingent upon market turbulence.

H16.4d: The relationship between a firm's inside-out capabilities and its total perceived performance is contingent upon market turbulence.

H16.4e: The relationship between a firm's inside-out capabilities and its overall performance is contingent upon competitive intensity.

H16.4f: The relationship between a firm's inside-out capabilities and its comparative performance is contingent competitive intensity.

H16.4g: The relationship between a firm's inside-out capabilities and its performance compared to objectives is contingent upon competitive intensity.

H16.4h: The relationship between a firm's inside-out capabilities and its total perceived performance is contingent upon competitive intensity.

H16.4i: The relationship between a firm's inside-out capabilities and its overall performance is contingent upon technological turbulence.

H16.4j: The relationship between a firm's inside-out capabilities and its comparative performance is contingent upon technological turbulence.

H16.4k: The relationship between a firm's inside-out capabilities and its performance compared to objectives is contingent upon technological turbulence.

H16.4l: The relationship between a firm's inside-out capabilities and its total perceived performance is contingent upon technological turbulence.

H16.4m: The relationship between a firm's inside-out capabilities and its overall performance is contingent upon market growth.

H16.4n: The relationship between a firm's inside-out capabilities and its comparative performance is contingent upon market growth.

H16.4o: The relationship between a firm's inside-out capabilities and its performance compared to objectives is contingent upon market growth.

H16.4p: The relationship between a firm's inside-out capabilities and its total perceived performance is contingent upon market growth.

3.3.16.5. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Spanning Capabilities and Organizational Performance

H16.5a: The relationship between a firm's spanning capabilities and its overall performance is contingent upon market turbulence.

H16.5b: The relationship between a firm's spanning capabilities and its comparative performance is contingent upon market turbulence.

H16.5c: The relationship between a firm's spanning capabilities and its performance compared to objectives is contingent upon market turbulence.

H16.5d: The relationship between a firm's spanning capabilities and its total perceived performance is contingent upon market turbulence.

H16.5e: The relationship between a firm's spanning capabilities and its overall performance is contingent upon competitive intensity.

H16.5f: The relationship between a firm's spanning capabilities and its comparative performance is contingent upon competitive intensity.

H16.5g: The relationship between a firm's spanning capabilities and its performance compared to objectives is contingent upon competitive intensity.

H16.5h: The relationship between a firm's spanning capabilities and its total perceived performance is contingent upon competitive intensity.

H16.5i: The relationship between a firm's spanning capabilities and its overall performance is contingent upon technological turbulence.

H16.5j: The relationship between a firm's spanning capabilities and its comparative performance is contingent upon technological turbulence.

H16.5k: The relationship between a firm's spanning capabilities and its performance compared to objectives is contingent upon technological turbulence.

H16.5l: The relationship between a firm's spanning capabilities and its total perceived performance is contingent upon technological turbulence.

H16.5m: The relationship between a firm's spanning capabilities and its overall performance is contingent upon market growth.

H16.5n: The relationship between a firm's spanning capabilities and its comparative performance is contingent upon market growth.

H16.5o: The relationship between a firm's spanning capabilities and its performance compared to objectives is contingent upon market growth.

H16.5p: The relationship between a firm's spanning capabilities and its total perceived performance is contingent upon market growth.

3.3.17. Hypotheses about the Relationship Between Organizational Form and Organizational Performance

This section gives the hypotheses about the relationship between organizational form (hierarchical, transactional, relational, network) and organizational performance.

3.3.17.1. Hypotheses about the Relationship Between Hierarchical Form and Organizational Performance

H17.1a: The more hierarchical a firm's organizational form, the higher is its overall performance.

H17.1b: The more hierarchical a firm's organizational form, the higher is its comparative performance.

H17.1c: The more hierarchical a firm's organizational form, the higher is its performance compared to objectives.

H17.1d: The more hierarchical a firm's organizational form, the higher is its total perceived performance.

3.3.17.2. Hypotheses about the Relationship Between Transactional Form and Organizational Performance

H17.2a: The more transactional a firm's organizational form, the higher is its overall performance.

H17.2b: The more transactional a firm's organizational form, the higher is its comparative performance.

H17.2c: The more transactional a firm's organizational form, the higher is its performance compared to objectives.

H17.2d: The more transactional a firm's organizational form, the higher is its total perceived performance.

3.3.17.3. Hypotheses about the Relationship Between Relational Form and Organizational Performance

H17.3a: The more relational a firm's organizational form, the higher is its overall performance.

H17.3b: The more relational a firm's organizational form, the higher is its comparative performance.

H17.3c: The more relational a firm's organizational form, the higher is its performance compared to objectives.

H17.3d: The more relational a firm's organizational form, the higher is its total perceived performance.

