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Marketing management in Australasia

Guest Editor
Aron O'Cass

CONTENTS

CONTENTS
continued

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European Journal of Marketing,
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p. 344

0309-0566

Examining firm and environmental influences on export marketing mix strategy and export performance of Australian exporters

Aron O'Cass and Craig Julian

Keywords Export, Marketing, Performance, Marketing mix, Strategy, Australia

This study examines the impact of specific firm characteristics, environmental characteristics and marketing mix strategy on export marketing performance. Data were gathered via a mail survey of firms engaged in exporting. The results indicate that firm characteristics and environmental characteristics impact significantly on both overall performance and marketing mix strategy adaptation by exporting firms. However, the decision to adapt or standardise the marketing mix strategy did not significantly impact marketing performance, implying that either standardisation or adaptation is appropriate and yields comparable performance.

Should marketing managers be concerned about attitudes towards marketing and consumerism in New Zealand? A longitudinal view

Steven Lysonski, Srinivas Durvasula and John Watson

Keywords Marketing, Management, Consumer attitudes, Consumerism, New Zealand

New Zealand has gone through a radical metamorphosis since free market economics were introduced in the mid-1980s. Marketing managers are particularly interested in the views of consumers about issues dealing with marketing activities. Negative views could signal consumer backlash against free market activities. This study examines the views of consumers from 1986 to 2001 on a range of issues dealing with marketing and consumerism. The results clearly show that consumers are less negative about marketing and consumerism issues since 1986. It seems likely that New Zealand has evolved in terms of the consumerism life cycle over the last 15 years. Marketing managers should continue to remain proactive in their responses to consumer discontents. Implications for New Zealand and for other countries are addressed.

Exploring the role of market learning capability in competitive strategy

Jay Weerawardena

Keywords Marketing, Learning, Entrepreneurialism, Innovation, Competitive advantage, Strategy

It has been argued that a firm's capacity to learn from its market is a source of both innovation and competitive advantage. However, past research has failed to conceptualize market-focused learning activity as a capability having the potential to contribute to competitive advantage. Prior innovation research has been biased toward technological innovation. However, there is evidence to suggest that both technological and non-technological innovations contribute to competitive advantage reflecting the need for a broader conceptualization of the innovation construct. Past research has also overlooked the critical role of entrepreneurship in the capability building process. Competitive advantage has been predominantly measured in terms of financial indicators of performance. In general, the literature reflects the need for comprehensive measures of organizational innovation and competitive advantage. This paper examines the role of market-focused learning capability in organizational innovation-based competitive strategy. The paper contributes to the strategic marketing theory by developing and refining measures of entrepreneurship, market-focused learning capability, organizational innovation and sustained competitive advantage, testing relationships among these constructs.

Strategic marketing planning: a grounded investigation

Nicholas J. Ashill, Mark Frederikson and John Davies

Keywords Strategic marketing, Strategic planning, Grounded theory

Using grounded theory, the authors present an inductive model of strategic marketing planning (SMP) which extends the domain of the marketing planning literature. Based on a field investigation of four large organisations drawn from a single industry using a multiple-case design, the authors present findings using the views and perspectives of those involved in

0309-0566

SMP development and implementation, and identify and group relevant variables into seven major themes or "core categories" that characterise the SMP process. The authors integrate a broad literature search, both within and without of marketing, with the exploratory research results, to develop a grounded theoretical description of multiple layered factors that characterise a SMP process. This grounded "picture" supports the innovative work of Piercy and Morgan, and Greenley and Oktemgil who advocate a broader domain of SMP. We suggest that extending practitioners' understanding of the nature of these inter-related factors may lead to better insights ofhow a SMP process can be managed more effectively.

The alternative classification scheme in the Asian context

William R. Boulton and Rajan Nataraajan

Keywords Classification, Newly industrializing economies, Development, Strategy

This paper essentially shows how a recently developed model called the alternative classification scheme (ACS) may be used in the context of the newly industrializing economies (NIEs) of the Asia-Pacific region, possibly the most rapidly rising players in the world economy. After nearly a decade of research into Asian economic development strategies, the authors consider future development alternatives. Using the ACS, the authors broadly categorize the range of available strategic alternatives that will drive the NIEs' development strategies, and discuss the results of such application.

Marketing planning, market orientation and business performance

Sue Pulendran, Richard Speed and Robert E. Widing II

Keywords Company performance, Marketing planning, Market orientation, Marketing concept

This study examines the relationships between marketing planning, market orientation and business performance. We explore conceptually how linking the behaviours of marketing planning with the values of market orientation might be expected impact on business performance. Our findings suggest that high quality marketing planning can lead to performance benefits, but as antecedent to a market orientation, rather than as an independent activity.

An evaluation of typologies of marketplace strategic actions: the structure of Australian top management perceptions

Anthony Pecotich, Felicity J. Purdie and John Hattie

Keywords Strategic marketing, Executives, Perception, Classification, Australia, Strategy

An evaluation of executive perceptions of strategic typologies is presented in the Australian context. Specifically, four strategic typologies (growth versus retrenchment, the product/market matrix, the grand strategy alternatives, and Porter's generic strategies) were compared using confirmatory factor analysis on a set of data obtained from top mangers in Australia. The results tend to support Porter's formulation of cost leadership, differentiation and focus.

The effects of market orientation on trust and commitment: the case of the sponsorship business-to-business relationship

Francis Farrelly and Pascale Quester

Keywords Sponsorship, Market orientation, Trust, Commitment, Australia

There is little empirical research that examines the effects of marketing orientation on the two most important relationship marketing concepts, namely trust and commitment. In this paper, the sponsorship relationship is the focus of an empirical investigation aimed at uncovering the potential effect of market orientation, exhibited by both parties of the sponsorship dyad, upon trust and commitment. By selecting the leading sponsorship property in Australia, the Australian Football League, the majority of key Australian sponsors were included in this study, allowing the authors to draw managerial implications of direct relevance to other sponsors and properties aiming to secure long lasting sponsorship relationships.

Australian marketing managers' perceptions of the Internet: a quasi-longitudinal perspective

Elaine K.F. Leong, Michael T. Ewing and Leyland F. Pitt

Keywords Internet, Marketing, Value, Australia

The Internet is playing an increasingly important role in the marketing activities of organisations across a wide range of industries. While the opportunities afforded by this phenomenon seem readily apparent, there is still much debate and speculation on exactly what impact it will have on marketing. To shed some light on this uncertainty, the present study examines managers' perceptions of the impact of the Internet on key marketing activities. It employs a quasi-longitudinal research design involving mail surveys to Australian marketing decision makers. Findings suggest that expectations in 1999 may have been unrealistically optimistic and exaggerated. It would appear that the so-called "dot.com crash" has led to more realistic and pragmatic expectations among practicing managers in 2001. The study then focuses on differences in perceptions between industries. As expected, divergent views emerge, particularly from within the services sector. Managerial implications are then considered, conclusions drawn and future research directions outlined.