3.3.17.4. Hypotheses about the Relationship Between Network Form and Organizational Performance

H17.4a: The more network a firm's organizational form, the higher is its overall performance.

H17.4b: The more network a firm's organizational form, the higher is its comparative performance.

H17.4c: The more network a firm's organizational form, the higher is its performance compared to objectives.

H17.4d: The more network a firm's organizational form, the higher is its total perceived performance.

3.3.18. Hypotheses about the Relationship Between Organizational Form and Employee Responses

This section gives the hypotheses about the relationship between organizational form (hierarchical, transactional, relational, network) and employee responses.

3.3.18.1. Hypotheses about the Relationship Between Hierarchical Form and Employee Responses

H18.1a: The more hierarchical a firm's organizational form, the more favorable will be the responses of employees.

H18.1b: The more hierarchical a firm's organizational form, the higher will be the organizational commitment.

H18.1c: The more hierarchical a firm's organizational form, the higher will be the esprit de corps.

3.3.18.2. Hypotheses about the Relationship Between Transactional Form and Employee Responses

H18.2a: The more transactional a firm's organizational form, the more favorable will be the responses of employees.

H18.2b: The more transactional a firm's organizational form, the higher will be the organizational commitment.

H18.2c: The more transactional a firm's organizational form, the higher will be the esprit de corps.

3.3.18.3. Hypotheses about the Relationship Between Relational Form and Employee Responses

H18.3a: The more relational a firm's organizational form, the more favorable will be the responses of employees.

H18.3b: The more relational a firm's organizational form, the higher will be the organizational commitment.

H18.3c: The more relational a firm's organizational form, the higher will be the esprit de corps.

3.3.18.4. Hypotheses about the Relationship Between Network Form and Employee Responses

H18.4a: The more network a firm's organizational form, the more favorable will be the responses of employees.

H18.4b: The more network a firm's organizational form, the higher will be the organizational commitment.

H18.4c: The more network a firm's organizational form, the higher will be the esprit de corps.

3.3.19. Hypotheses about the Relationship Between Organizational Form and Customer Responses

This section gives the hypotheses about the relationship between organizational form (hierarchical, transactional, relational, network) and customer responses.

H19a: The more hierarchical a firm's organizational form, the higher will be the customer satisfaction.

H19b: The more transactional a firm's organizational form, the higher will be the customer satisfaction.

H19c: The more relational a firm's organizational form, the higher will be the customer satisfaction.

H19d: The more network a firm's organizational form, the higher will be the customer satisfaction.

3.3.20. Hypotheses about the Moderators of the Relationship Between Organizational Form and Organizational Performance

This section will present the hypotheses about the moderating effects of organizational innovation, organizational learning and market-related factors on the relationship between organizational form and organizational performance.

3.3.20.1. Hypotheses about the Moderating Effects of Organizational Innovation on the Relationship Between Organizational Forms and Organizational Performance

H20.1a: The relationship between hierarchical form and overall performance is contingent upon organizational innovation.

H20.1b: The relationship between hierarchical form and comparative performance is contingent upon organizational innovation.

H20.1c: The relationship between hierarchical form and performance compared to objectives is contingent upon organizational innovation.

H20.1d: The relationship between hierarchical form and total perceived performance is contingent upon organizational innovation.

H20.1e: The relationship between transactional form and overall performance is contingent upon organizational innovation.

H20.1f: The relationship between transactional form and comparative performance is contingent upon organizational innovation.

H20.1g: The relationship between transactional form and performance compared to objectives is contingent upon organizational innovation.

H20.1h: The relationship between transactional form and total perceived performance is contingent upon organizational innovation.

H20.1i: The relationship between relational form and overall performance is contingent upon organizational innovation.

H20.1j: The relationship between relational form and comparative performance is contingent upon organizational innovation.

H20.1k: The relationship between relational form and performance compared to objectives is contingent upon organizational innovation.

H20.1l: The relationship between relational form and total perceived performance is contingent upon organizational innovation.

H20.1m: The relationship between network form and overall performance is contingent upon organizational innovation.

H20.1n: The relationship between network form and comparative performance is contingent upon organizational innovation.

H20.1o: The relationship between network form and performance compared to objectives is contingent upon organizational innovation.

H20.1p: The relationship between network form and total perceived performance is contingent upon organizational innovation.

3.3.20.2. Hypotheses about the Moderating Effects of Organizational Learning on the Relationship Between Organizational Form and Organizational Performance

H20.2a: The relationship between hierarchical form and overall performance is contingent upon organizational learning.

H20.2b: The relationship between hierarchical form and comparative performance is contingent upon organizational learning.

H20.2c: The relationship between hierarchical form and performance compared to objectives is contingent upon organizational learning.

H20.2d: The relationship between hierarchical form and total perceived performance is contingent upon organizational learning.

H20.2e: The relationship between transactional form and overall performance is contingent upon organizational learning.

H20.2f: The relationship between transactional form and comparative performance is contingent upon organizational learning.

H20.2g: The relationship between transactional form and performance compared to objectives is contingent upon organizational learning.

H20.2h: The relationship between transactional form and total perceived performance is contingent upon organizational learning.

H20.2i: The relationship between relational form and overall performance is contingent upon organizational learning.

H20.2j: The relationship between relational form and comparative performance is contingent upon organizational learning.

H20.2k: The relationship between relational form and performance compared to objectives is contingent upon organizational learning.

H20.2l: The relationship between relational form and total perceived performance is contingent upon organizational learning.

H20.2m: The relationship between network form and overall performance is contingent upon organizational learning.

H20.2n: The relationship between network form and comparative performance is contingent upon organizational learning.

H20.2o: The relationship between network form and performance compared to objectives is contingent upon organizational learning.

H20.2p: The relationship between network form and total perceived performance is contingent upon organizational learning.

3.3.20.3. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Hierarchical Form and Organizational Performance

H20.3a: The relationship between hierarchical form and overall performance is contingent upon market turbulence.

H20.3b: The relationship between hierarchical form and comparative performance is contingent upon market turbulence.

H20.3c: The relationship between hierarchical form and performance compared to objectives is contingent upon market turbulence.

H20.3d: The relationship between hierarchical form and total perceived performance is contingent upon market turbulence.

H20.3e: The relationship between hierarchical form and overall performance is contingent upon competitive intensity.

H20.3f: The relationship between hierarchical form and comparative performance is contingent competitive intensity.

H20.3g: The relationship between hierarchical form and performance compared to objectives is contingent upon competitive intensity.

H20.3h: The relationship between hierarchical form and total perceived performance is contingent upon competitive intensity.

H20.3i: The relationship between hierarchical form and overall performance is contingent upon technological turbulence.

H20.3j: The relationship between hierarchical form and comparative performance is contingent upon technological turbulence.

H20.3k: The relationship between hierarchical form and performance compared to objectives is contingent upon technological turbulence.

H20.3l: The relationship between hierarchical form and total perceived performance is contingent upon technological turbulence.

H20.3m: The relationship between hierarchical form and overall performance is contingent upon market growth.

H20.3n: The relationship between hierarchical form and comparative performance is contingent upon market growth.

H20.3o: The relationship between hierarchical form and performance compared to objectives is contingent upon market growth.

H20.3p: The relationship between hierarchical form and total perceived performance is contingent upon market growth.

3.3.20.4. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Transactional Form and Organizational Performance

H20.4a: The relationship between transactional form and overall performance is contingent upon market turbulence.

H20.4b: The relationship between transactional form and comparative performance is contingent upon market turbulence.

H20.4c: The relationship between transactional form and performance compared to objectives is contingent upon market turbulence.

H20.4d: The relationship between transactional form and total perceived performance is contingent upon market turbulence.

H20.4e: The relationship between transactional form and overall performance is contingent upon competitive intensity.

H20.4f: The relationship between transactional form and comparative performance is contingent competitive intensity.

H20.4g: The relationship between transactional form and performance compared to objectives is contingent upon competitive intensity.

H20.4h: The relationship between transactional form and total perceived performance is contingent upon competitive intensity.

H20.4i: The relationship between transactional form and overall performance is contingent upon technological turbulence.

H20.4j: The relationship between transactional form and comparative performance is contingent upon technological turbulence.

H20.4k: The relationship between transactional form and performance compared to objectives is contingent upon technological turbulence.

H20.4i: The relationship between transactional form and total perceived performance is contingent upon technological turbulence.

H20.4m: The relationship between transactional form and overall performance is contingent upon market growth.

H20.4n: The relationship between transactional form and comparative performance is contingent upon market growth.

H20.4o: The relationship between transactional form and performance compared to objectives is contingent upon market growth.

H20.4p: The relationship between transactional form and total perceived performance is contingent upon market growth.

3.3.20.5. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Relational Form and Organizational Performance

H20.5a: The relationship between relational form and overall performance is contingent upon market turbulence.

H20.5b: The relationship between relational form and comparative performance is contingent upon market turbulence.

H20.5c: The relationship between relational form and performance compared to objectives is contingent upon market turbulence.

H20.5d: The relationship between relational form and total perceived performance is contingent upon market turbulence.

H20.5e: The relationship between relational form and overall performance is contingent upon competitive intensity.

H20.5f: The relationship between relational form and comparative performance is contingent upon competitive intensity.

H20.5g: The relationship between relational form and performance compared to objectives is contingent upon competitive intensity.

H20.5h: The relationship between relational form and total perceived performance is contingent upon competitive intensity.