Beyond market orientation: knowledge management and the innovativeness of New Zealand firms

Jenny Darroch and Rod McNaughton

Keywords Innovation, Knowledge management, Market orientation, New Zealand

Knowledge is seen as a critical resource, with both tangible and intangible attributes. Effective knowledge management is emerging as an important concept that enables all the resources of firms, including knowledge, to be used effectively. A knowledge-management orientation is positioned in this paper as a distinctive capability that supports the creation of sustainable competitive advantages such as innovation. Using an instrument to measure a knowledge-management orientation, which is grounded in Kohli, Jaworski and Kumar's work on a market orientation, this paper identifies four clusters of firms based on knowledge-management practices that exist within the New Zealand business environment. The clusters are then described according to their innovation and financial performance profiles. The study finds that firms with a knowledge-management orientation outperformed those classified as market-oriented. The study also shows a market orientation to be a subset of a knowledge-management orientation.

Servicing customers directly: mobile franchising arrangements in Australia

Lilly Chow and Lorelle Frazer

Keywords Franchising, Outcomes, Contracts, Customer service, Consumer behaviour, Australia

This paper analyses operational differences between mobile franchising arrangements and fixed-site franchises from an agency-theoretic perspective. Almost 40 per cent of all franchised units in Australia operate as mobile or home-based businesses, predominantly in service industries where products or services are provided directly to consumers. A two-stage methodology is reported in this paper, incorporating quantitative and qualitative research methods. In stage one, data obtained from a survey of the population of Australian franchisors in 1998 are analysed to compare operational variables of mobile and fixed-site franchise units. The second stage of the research employs in-depth interviews with a sample of mobile franchisors and franchisees to further explore relevant issues. The results confirm the agency theory perspective that start-up investment risk is lower in mobile units and mobile operations exhibit a higher level of repeat customers than fixed-site franchises. No significant differences between the two arrangements are revealed in relation to the levels of franchisee monitoring, initial training or essential franchisee experience. This study indicates that agency theory contributes to our understanding of mobile franchising arrangements, yet also suggests the findings are not completely explained by agency theory. The results imply that both monitoring and alignment of incentives have complimentary effects and that both forms of contract are necessary in a franchisor's control system.

French abstracts

Examen des influences exercées par l'entreprise et l'environnement sur la stratégie du plan de marchéage pour les exportations et sur la performance à l'exportation des exportateurs australiens

Aron O'Cass et Craig Julian

Mots-clés Exportations, Mercatique, Performance, Marchéage, Stragtégie, Australie

L'étude que voici examine l'impact qu'exercent les caractéristiques spécifiques des entreprises, les caractéristiques de l'environnement et la stratégie de marchéage sur la performance de la mercatique des exportations. Les données furent recueillies au moyen d'une enquête postale auprès d'entreprises engagées dans les exportations. Les résultats indiquent que les caractéristiques de la firme et les caractéristiques de l'environnement ont un impact important sur la performance générale, aussi bien que sur l'adaptation de la stratégie de marchéage par les entreprises exportatrices. Cependant, la décision d'adapter ou de normaliser la stratégie de marchéage n'avait pas d'impact important sur la performance de mercatique, ce qui implique que la normalisation et l'adaptation sont toutes deux appropriées et qu'elles produisent une performance comparable.

Les directeurs de mercatique devraient-ils se soucier des attitudes envers la mercatique et le consumérisme en Nouvelle-Zélande? Une vue longitudinale

Steven Lysonski, Srinivas Durvasula et John Watson

Mots-clés Mercatique, Gestion, Attitudes des consommateurs, Consumérisme, Nouvelle-Zélande

La Nouvelle-Zélande a subi une métamorphose radicale depuis que l'économie de marché libre a été introduite au milieu des années 1980. Les directeurs de mercatique s'intéressent particulièrement aux opinions des consommateurs sur les questions ayant trait aux activités de mercatique. Une opinion négative risque de signaler une réaction des consommateurs contre les activités de marché libre. L'étude que voici examine les opinions exprimées par les consommateurs entre 1986 et 2001 sur toute une série de questions ayant trait à la mercatique et au consumérisme. Les résultats indiquent clairement que les consommateurs ont une opinion moins négative sur les questions de mercatique et de consumérisme depuis 1986. Il semble probable que la Nouvelle-Zélande ait évolué, du point de vue du cycle de vie du consumérisme, au cours des 15 dernières années. Les directeurs de mercatique devraient continuer à rester proactifs dans leurs réactions aux mécontentements des consommateurs. L'article aborde les implications pour la Nouvelle-Zélande et d'autres pays.

Explorer le rôle que joue la capacité d'apprentissage du marché dans la stratégie compétitive

Jay Weerawardena

Mots-clés Mercatique, Apprentissage, Esprit d'entreprise, Innovation, Avantage compétitif, Stratégie

Selon certains, l'aptitude que possède une entreprise de retirer des leçons de son marché représente une source d'innovation aussi bien qu'une source d'avantage compétitif. Cependant, les recherches passées ont négligé de conceptualiser l'activité d'apprentissage concentrée sur le marché en tant qu'aptitude pouvant contribuer à l'avantage compétitif. Les recherches antérieures sur l'innovation ont porté sur l'innovation technique. Il existe cependant des preuves qui suggèrent que les innovations techniques, aussi bien que non techniques, contribuent à l'avantage compétitif, reflétant par là le besoin d'élargir la conceptualisation de la notion d'innovation. Les recherches passées ont également négligé de considérer le rôle critique que joue l'esprit d'entreprise dans le processus d'élaboration de la capacité. L'avantage compétitif a

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Vol. 37 No. 3/4, 2003
French abstracts

0309-0566

surtout été mesuré du point de vue des indicateurs financiers de la performance. De manière générale, les publications reflètent le besoin qui existe de prendre de vastes mesures d'innovation organisationnelle et d'avantage compétitif. L'article que voici examine le rôle que joue la capacité d'apprentissage, concentrée sur le marché, dans la stratégie compétitive des entreprises, fondée sur l'innovation. L'article contribue à la théorie de mercatique stragégique en mettant au point et en raffinant les mesures telles que l'esprit d'entreprise, la capacité d'apprentissage fondée sur le marché, l'innovation organisationnelle et l'avantage compétitif soutenu, tout en mettant à l'essai les rapports qui existeraient entre ces différentes notions.