H20.5i: The relationship between relational form and overall performance is contingent upon technological turbulence.

H20.5j: The relationship between relational form and comparative performance is contingent upon technological turbulence.

H20.5k: The relationship between relational form and performance compared to objectives is contingent upon technological turbulence.

H20.5l: The relationship between relational form and total perceived performance is contingent upon technological turbulence.

H20.5m: The relationship between relational form and overall performance is contingent upon market growth.

H20.5n: The relationship between relational form and comparative performance is contingent upon market growth.

H20.5o: The relationship between relational form and performance compared to objectives is contingent upon market growth.

H20.5p: The relationship between relational form and total perceived performance is contingent upon market growth.

3.3.20.6. Hypotheses about the Moderating Effects of Market-Related Factors on the Relationship Between Network Form and Organizational Performance

H20.6a: The relationship between network form and overall performance is contingent upon market turbulence.

H20.6b: The relationship between network form and comparative performance is contingent upon market turbulence.

H20.6c: The relationship between network form and performance compared to objectives is contingent upon market turbulence.

H20.6d: The relationship between network form and total perceived performance is contingent upon market turbulence.

H20.6e: The relationship between network form and overall performance is contingent upon competitive intensity.

H20.6f: The relationship between network form and comparative performance is contingent upon competitive intensity.

H20.6g: The relationship between network form and performance compared to objectives is contingent upon competitive intensity.

H20.6h: The relationship between network form and total perceived performance is contingent upon competitive intensity.

H20.6i: The relationship between network form and overall performance is contingent upon technological turbulence.

H20.6j: The relationship between network form and comparative performance is contingent upon technological turbulence.

H20.6k: The relationship between network form and performance compared to objectives is contingent upon technological turbulence.

H20.6l: The relationship between network form and total perceived performance is contingent upon technological turbulence.

H20.6m: The relationship between network form and overall performance is contingent upon market growth.

H20.6n: The relationship between network form and comparative performance is contingent upon market growth.

H20.6o: The relationship between network form and performance compared to objectives is contingent upon market growth.

H20.6p: The relationship between network form and total perceived performance is contingent upon market growth.

3.3.21. Hypotheses About the Moderators of the Study and Organizational Performance

This section will present the hypotheses about organizational innovation, organizational learning, market turbulence, competitive intensity, technological turbulence, market growth and performance measures.

3.3.21.1. Hypotheses About the Relationships Between Organizational Innovation and Performance Measures

H21.1a: The greater the organizational innovation of a firm, the higher will be its overall performance

H21.1b: The greater the organizational innovation of a firm, the higher will be its comparative performance

H21.1c: The greater the organizational innovation of a firm, the higher will be its performance compared to objectives

H21.1d: The greater the organizational innovation of a firm, the higher will be its total perceived performance

3.3.21.2. Hypotheses About the Relationships Between Organizational Learning and Performance Measures

H21.2a: The greater the organizational learning in a firm, the higher will be its overall performance

H21.2b: The greater the organizational learning in a firm, the higher will be its comparative performance

H21.2c: The greater the organizational learning in a firm, the higher will be its performance compared to objectives

H21.2d: The greater the organizational learning in a firm, the higher will be its total perceived performance

3.3.21.3. Hypotheses About the Relationships Between Market Turbulence and Performance Measures

H21.3a: The greater the market turbulence, the higher will be the firm's overall performance

H21.3b: The greater the market turbulence, the higher will be firm's comparative performance

H21.3c: The greater the market turbulence, the higher will be firm's performance compared to objectives

H21.3d: The greater the market turbulence, the higher will be firm's total perceived performance

3.3.21.4. Hypotheses About the Relationships Between Competitive Intensity and Performance Measures

H21.4a: The greater the competitive intensity, the higher will be the firm's overall performance

H21.4b: The greater the competitive intensity, the higher will be firm's comparative performance

H21.4c: The greater the competitive intensity, the higher will be firm's performance compared to objectives

H21.4d: The greater the competitive intensity, the higher will be firm's total perceived performance

3.3.21.5. Hypotheses About the Relationships Between Technological Turbulence and Performance Measures

H21.5a: The greater the technological turbulence, the higher will be the firm's overall performance

H21.5b: The greater the technological turbulence, the higher will be firm's comparative performance

H21.5c: The greater the technological turbulence, the higher will be firm's performance compared to objectives

H21.5d: The greater the technological turbulence, the higher will be firm's total perceived performance

3.3.21.6. Hypotheses About the Relationships Between Market Growth and Performance Measures

H21.6a: The greater the market growth, the higher will be the firm's overall performance

H21.6b: The greater the market growth, the higher will be firm's comparative performance

H21.6c: The greater the market growth, the higher will be firm's performance compared to objectives

H21.6d: The greater the market growth, the higher will be firm's total perceived performance

IV. RESEARCH DESIGN AND METHODOLOGY

This chapter will discuss the research design and methodology that have been utilized for the empirical study. Specifically, type of investigation, data collection method, sampling procedure and methods of analysis will be presented in detail. Limitations of the study will also be discussed.