Planification de la mercatique stratégique: une recherche fondée

Nicholas J. Ashill, Mark Frederikson et John Davies

Mots-clés Mercatique stratégique, Planification stratégique, Théorie fondée

Les auteurs se servent d'une théorie fondée pour présenter un modèle inductif de planification stratégique de la mercatique (strategic marketing planning SMP), qui élargit le domaine des publications sur la planification de la mercatique. Ils se fondent sur un examen pratique de quatre grosses organisations provenant d'un seul secteur industriel et se servent d'un modèle à cas multiples pour présenter les résultats, en donnant les opinions et perspectives exprimées par les personnes impliquées dans le développement de la planification stratégique de la mercatique et sa mise en oeuvre; ils identifient les variables pertinentes et les regroupent sous sept thèmes principaux ou catégories "de base", qui caractérisent le processus de planification stratégique de la mercatique. Les auteurs combinent une vaste recherche littéraire, dans le domaine de la mercatique et en-dehors de celui-ci, aux résultats d'une recherche exploratoire, pour élaborer une description théorique fondée des facteurs à couches multiples, qui caractérisent le processus de planification stratégique de la mercatique. Cette "image" fondée renforce les travaux innovateurs réalisés par Piercy et Morgan, et par Greenley et Oktemgil, qui plaident en faveur d'un élargissement du domaine de la planification stratégique de la mercatique. Nous suggérons qu'en étendant la compréhension des praticiens quant à la nature de ces facteurs en corrélation, il est possible d'obtenir un meilleur aperçu de la manière dont le processus de planification de la mercatique stratégique peut être géré plus efficacement.

L'autre plan de classification possible dans le contexte asiatique

William R. Boulton et Rajan Nataraajan

Mots-clés Classification, Économies récemment industrialisées, Développement, Stratégie

L'article que voici montre essentiellement comment un modèle récemment mis au point, appelé l'autre plan de classification (alternative classification scheme ACS) peut être utilisé dans le contexte des économies récemment industrialisées (newly industrialized economies - NIEs) de la région d'Asie Pacifique, et qui sont peut-être les acteurs dont l'éminence augmente le plus rapidement dans l'économie mondiale. Après environ une décennie de recherche sur les stratégies asiatiques de développement économique, les auteurs considèrent d'autres possibillités de développement pour l'avenir. Ils se servent du plan ACS pour classer de manière générale la série d'alternatives stratégiques disponibles qui vont entraîner les stratégies de développement des NIEs, et ils discutent les résultats de cette application.

Planification de la mercatique, orientation du marché et performance commerciale

Sue Pulendran, Richard Speed et Robert E. Widing II

Mots-clés Performance de l'entreprise, Planification de la mercatique, Orientation du marché, Notion de mercatique

L'étude que voici examine les rapports qui existent entre la planification de la mercatique, l'orientation du marché et la performance commerciale. Nous explorons de manière conceptuelle comment on pourrait s'attendre à ce que le rapprochement des comportements de planification de la mercatique avec les valeurs de l'orientation du marché pourrait avoir un impact sur la performance commerciale. Nos résultats suggèrent qu'une planification de la mercatique, qui soit de haute qualité, peut entraîner des avantages quant à la performance, mais comme antécédent à une orientation du marché, plutôt que comme activité indépendante.

Une évaluation des typologies de l'action stratégique sur le marché: la structure des perceptions des cadres australiens

Anthony Pecotich, Felicity J. Purdie et John Hattie

Mots-clés Mercatique stratégique, Cadres, Perception, Classification, Australie, Stratégie

L'article présente une évaluation des perceptions qu'ont les cadres quant aux typologies stratégiques dans le contexte australien. Plus particulièrement, les auteurs comparèrent quatre typologies stratégiques (croissance par rapport à la réduction des dépenses, la matrice produit/marché, les grandes choix stratégiques et les stratégies génériques de Porter) en se servant d'une analyse de confirmation des facteurs sur un ensemble de données obtenues de cadres en Australie. Les résultats ont tendance à renforcer la formulation de Porter quant à la conduite des coûts, la différenciation et la concentration.

Les effets de l'orientation du marché sur la confiance et l'engagement: le cas du rapport de parrainage d'entreprise à entreprise

Francis Farrelly et Pascale Quester

Mots-clés Parrainage, Orientation du marché, Confiance, Engagement, Australie

Il existe peu de recherches empiriques qui examinent les effets que l'orientation du marché a sur les deux notions les plus importantes dans la mercatique des rapports, à savoir la confiance et l'engagement. Dans l'article que voici, le rapport de parrainage est au centre d'une recherche empirique visant à mettre à jour l'effet que l'orientation du marché, manifestée par les deux parties de la dyade qu'est le parrainage, peut avoir sur la confiance et l'engagement. En choisissant la propriété de parrainage la plus importante en Australie, la Ligue Australienne du Football, il fut possible d'inclure dans l'étude la majorité des sponsors australiens principaux, ce qui permit aux auteurs de déduire des implications de gestion ayant une pertinence directe pour les autres sponsors et propriétés cherchant à garantir des rapports de parrainage de longue durée.

Perceptions des directeurs de mercatique australiens quant à l'Internet: une perspective quasi-longitudinale

Elaine K.F. Leong, Michael T. Ewing et Leyland F. Pitt

Mots-clés Internet, Mercatique, Valeur, Australie

L'Internet joue un rôle de plus en plus important dans les activités de mercatique des organisations, dans toute une série d'industries. Tandis que les possibilités offertes par ce phénomène semblent évidentes, les débats et spéculations se poursuivent sur la question de savoir quel impact il aura exactement sur la mercatique. Pour éclaicir quelque peu cette incertitude, l'étude que voici examine les perceptions que les directeurs ont de l'impact de l'Internet sur les activités de mercatique principales. Elle se sert d'un modèle de recherche quasi-longitudinal, impliquant des enquêtes postales auprès des preneurs de décisions en mercatique en Australie. Les résultats suggèrent que les attentes de 1999 étaient peut-être optimistes et exagérées, et peu réalistes. Il semblerait que le phénomène appelé "choc des point.com" ait entraîné des attentes plus réalistes et pragmatiques auprès des directeurs en exercice, au cours de l'année 2001. L'étude porte ensuite sur les différences que l'on rencontre dans les perceptions d'une industrie à l'autre. Comme l'on peut s'y attendre, des opinions divergentes surgissent, surtout dans le secteur des services. L'article considère ensuite les implications pour la direction, il tire des conclusions et indique les directions à suivre pour les recherches futures.

Au-delà de l'orientation du marché: gestion des connaissances et le caractère innovateur des firmes en Nouvelle-Zélande

Jenny Darroch et Rod McNaughton

Mots-clés Innovation, Gestion des connaissances, Orientation du marché, Nouvelle-Zélande

Les connaissances sont considérées comme représentant une ressource essentielle, ayant des attributs tangibles aussi bien qu'intangibles. La gestion efficace des connaissances fait son apparition en tant que notion importante: elle permet d'utiliser de manière efficace toutes les ressources des entreprises, y compris les connaissances. L'article que voici présente une orientation vers la gestion des connaissances comme étant une aptitude distincte, qui renforce la création d'avantages compétitifs soutenus, comme par exemple l'innovation. L'article se sert d'un instrument pour mesurer une orientation vers la gestion des connaissances, qui a sa base dans les travaux de Kohli, Jaworski et Kumar consacrés à l'orientation vers le marché; il identifie quatre segments de firmes fondées sur des pratiques de gestion des connaissances, qui existent dans l'environnement commercial néo-zélandais. Il décrit ensuite les segments selon leurs profils d'innovation et de performance financière. L'étude trouve que les firmes qui ont une orientation vers la gestion des connaissances performaient mieux que celles qui sont classées comme étant orientées vers le marché. L'étude montre également qu'une orientation vers le marché est un sous-ensemble d'une orientation vers la gestion des connaissances.

Prester un service direct aux clients: accords de franchise mobile en Australie

Lilly Chow et Lorelle Frazer

Mots-clés Franchisage, Issues, Contrats, Service au client, Comportement du consommateur, Australie

L'article que voici analyse les différences opérationnelles qui existent entre les accords de franchise mobile et les franchises fixes, du point de vue théorique des agences. Environ 40 pour cent de toutes les unités franchisées en Australie fonctionnent en tant qu'entreprises mobiles ou établies à domicile, surtout dans les secteurs des services dans lesquels les produits ou services sont fournis directement aux consommateurs. Il décrit une méthodologie comprenant deux étapes, qui incorpore des méthodes de recherche quantitatives et qualitatives. Dans une première étape, elle analyse les données obtenues au moyen d'une enquête entreprise auprès de la population représentée par les franchiseurs australiens en 1998, afin de pouvoir comparer les variables opérationnelles des unités franchisées mobiles et fixes. La seconde étape de la recherche se sert d'interviews approfondis, menés auprès d'un échantillon de franchiseurs et franchisés mobiles, afin de poursuivre l'exploration des questions pertinentes. Les résultats confirment la perspective théorique des agences selon laquelle le risque d'investissement initial est inférieur dans les unités mobiles et les opérations mobiles ont plus de clients réguliers que les franchises fixes. Il n'y a aucune différence significative entre les deux accords, en ce qui concerne le niveau de surveillance du franchisé, de formation initiale ou d'expérience essentielle requise du franchisé. L'étude que voici indique que la théorie des agences nous aide à comprendre les accords de franchisage mobile, tout en suggérant qu'elle n'explique pas complètement les résultats. Ces résultats impliquent que la surveillance et l'alignement des stimulations ont tous deux des effets flatteurs, et que les deux formes de contrat sont nécessaires dans un système de contrôle des franchiseurs.

German abstracts

Untersuchung des Einflusses von Firmen- und Umgebungscharakteristiken auf die Exportmarketingmix-Strategie und die Exportleistung australischer Exporteure

Aron O'Cass und Craig Julian

Stichworte Export, Marketing, Leistung, Marketingmix, Strategie, Australien

Die Studie untersucht, welchen Einfluss spezifische Firmen- und Umgebungscharakteristiken und die Marketingmix-Strategie auf die Exportmarketingleistung haben. Die erforderlichen Daten wurden durch eine postalische Umfrage unter exportierenden Firmen gesammelt. Die Ergebnisse zeigen, dass die Firmen- und Umgebungscharakteristiken einen signifikanten Einfluss sowohl auf die allgemeine Leistung als auch auf die Marketingmixstrategien von exportierenden Firmen haben. Die Entscheidung, die Marketingmixstrategie anzupassen oder zu standardisieren, hatte jedoch keinen signifikanten Einfluss auf die Marketingleistung. Hieraus lässt sich schließen, dass Standardisierung oder Anpassung gleichermaßen geeignet sind und eine vergleichbare Leistung ergeben.

Sollten Marketingmanager über die neuseeländische Einstellung zu Marketing und Konsumerismus besorgt sein? Ein langfristiger Ausblick.

Steven Lysonski, Srinivas Durvasula und John Watson

Stichworte Marketing, Management, Kundeneinstellung, Konsumerismus, Neuseeland

Neuseeland hat seit Einführung der freien Marktwirtschaft Mitte der 1980er Jahre einen radikalen Wandel durchgemacht. Marketingmanager sind insbesondere daran interessiert, was die Verbraucher über verschiedene Marketingaktivitäten denken. Eine negative Einstellung könnte eine Gegenreaktion der Verbraucher gegen die Aktivitäten der freien Marktwirtschaft signalisieren. Die Studie untersucht die Einstellungen von Verbrauchern zwischen 1986 und 2001 zu verschiedenen Marketing- und Konsumerismusfragen. Die Ergebnisse zeigen deutlich, das die Einstellung der Verbraucher gegenüber Marketing und Konsumerismus seit 1986 weniger negativ geworden ist. Vermutlich hat Neuseeland in Bezug auf den Konsumerismuszyklus in den letzten 15 Jahren eine Entwicklung durchgemacht. Die Marketingmanager sollten Unzufriedenheiten der Verbraucher weiterhin proaktiv angehen. Die Implikationen für Neuseeland und andere Länder werden angesprochen.

Die Rolle der Marktlernfähigkeit in der Wettbewerbsstrategie

Jay Weerawardena

Stichworte Marketing, Lernen, Unternehmertum, Innovation, Wettbewerbsvorteil, Strategie

Es heißt, dass Innovation und Wettbewerbsvorteile der Fähigkeit einer Firma entspringen, von ihrem Markt zu lernen. Früheren Untersuchungen ist es jedoch nicht gelungen, das marktorientierte Lernen als eine Fähigkeit zu konzeptualisieren, die zum Wettbewerbsvorteil beitragen kann. Frühere Innovationsstudien haben sich meist auf die technologische Innovation konzentriert. Es gibt jedoch Indizien dafür, dass sowohl technologische als auch nicht technologische Innovationen zum Wettbewerbsvorteil beitragen. Der Begriff der Innovation muss also wohl breiter gefasst werden. Frühere Untersuchungen sind auch nicht auf die wichtige Rolle eingegangen, die das Unternehmertum bei der Entwicklung der Lernfähigkeit spielt. Der Wettbewerbsvorteil wurde vor allem an finanziellen Leistungsindikatoren gemessen. In der Fachliteratur werden häufig umfangreiche Maßstäbe für organisatorische Innovation und Wettbewerbsvorteile gefordert. Der Artikel untersucht, welche Rolle die marktorientierte Lernfähigkeit in der innovationsbasierten organisatorischen Wettbewerbsstrategie spielt. Der Artikel leistet einen Beitrag zur strategischen Marketingtheorie, indem er Maßstäbe für das Unternehmertum, die marktorientierte Lernfähigkeit, die organisatorische Innovation und den nachhaltigen Wettbewerbsvorteil aufstellt und weiterentwickelt und die Zusammenhänge zwischen diesen Konstrukten prüft.