4.1. Type of Investigation

This thesis addresses the following research questions:

- 1- What is the relationship between each of the organizational dimensions of organizational orientation, strategic orientation, organizational culture, organizational capabilities, organizational form and the consequences created by these dimensions; namely, organizational performance, employee responses and customer responses?
- 2- What is the relationship between organizational innovation, organizational learning, market turbulence, competitive intensity, technological turbulence, market growth and organizational performance?
- 3- Is the relationship between organizational dimensions (organizational orientation, strategic orientation, organizational culture, organizational capabilities and organizational form) and organizational performance moderated by organizational innovation and organizational learning?
- 4- Is the relationship between organizational dimensions (organizational orientation, strategic orientation, organizational culture, organizational capabilities and organizational form) organizational performance moderated by market related factors, namely by market turbulence, competitive intensity, technological turbulence and market growth?

This section will cover the details of the investigation conducted to answer the research questions presented above.

4.1.1. Type of Data

In this research, primary data were collected through questionnaires that are administered to managers of strategic business units. The questionnaire is undisguised –respondents were informed about the purpose of the study- and structured –the same questionnaire is administered to every respondent.

A thorough literature review has been conducted about the topics that constitute the scope of this study. This literature survey laid the ground for the formulation of the basic dimensions of this research. Also, the questionnaire has been composed by taking the previous researched conducted on the topics of interest into consideration. So it can be asserted that secondary data have been utilized in order to construct the basic structure of this research.

4.1.2. Type of Design

The study conducted has the characteristics of descriptive type of research design since the main objective of this thesis is to obtain a complete understanding of the relevant variables affecting marketing in an organizational setting and to identify and understand the effects of these variables on certain dependent variables together with the identification of the moderating factors affecting the relationships between the chosen independent and dependent variables.

4.1.3. Study Setting

The respondents have filled the questionnaires during their office hours and in their offices. This is a natural setting for the respondents and since the study is conducted in such a natural setting, it can be asserted that the type of the study setting is a field study.

4.1.4. Time Horizon

This study is designed as a cross-sectional study. Cross-sectional studies provide a snapshot of the variables of interest at a single point in time and the sample of elements is typically selected to be representative of some known universe. In contrast a longitudinal study provides a series of pictures that, when pieced together, provide a movie of the situation and the changes that are occurring (Churchill and Iacobucci 2004).

4.2. Data Collection Method

The data collection instrument utilized in this research is a structured and undisguised questionnaire. The questionnaire is structured because the questions are presented with exactly the same wording and in exactly the same order to all respondents. The reason behind the standardization of the questionnaires is to ensure that all respondents are replying to the same question. On the other hand, the questionnaire is undisguised since the respondents were informed about the purpose of the study and also the purpose of the research is made obvious by the questions posed. Structured-undisguised questionnaire format is preferred because this type of questionnaire is simple to administer and easy to tabulate and analyze (Churchill and Iacobucci 2004).

As in all typical structured-undisguised questionnaires where responses as well as the questions are standardized, fixed-alternative questions are mostly used in this questionnaire. The fixed-alternative questions are reliable for several reasons. First, the frame of reference is often obvious from the alternatives. Providing alternative responses also often helps to make the question clear. Providing the dimensions in which to frame the reply helps to ensure the reliability of the question. Churchill and Iacobucci (2004) indicate that the reliability of fixed-alternative questions is sometimes associated with the loss of validity, as the answers are not accurately reflect the true state of affairs. Moreover, fixed alternative responses may lower validity when the response categories themselves introduce bias. So, in fixed-alternative questions, the alternatives must adequately cover the range of probable replies. The fixed-alternative questions are most productive when possible replies are well-known, limited in number, and clear-cut. Thus, they are appropriate for securing factual information and for eliciting expressions of opinion about issues on which people hold clear opinions (Churchill and Iacobucci 2004).

Method of administration is self-administered mail questionnaire. The questionnaires are given to the respondents and the respondents completed the questionnaires later in private and send/mailed it back to the author.

4.2.1. The Initial Questionnaire

There are a few differences between the initial proposed questionnaire and the one that is actually distributed to the respondents. These differences are:

- 1- In the initial questionnaire, market orientation construct was measured with the scale adopted from Jaworski and Kohli (1993). This scale operationalized

market orientation with 32 items, 10 of which pertain to intelligence generation, 8 of which pertain to intelligence dissemination, 7 of which pertain to response design and 7 of which pertain to response implementation. The respondents in the pilot study gave the feedback that the questionnaire is too lengthy making the concentration of the respondents lower through the end. The dissertation committee also made the same comment about the length of the questionnaire. Given these opinions, market orientation construct was measured with the scale adopted from Narver and Slater (1990) in the final questionnaire.