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German abstracts

0309-0566

Strategische Marketingplanung: eine empirisch begründete Untersuchung

Nicholas J. Ashill, Mark Frederikson und John Davies

Stichworte Strategisches Marketing, strategische Planung, empirisch begründete Theorie

Die Autoren stellen anhand einer empirisch begründeten Theorie (grounded theory") ein induktives Modell der strategischen Marketingplanung (SMP) vor, das über die bisherige Fachliteratur zum Thema Marketingplanung hinausgeht. Ausgehend von einer Felduntersuchung (Multiple-Case-Analyse) in vier großen Organisationen aus dem gleichen Industriesektor präsentieren die Autoren die Meinungen und Standpunkte der für die SMP-Entwicklung und -Implementierung verantwortlichen Personen. Sie identifizieren die relevanten Variablen und gruppieren sie dann in sieben Themenbereiche oder Kernkategorien", durch die der SMP-Prozess charakterisiert wird. Die Ergebnisse einer breiten, innerhalb und außerhalb des Marketingbereichs durchgeführten Literaturrecherche werden mit den exploratorischen Untersuchungsergebnissen verknüpft und daraus eine empirisch begründete theoretische Beschreibung der mehrschichtigen Faktoren abgeleitet, die den SMP-Prozess charakterisieren. Dieses empirisch begründete Bild unterstützt die innovativen Arbeiten von Piercy und Morgan und Greenley und Oktemgil, die eine Ausweitung der SMP-Domäne postulieren. Wir glauben, dass ein klareres Verständnis der Praktiker für diese miteinander verwobenen Faktoren zu der Erkenntnis führen kann, wie sich SMP-Prozesse effektiver managen lassen.

Das alternative Klassifizierungsschema im asiatischen Kontext

William R. Boulton und Rajan Nataraajan

Stichworte Klassifizierung, industrielle Schwellenländer, Entwicklung, Strategie

Der Artikel zeigt, wie ein vor kurzem entwickeltes Modell, das so genannte alternative Klassifizierungsschema (ACS), im Kontext der industriellen Schwellenländer des asiatisch-pazifischen Raums der sich vielleicht am schnellsten entwickelnden weltwirtschaftlichen Region angewendet werden kann. Nachdem sie sich fast zehn Jahre lang mit der Erforschung asiatischer Wirtschaftsentwicklungsstrategien befasst haben, untersuchen die Autoren jetzt zukünftige Entwicklungsalternativen. Mit Hilfe des ACS teilen sie die verschiedenen verfügbaren strategischen Alternativen, die die Entwicklungsstrategien der industriellen Schwellenländer vorantreiben werden, in grobe Kategorien ein und diskutieren die Ergebnisse einer solchen Anwendung.

Marketingplanung, Marktorientierung und Unternehmensleistung

Sue Pulendran, Richard Speed und Robert E. Widing II

Stichworte Unternehmensleistung, Marketingplanung, Marktorientierung, Marketingkonzept

Der Artikel befasst sich mit den Zusammenhängen zwischen Marketingplanung, Marktorientierung und Unternehmensleistung. Wir untersuchen konzeptionell, wie sich eine Verknüpfung des Marketingplanungsverhaltens und der Werte der Marktorientierung auf die Unternehmensleistung auswirken könnte. Unsere Ergebnisse lassen vermuten, dass eine gute Marketingplanung die Leistung positiv beeinflussen kann jedoch eher als Antezedens der Marktorientierung denn als unabhängige Aktivität.

Eine Bewertung der Typologien des marktstrategischen Handelns: die Perzeptionsstruktur im australischen Top-Management

Anthony Pecotich, Felicity J. Purdie und John Hattie

Stichworte Strategisches Marketing, Führungskräfte, Wahrnehmung, Klassifizierung, Australien, Strategie

Die Perzeption strategischer Typologien durch Führungskräfte in Australien wird bewertet. Vier spezifische strategische Typologien (Wachstum vs. Kürzungen, Produkt-Markt-Matrix, die großen" Strategiealternativen und Porters generische Strategien) wurden durch eine konfirmatorische Faktorenanalyse der Daten von Top-Managern in Australien verglichen. Die Ergebnisse unterstützen allgemein Porters Konzept der Kostenführerschaft, Differenzierung und Konzentration.

Die Auswirkungen der Marktorientierung auf Vertrauen und Verpflichtung: Beispiel Business-to-Business-Sponsorship-Beziehungen

Francis Farrelly und Pascale Quester

Stichworte Sponsorship, Marktorientierung, Vertrauen, Verpflichtung, Australien

Bisher liegen wenige empirische Untersuchungen vor, die sich mit den Auswirkungen der Marktorientierung auf die beiden wichtigsten Konzepte des Beziehungsmarketings befassen: Vertrauen und Verpflichtung. In diesem Artikel geht es spezifisch um die Sponsorship-Beziehung. Es wird empirisch untersucht, welche potenziellen Auswirkungen eine Marktorientierung auf beiden Seiten der Sponsorship-Dyade auf das Vertrauen und die Verpflichtung hat. Durch Auswahl des größten Sponsorship-Empfängers in Australien, der Australian Football League, konnten die meisten wichtigen australischen Sponsoren in die Studie einbezogen werden. Die Autoren konnten dadurch Managementimplikationen ableiten, die direkt relevant für andere Sponsoren und Sponsorship-Empfänger sind, die an langfristigen Sponsorship-Beziehungen interessiert sind.

Wahrnehmung des Internets durch australische Marketingmanager: eine quasi-longitudinale Perspektive

Elaine K. F. Leong, Michael T. Ewing und Leyland F. Pitt

Stichworte Internet, Marketing, Wert, Australien

Das Internet spielt in den Marketingaktivitäten von Unternehmen in vielen Branchen eine zunehmend wichtigere Rolle. Die Chancen, die dieses Phänomen mit sich bringt, sind unübersehbar, es wird jedoch immer noch viel darüber diskutiert und spekuliert, welche Auswirkungen dies genau auf das Marketing haben wird. Die vorliegende Studie versucht, Licht in die Frage zu bringen, indem sie untersucht, wie sich das Internet aus Sicht von Managern auf wichtige Marketingaktivitäten auswirkt. Verwendet wird eine quasi-longitudinale Versuchsanlage mit postalischen Umfragen unter australischen Marketing-Entscheidungsträgern. Die Ergebnisse weisen darauf hin, dass die Erwartungen im Jahr 1999 unrealistisch optimistisch und überzogen waren. Der "Dot.com-Crash" hat unter den Marketingmanagern 2001 offenbar zu realistischeren und pragmatischeren Erwartungen geführt. Die Studie geht anschließend auf die unterschiedlichen Perzeptionen in verschiedenen Branchen ein. Erwartungsgemäß kristallisieren sich vor allem innerhalb des Dienstleistungssektors unterschiedliche Sichtweisen heraus. Der Artikel schließt mit Implikationen für das Management, Schlussfolgerungen und Anregungen für weitere Untersuchungen.

Jenseits der Marktorientierung: Wissensmanagement und die Innovativität von neuseeländischen Firmen

Jenny Darroch und Rod McNaughton

Stichworte Innovation, Wissensmanagement, Marktorientierung, Neuseeland

Wissen gilt als eine wichtige Ressource, die greifbare und nicht greifbare Attribute in sich vereint. Effektives Wissensmanagement kristallisiert sich daher zunehmend als wichtiges Konzept heraus, das die effektive Nutzung aller Ressourcen eines Unternehmens, einschließlich des Wissens, ermöglicht. Die Wissensmanagement-Orientierung wird daher in diesem Artikel als eine klar umrissene Kompetenz beschrieben, die die Schaffung von nachhaltigen Wettbewerbsvorteilen wie Innovation begünstigt. Mit Hilfe eines Instrument zur Messung der Wissensmanagement-Orientierung, das auf der Arbeit von Kohli, Jaworski und Kumar zur Marktorientierung beruht, identifizieren die Autoren vier Firmen-Cluster, die nach ihren

Wissensmanagement-Praktiken im neuseeländischen Wirtschaftsumfeld definiert werden. Das Innovations- und finanzielle Leistungsprofil der einzelnen Cluster wird beschrieben. Die Studie zeigt, dass Firmen mit Wissensmanagement-Orientierung besser abschnitten als Firmen, die als marktorientiert klassifiziert wurden. Die Studie zeigt auch, dass die Marktorientierung eine Teilmenge der Wissensmanagement-Orientierung ist.

Service vor Ort: mobile Franchising-Arrangements in Australien

Lilly Chow und Lorelle Frazer

Stichworte Franchising, Ergebnisse, Verträge, Kundendienst, Verbraucherverhalten, Australien

Der Artikel analysiert die betrieblichen Unterschiede zwischen mobilen Franchising-Arrangements und stationären Franchises aus der agenturtheoretischen Perspektive. Fast 40 Prozent aller Franchise-Einheiten in Australien sind mobile oder Heimunternehmen. Dies gilt insbesondere für den Servicesektor, wo Produkte und Dienstleistungen direkt beim Verbraucher bereitgestellt werden. Der Artikel beschreibt eine zweistufige Methodik, die sowohl quantitative als auch qualitative Untersuchungen einschließt. In der ersten Phase wurden die Daten, die 1998 durch eine Umfrage unter australischen Franchisegebern gesammelt wurden, analysiert, um die betrieblichen Variablen von mobilen und stationären Franchise-Einheiten zu analysieren. In der zweiten Phase wurden ausführliche Interviews mit einer Gruppe mobiler Franchisegeber und -nehmer durchgeführt, um relevante Fragen näher zu untersuchen. Die Ergebnisse bestätigen die agenturtheoretische Sichtweise, dass das anfängliche Investmentrisiko bei mobilen Einheiten geringer ist und dass mobile Betriebe mehr Stammkunden haben als stationäre Einheiten. Zwischen den beiden Arrangements waren keine signifikanten Unterschiede in Bezug auf die Überwachung der Franchisenehmer, eine vorbereitende Schulung oder die wesentlichen Erfahrungen des Franchisenehmers feststellbar. Die Studie zeigt, dass die Agenturtheorie zum Verständnis mobiler Franchising-Arrangements beiträgt, die Ergebnisse jedoch nicht vollständig erklärt. Die Ergebnissen lassen vermuten, dass eine Überwachung der Franchisenehmer und eine Bereitstellung von Anreizen eine zusätzliche Rolle spielen und dass beide Vertragsformen im Kontrollsystem des Franchisegebers ihren Platz haben sollten.

Spanish abstracts

Examen de las influencias empresariales y medioambientales sobre la estrategia de la mezcla de marketing y el rendimiento de exportación de exportadores australianos

Aron O'Cass y Craig Julian

Palabras clave Exportación, Marketing, Rendimiento, Mezcla de marketing, Estrategia, Australia

Este estudio examina el impacto de características específicas empresariales, medioambientales y de estrategia de marketing sobre el rendimiento del marketing de exportación. Los datos se recopilaron a través de una encuesta por correo realizada entre empresas relacionadas con la exportación. Los resultados indican que las características empresariales y medioambientales específicas impactan significativamente, tanto sobre el rendimiento general como sobre la adaptación de la estrategia de la mezcla de marketing por parte de las empresas exportadoras. No obstante, la decisión de adaptar o estandarizar la estrategia de la mezcla de marketing no tenía un impacto significativo sobre el rendimiento del marketing, implicando que bien la estandarización o la adaptación son apropiadas y que aportan un rendimiento comparable.

¿Deberían preocuparse los gerentes de marketing de las actitudes hacia el marketing y el consumismo en Nueva Zelanda? Una visión longitudinal

Steven Lysonski, Srinivas Durvasula y John Watson

Palabras clave Marketing, Gestión, Actitudes del consumidor, Consumismo, Nueva Zelanda

Nueva Zelanda ha atravesado una metamorfosis radical desde la introducción de la economía de mercado libre a mediados de los 80. Los gerentes de marketing están particularmente interesados en las opiniones de los consumidores sobre temas que se relacionan con las actividades de marketing. Las opiniones negativas podrían señalizar una reacción del consumidor contra las actividades del mercado libre. Este estudio examina los puntos de vista de los consumidores desde 1986 hasta 2001 sobre una gama de temas que tratan el marketing y el consumismo. Los resultados muestran claramente que los consumidores son menos negativos con respecto al marketing y el consumismo desde 1986. Parece probable que Nueva Zelanda ha evolucionado en cuanto al ciclo de vida del consumismo durante los últimos 15 años. Los gerentes de marketing deberán continuar siendo proactivos en sus respuestas al descontento de los consumidores. Se tratan implicaciones para Nueva Zelanda y otros países.