- 2- The scale to measure organizational form was developed by the author with descriptions adopted from Webster (1992) and Srivastava, Shervani and Fahey (1999). According to the original scale, 17 items have been developed to measure the four organizational forms that are the focus of this study. The dissertation committee proposed to combine these 17 items into 4 in order to give the definitions of the chosen forms more accurately and precisely. In the final questionnaire, each type of organizational form was operationalized by one item.
- 3- In the original questionnaire, business performance was measured by both subjective and objective methods. The subjective assessment contained questions about the business unit's overall performance and its performance with respect to major competitors, in other words comparative performance. With the suggestions of the dissertation committee, another subjective performance assessment method has been added to the final form of the questionnaire. This assessment refers to the performance of the business unit compared to strategic business unit's stated objectives.

- 4- Finally, specific questions about the business unit like the distribution of capital, method of information collection, number of employees working in the business unit have been added to the final form of the questionnaire with the feedbacks of the dissertation committee.

4.2.2. The Pilot Study

The questionnaire mostly utilized scales that are adaptations from several marketing researchers. The remaining scales were developed by the author with the descriptions taken from again several marketing scholars and with the suggestions of the advisors. This questionnaire has been given to 20 marketing and/or sales managers in several strategic business units. Some of the items in the scales were rephrased in order to achieve a better understanding of the questions for the respondents upon the comments of these managers at the end of the pilot study.

4.2.3. Reliability Analysis

Upon the completion of data collection, reliability analysis was run for the scales. As a result of the reliability analysis, each scale with Cronbach's alpha greater than 0.60 and with the error of Hotelling's T less than 0.05 at the same time was accepted. Results of the reliability analysis can be found in Table 4.1.

Table 4.1. Results of the Reliability Analysis

Scales	Cronbach's Alpha	Probability of Hotelling's T (error)	Cronbach's Alpha if item deleted	Deleted item number (variable number)	Result
Customer Orientation	0,837	0,000			Accept
Competitor Orientation	0,818	0,000			Accept
Interfunctional Coordination	0,679	0,000			Accept
Market Orientation	0,852	0,000			Accept
Organizational Orientation	0,718	0,000			Accept
Aggressiveness	0,835	0,000			Accept
Analysis	0,737	0,000			Accept
Defensiveness	0,551	0,000	0,679	Variable 29	Accept
Futurity	0,670	0,000			Accept
Proactiveness	0,675	0,000			Accept
Riskiness	0,719	0,000			Accept
Strategic Orientation	0,671	0,000			Accept
Organizational Culture - Clan	0,610	0,000			Accept
Organizational Culture - Adhocracy	0,694	0,000			Accept
Organizational Culture - Hierarchy	0,774	0,000			Accept
Organizational Culture - Market	0,605	0,000			Accept
Outside-In Capabilities	0,662	0,000			Accept
Inside-Out Capabilities	0,674	0,000			Accept
Spanning Capabilities	0,748	0,000			Accept
Organizational Capabilities	0,830	0,000			Accept
Organizational Form	0,181	0,061	0,291	Variable 67	Reject

Scales	Cronbach's Alpha	Probability of Hotelling's T (error)	Cronbach's Alpha if item deleted	Deleted item number (variable number)	Result
Organizational Innovation	0,705	0,000			Accept
Information Acquisition	0,677	0,000			Accept
Information Dissemination	0,585	0,000	0,633	Variable 81	Accept
Shared Interpretation	0,816	0,001			Accept
Organizational Learning	0,828	0,000			Accept
Market Turbulence	0,759	0,000			Accept
Competitive Intensity	0,857	0,000			Accept
Technological Turbulence	0,940	0,000			Accept
Market Related Factors	0,771	0,000			Accept
Organizational Commitment	0,768	0,000			Accept
Esprit de Corps	0,715	0,000			Accept
Employee Responses	0,833	0,000			Accept
Customer Satisfaction	0,832	0,000			Accept
Overall Subjective Performance	0,943	0,032			Accept
Performance Compared to Objectives	0,931	0,001			Accept
Comparative Performance	0,938	0,000			Accept
Total Perceived Performance	0,949	0,000			Accept

According to the reliability tests, one scale, namely organizational form scale has been rejected. Analysis with respect to organizational form will be done on item level. For the defensiveness scale, Cronbach's alpha increases to 0,679 from 0,551 when Variable 29 is deleted. Also for the information dissemination scale,

Cronbach's alpha increases to 0,633 from 0,585 when Variable 81 is deleted. The deleted items can be seen in Table 4.2.