Exploración de la función de la capacidad de aprendizaje del mercado en cuanto a estrategia competitiva

Jay Weerawardena

Palabras clave Marketing, Aprendizaje, Capacidad empresarial, Innovación, Ventaja competitiva, Estrategia

Se ha discutido que la capacidad de una empresa para aprender de su mercado es tanto una fuente de innovación como una ventaja competitiva. No obstante, la investigación anterior no ha logrado conceptualizar la actividad de aprendizaje enfocada en el mercado como una capacidad con potencial para contribuir a la ventaja competitiva. La investigación anterior sobre innovación ha mostrado parcialidad hacia la innovación tecnológica. Sin embargo, existe evidencia que sugiere que tanto las innovaciones tecnológicas como las no tecnológicas contribuyen a la ventaja competitiva, lo cual refleja la necesidad de una conceptualización más amplia del planteamiento de la innovación. La investigación anterior también ha pasado por alto la función crítica del empresarialismo dentro del proceso de fomento de la capacidad. La ventaja competitiva se ha medido predominantemente en términos de indicadores financieros de rendimiento. En general, la bibliografía refleja la necesidad de medidas completas de la

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Spanish abstracts

0309-0566

innovación organizacional y de la ventaja competitiva. Este trabajo examina la función de la capacidad de aprendizaje enfocada en el mercado dentro de la estrategia competitiva basada en la innovación organizacional. El trabajo contribuye a la teoría del marketing estratégico mediante el desarrollo y refinación de medidas del empresarialismo, la capacidad de aprendizaje basado en el mercado, la innovación organizacional y la ventaja competitiva sostenida, poniendo a prueba las relaciones entre estos planteamientos.

Planificación de marketing estratégico: una investigación firme

Nicholas J. Ashill, Mark Frederikson y John Davies

Palabras clave Marketing estratégico, Planificación estratégica, Teoría firme

Utilizando una teoría firme, los autores presentan un modelo inductivo de la planificación de marketing estratégico (SMP) que extiende el dominio de la bibliografía sobre la planificación de marketing. Los autores, basados en una investigación de campo de cuatro organizaciones grandes extraídas de una industria única mediante un diseño de casos múltiples, presentan sus descubrimientos utilizando las opiniones y las perspectivas de aquellos involucrados en el desarrollo y la implementación de la SMP, e identifican y agrupan variables oportunas en siete temas principales o "categorías básicas" que caracterizan el proceso de la SMP. Los autores integran una investigación bibliográfica amplia, tanto dentro como sin el marketing, con los resultados de la investigación exploratoria, para desarrollar una descripción teórica firme de factores de capas múltiples que caracterizan un proceso de SMP. Este "cuadro" firme apoya el trabajo innovativo de Piercy y Morgan, y de Greenley y Oktemgil, quienes defienden un dominio más amplio de la SMP. Nosotros sugerimos que la extensión del entendimiento de los practicantes sobre la naturaleza de estos factores interrelacionados puede conducir a una mejor visión profunda de cómo puede gestionarse con mayor eficacia un proceso de SMP.

El esquema de clasificación alternativa en el contexto asiático

William R. Boulton y Rajan Nataraajan

Palabras clave Clasificación, Economías de reciente industrialización, Desarrollo, Estrategia

Este trabajo muestra esencialmente cómo un modelo desarrollado recientemente, denominado esquema de clasificación alternativa (ACS) puede utilizarse en el contexto de las economías recientemente industrializadas de la región de Asia-Pacífico, que posiblemente sean las jugadoras de más rápido surgimiento dentro de la economía mundial. Después de casi una década de investigación de las estrategias de desarrollo económico asiático, los autores consideran alternativas de desarrollo futuro. Utilizando el ACS, los autores categorizan ampliamente la gama de alternativas estratégicas disponibles que impulsarán las estrategias de desarrollo de las economías recientemente industrializadas, y discuten los resultados de dicha aplicación.

Planificación de marketing, orientación de mercado y rendimiento empresarial

Sue Pulendran, Richard Speed y Robert E. Widing II

Palabras clave Rendimiento empresarial, Planificación de marketing,
Orientación del mercado, Concepto de marketing

Este estudio examina las relaciones entre la planificación del marketing, la orientación del mercado y el rendimiento comercial. Exploramos conceptualmente cómo la conexión de los comportamientos en la planificación del marketing con los valores de la orientación del mercado pueden tener un impacto esperado sobre el rendimiento comercial. Nuestros descubrimientos sugieren que una planificación del marketing de alta calidad puede conducir a beneficios en cuanto a rendimiento, pero como antecedente a una orientación de mercado, más que como una actividad independiente.

Una evaluación de las tipologías de la acción estratégica en el mercado: la estructura de las percepciones de las directivas superiores australianas

Anthony Pecotich, Felicity J. Purdie y John Hattie

Palabras clave Marketing estratégico, Ejecutivos, Percepción, Clasificación, Australia, Estrategia

Se presenta una evaluación de las percepciones ejecutivas de las tipologías estratégicas dentro del contexto australiano. Específicamente, se compararon cuatro tipologías estratégicas (crecimiento contra reducción; la matriz producto/mercado, las alternativas de gran estrategia y las estrategias genéricas de Porter) utilizando un análisis de factores confirmatorios con un conjunto de datos obtenidos de gerentes superiores en Australia. Los resultados tienden a apoyar la formulación de Porter de enfoque, diferenciación y liderazgo de costes.

Los efectos de la orientación de mercado sobre la confianza y la dedicación: el caso de la relación de patrocinio de negocio a negocio

Francis Farrelly y Pascale Quester

Palabras clave Patrocinio, Orientación del mercado, Confianza, Dedicación, Australia

Existe poca investigación empírica que examina los efectos de la orientación del marketing sobre los dos conceptos más importantes del marketing de relaciones, es decir, la confianza y la dedicación. En este trabajo, la relación de patrocinio es el foco de una investigación empírica destinada a revelar el efecto potencial de la orientación de mercado, exhibida por ambas partes de la díada de patrocinio, sobre la confianza y la dedicación. Mediante la selección de la propiedad principal de patrocinio en Australia, la liga de fútbol australiana, en este estudio se incluyó la mayoría de los patrocinadores australianos clave, permitiendo a los autores extraer implicaciones gestoras de importancia directa para otros patrocinadores y propiedades cuyo cometido es asegurar relaciones duraderas de patrocinio.

Percepciones de gerentes australianos de marketing sobre Internet: una perspectiva casi longitudinal

Elaine K.F. Leong, Michael T. Ewing y Leyland F. Pitt

Palabras clave Internet, Marketing, Valor, Australia

El Internet desempeña una función cada vez más importante en las actividades de marketing de organizaciones pertenecientes a una amplia gama de industrias. Mientras que las oportunidades provistas por este fenómeno parecen obvias, aún existe mucho debate y especulación sobre cuál es el impacto exacto que tendrá sobre el marketing. Para esclarecer un poco esta incertidumbre, este estudio examina las percepciones de gerentes acerca del impacto de Internet sobre las actividades clave de marketing. Emplea un diseño de investigación casi longitudinal que incluye encuestas por correo entre personas decisorias dentro del marketing australiano. Los descubrimientos sugieren que las expectativas de 1999 podrían haber sido ilusoriamente optimistas y exageradas. Parece ser que el denominado "colapso punto.com" ha conducido a unas expectativas más realistas y pragmáticas entre los gerentes practicantes en 2001. Seguidamente, el estudio se enfoca en las diferencias en percepciones entre industrias. Como se esperaba, surgen puntos de vista divergentes, particularmente desde dentro del sector de servicios. Luego se consideran implicaciones gestoras, se sacan conclusiones y se perfilan direcciones para investigación futura.