Table 4.2. Deleted Items According to Cronbach's Alpha

Corresponding Scale	Deleted Variable
Defensiveness	We occasionally conduct significant modifications to manufacturing technology
Information Dissemination	Our strategic business unit does not put emphasis on multifunctional activities and discussions

4.2.4. The Final Questionnaire

The final questionnaire consisted of 150 questions. The operationalization of each of the variables is discussed in detail in the third chapter. In the final questionnaire, production, product and sales orientation were measured by the scales developed by the author with the descriptions adopted from Kotler (2002). Market orientation was measured with the scale adopted from Narver and Slater (1990). All of the dimensions of organizational orientation were measured by a 5 point Likert scale ranging from 'strongly disagree = 1' to 'strongly agree = 5'. Questions for strategic orientation were adapted from Morgan and Strong (1998) and measured by again a 5 point Likert scale ranging from 'strongly disagree = 1' to 'strongly agree = 5'.

Deshpande, Farley and Webster's (1993) scale was utilized for the measurement of organizational culture. A comparative rating scale where respondents distribute 100 points among description items was used. The scale for organizational capabilities was developed by the author with the items adopted from Day (1994). This is a 5 point rating scale where '1= Not important at all' and '5=Very important'. The scale

for organizational form is developed by the author with descriptions adopted from Webster (1992), Srivastava, Shervani and Fahey (1999). This is a 5 point Likert scale ranging from 'strongly disagree = 1' to 'strongly agree = 5'.

For organizational innovation, a rating scale ranging from '1=Never' to '5=Always' has been used and this scale is adopted from Deshpande and Farley (1999). Organizational learning was measured by a 5 point Likert scale ranging from 'strongly disagree = 1' to 'strongly agree = 5'. The scale for organizational learning is developed by the author with the descriptions taken from Hurley and Hult (1998) and Slater and Narver (1995).

Market turbulence, competitive intensity and technological turbulence were measured by the 5 point Likert scale ranging from 'strongly disagree = 1' to 'strongly agree = 5'. This scale is adopted from Jaworski and Kohli (1993). A rating scale developed by Avlonitis and Gounaris (1999) has been utilized for the measurement of market growth.

Organizational commitment and esprit de corps were measured by the 5 point Likert scale developed by Jaworski and Kohli (1993). This scale again ranges from 'strongly disagree = 1' to 'strongly agree = 5'. Customer satisfaction is measured with a rating scale developed by the author. In this scale, '0' denotes 'completely dissatisfied' and '100' denotes 'completely satisfied'.

Finally performance is assessed by both subjective and objective techniques. For the subjective part; overall performance is measured by a rating scale where '1=Poor'

and 5=Excellent'. This scale is adopted from Jaworski and Kohli (1993). Comparative performance is assessed by again a rating scale developed by the author with some of the items adopted from Vorhies, Harker and Rao (1999), Matzuno and Mentzer (2000) and Yalman (2003). For this scale, '1=Much worse than competition' and '5=Much better than competition'. Performance compared to objectives is measured by a rating scale adopted from Cavusgil and Zou (1994). In this rating scale 'Poor=1' and 'Excellent = 5'. Objective assessment of performance is measured by open-ended questions developed by author; Deshpande, Farley & Webster(1993); Deshpande & Farley (1999); Ruckert (1992); Jaworski&Kohli (1993); Narver&Slater (1990); Slater & Narver (1994); Greenley (1995a, 1995b); Hart & Diamantopoulos (1993), Yalman (2003). These questions are listed below:

- Total sales revenue
- Sales revenue growth
- Total profit
- Profit growth
- Market share
- Market share growth
- Total sale volume in units
- Unit sales growth
- Number of successful new products/services introduced
- Percentage of sales generated by new products/services

The questionnaire also contained questions about the business unit. Among these questions, products/brands of the business unit, number of full-time employees working in the business unit, title of the respondents in the business unit are assessed

by open-ended questions. Nominal scales were utilized for the questions regarding the sector of the business unit, business unit's served market, operation area of the business unit, number of full-time employees working in the company, and distribution of capital. Finally, method of information collection has been assessed by a multiple choice question.

4.3. The Sampling Procedure

In this section of research methodology, the sampling plan will be discussed in detail. The sampling plan consists of the sections of sampling unit, sampling method and sample size.

4.3.1. Sampling Unit

Strategic business unit is the level of analysis used in this research. A strategic business unit is an organizational unit with a defined business strategy and a manager with sales and profit responsibility (Narver and Slater 1990). Jaworski and Kohli (1993) and Narver and Slater (1990) used strategic business unit as the sampling unit in their researches.

Managers are the people in each strategic business unit who completed the questionnaires. They are marketing, sales, product/brand managers and also they can be assistant general managers. The questionnaires were submitted to these people with a cover letter explaining the purpose of the study. The executives were asked to answer the questions by taking into their strategic business unit's circumstances into account. The managers filled the questionnaire in the absence of the researcher; that is self administered mail questionnaire is the utilized method of administration.

4.3.2. Sampling Method

The sampling method used for this research is judgmental snowball sampling. This sample relies on the researcher's ability to locate an initial set of respondents with the desired characteristics. These individuals are then used as informants to identify others with the desired characteristics (Churchill and Iacobucci 2004). In this study, the researcher initially located an initial set of respondents with the desired characteristics. These characteristics include an understanding of the marketing and organizational constructs used in the study. These selected individuals were then used as key informants to identify others with the same desired characteristics.

Judgmental snowball sampling technique had to be preferred since the sampling unit is strategic business unit in this study. Having an access into these corporate units required such a sampling method.

After the identification of key informants by networking, the details of the questionnaires and how they should be conducted are explained to these people. The questionnaires are, then, given to the key informants. The number of questionnaires given to each key informant changes according to the number of respondents whom the key informant and the researcher judged to be eligible for the study. Follow-ups on these initial contact people were done by phone or e-mail. The respondents returned the questionnaires to the key informants and the key informants sent or mailed the filled questionnaires to the researcher.

4.3.3. Sample Size

One method to determine the size of the sample to employ is simply to use what others have used from similar studies in the past. According to this procedure, if the number of subgroup analyses are on the average like the one in this study and when the study is conducted on a regional base for companies, then the sample size can be between 200-500 (Sudman 1976).

The other method for determining the sample size is by the following formula:

$$n = z^2 \cdot \Pi \cdot (1-\Pi) / E^2$$

where;

n = Sample size

E = Standard error (precision)

Z = Z value corresponding 90 % confidence level

Π = Population proportion

By specifying standard error (E) as 0.05; confidence level as 90% and thereby the corresponding z value as 1.64, and by estimating the population proportion (Π) as 50%, the sample size becomes:

$$n = (1.64)^2 \cdot 0,5 \cdot 0,5 / (0.05)^2$$

$$n = 269$$

By taking both procedures into consideration, sample size is determined as 250 and therefore 250 respondents were contacted initially. From this 250 questionnaires, the total number of returned usable questionnaires were 152. The response rate for this study is 60.8%.

The error level with a sample of 152 becomes:

$$E = \sqrt{\frac{z^2 \cdot \Pi \cdot (1-\Pi)}{n}}$$

$$E = 0.067$$

The error level has increased to 0.067 from 0.05 with the sample of 152.

4.4. Methods of Analysis

In the analysis of data, SPSS For Windows Release 12.0 was used. The statistical analyses conducted are, Pearson Correlation, One-way ANOVA, t-tests, Fisher's Z-tests and multiple regression.

4.5. Limitations of the Study

Although this study has made several important contributions to the field, it is important to consider its limitations.

Most significantly, this study represents a cross-sectional approach to studying the concepts of organizational orientation, strategic orientation, organizational culture, organizational capabilities, organizational form, organizational learning and organizational innovation. Since these are all processes as discussed in the previous section, a survey methodology measuring these variables at a single point in time limits the conclusions about relationships in this setting. The need for a longitudinal approach is both a limitation of this study and signals a future research area.

Another limitation pertains to the nature of certain variables since, some of the measures employed were single-item ones. Production orientation, product

orientation, sales orientation, market growth, organizational form types are all assessed with single-item measures. Although these measures are found to successfully conceptualize the notions they are supposed to measure, repeating the research using multi-item measures could give more reliable measurements.

From a methodological point of view, data in this study were obtained from senior managers in each of the strategic business units. It would be useful to obtain a broader sample of managers and perhaps nonmanagers in strategic business units in future studies. This would minimize any potential bias in the data resulting from the level of the informants. As suggested by Jaworski and Kohli (1993), it can be interesting to compare perceptions of employees at different levels of a strategic business unit and account for differences in perceptions. Another methodological concern is related with the measurement of contingency factors. Moderating effects were assessed by Fisher's Z-tests since some of the variables are not normally-distributed. For establishing the moderating effects, conducting moderated regression analysis can give sound results.

The sample of this study consisted of firms 64.5% of which is in the consumer goods sector, and 77.6% of which has employees more than 750. Although due to the multi-industry nature of this study, industry specific effects are assumed to be at limited levels, these proportions can lead to biased findings due to the majority of certain industries and certain firm sizes.

Despite these limitations, this study presents a thorough and detailed literature review on organizational orientation, strategic orientation, organizational culture,

organizational capabilities, organizational form, organizational learning and organizational innovation, market-related factors, performance, employee responses and customer satisfaction. It contributes to existing literature in terms of methodology, new moderating variables and the validation of the scales.