Más allá de la orientación de mercado: gestión de conocimientos y el espíritu innovador de empresas neocelandesas

Jenny Darroch y Rod McNaughton

Palabras clave Innovación, Gestión de conocimientos, Orientación de mercado, Nueva Zelanda

El conocimiento se percibe como un recurso crítico, con atributos tanto tangibles como intangibles. La gestión eficaz del conocimiento está surgiendo como un concepto importante que

facilita que todos los recursos de las empresas, incluyendo el conocimiento, se utilicen con eficacia. En este trabajo se plantea una orientación de gestión del conocimiento como una capacidad distintiva que apoya la creación de ventajas competitivas sostenibles tales como la innovación. Empleando un instrumento para medir la orientación de gestión del conocimiento basado en el trabajo de Kohli, Jaworski y Kumar sobre una orientación de mercado, este trabajo identifica cuatro grupos de empresas basadas en prácticas de gestión del conocimiento que existen dentro del entorno comercial neocelandés. Seguidamente, los grupos se describen según sus perfiles de rendimiento innovador y financiero. El estudio descubre que las empresas con una orientación de gestión del conocimiento superan a aquellas clasificadas como orientadas hacia el mercado. El estudio también muestra que la orientación de mercado es un subconjunto de la orientación de tipo gestión del conocimiento.

Servicio directo a los clientes: disposiciones de franquicias móviles en Australia

Lilly Chow y Lorelle Frazer

Palabras clave Franquicias, Resultados, Contratos, Servicio al cliente, Comportamiento del consumidor, Australia

Este trabajo analiza las diferencias operacionales entre las disposiciones de franquicias móviles y las franquicias de ubicación fija, desde una perspectiva de agencia-teórica. Casi un 40 por ciento de todas las unidades franquiciadas en Australia operan como negocios móviles o con base en el hogar, predominantemente en las industrias de servicios donde los productos o servicios se ofrecen directamente a los consumidores. En este trabajo se reporta sobre una metodología de dos fases, incorporando métodos de investigación cuantitativos y cualitativos. En la primera fase, se analizan datos obtenidos de una encuesta entre la población de franquiciadores australianos en 1998, para comparar las variables operaciones de unidades de franquicias móviles y de ubicación fija. La segunda fase de la investigación emplea entrevistas en profundidad con una muestra de franquiciadores y franquiciados para explorar más exhaustivamente los temas oportunos. Los resultados confirman la perspectiva de la teoría de agencia de que el riesgo de inversión inicial es más bajo en las unidades móviles, y que las operaciones móviles muestran un nivel más alto de clientes repetidos, que las franquicias con ubicación fija. No se revelan diferencias significativas entre los dos tipos en relación a los niveles de monitorización del franquiciado, formación inicial o experiencia esencial por parte del franquiciado. Este estudio indica que la teoría de agencia contribuye a nuestro entendimiento de las disposiciones de las franquicias móviles, aunque también sugiere que los descubrimientos no se explican completamente mediante dicha teoría. Los resultados implican que tanto la monitorización como la alineación de incentivos tienen efectos complementarios y que ambas formas de contrato son necesarias dentro del sistema de control de un franquiciador.

Guest editorial

About the Guest Editor *Aron O'Cass has a Bachelor of Commerce majoring in marketing, a Master of Business majoring in marketing and a PhD in marketing, specialising in consumer behaviour. Aron has published in the area of consumer behaviour, consumer branding and brand associations, political marketing and international marketing in journals such as, the* Journal of Advertising, Psychology & Marketing, European Journal of Marketing, Journal of Economic Psychology, Journal of Product & Brand Management, Journal of Vacation Marketing, Journal of Services Marketing *and others. His research interests include consumer behaviour, branding, particularly consumer-brand relationships and Asian brand development, market-focused learning and brand strategy, international marketing and political marketing.*

Knowing what we know by understanding what we don't

Gerald Zaltman (2002, p. 243) recently argued that:

> If a truism about scientific progress exists, it might be this: just as today's knowledge contradicts much of what recently preceded it, so will much of it be contradicted or significantly diminished by what we are yet to learn . . . [T]he half-life of knowledge gets shorter and shorter the more and more of it there is.

Such an argument presents us with significant challenges in the context of knowing what we do and don't know in relation to marketing management. It is hoped this special issue will contribute to the state of marketing knowledge through the truism observed by Zaltman and encourage us to make friends with ignorance and explore the unknowns of marketing.

In the context of developing knowledge about marketing management, a good starting point would be to establish a basic purpose for marketing. To do this we could think long and hard, but perhaps, its purpose has, to some extent, already been established. To the history buffs in marketing, one name may spring to mind, Peter Drucker. As aptly stated by Drucker (1954), there is only one valid definition of business purpose – to create a customer:

> It is the customer who determines what the business is . . . Because it is its purpose to create a customer, any business . . . has two – only two basic functions: marketing and innovation.

Marketing management processes are integral components of the successful functioning of any organisation and, in reality, the process of creating and maintaining customers (markets) is integral to marketing management, whether for profit or not. Academicians have contributed to the organisational performance debate by examining the impact of marketing on business and this interest in the contribution of marketing to performance remains strong. The *European Journal of Marketing* (*EJM*) has a history of publishing thought provoking works in the area of marketing management that address country or regional issues. As Brooksbank *et al.* (1999) wrote in a recent issue of *EJM* on the state of the art in Britain, effective marketing operates at both an attitudinal/philosophical as well as practical/functional level within the firm.

European Journal of Marketing
Vol. 37 No. 3/4, 2003
pp. 361-365

0309-0566

Such statements indicate the pervasiveness of marketing and its contribution to modern business practice. While *EJM* has throughout its history contributed significantly to exploring marketing issues in particular areas, it also has often set the tone of the debate in marketing. For example, Foxall (1989), in examining marketing's domain, challenged the conventional wisdom of the exchange in marketing, arguing that marketing as a process of matching, of aligning relationships within markets, may be a more appropriate framework for an extended concept of marketing and marketing oriented management.

This special issue aims to contribute to the widening study and depth of understanding of marketing management issues in a specific region, that being Australasia. Under the general topic of marketing management and strategy, papers were submitted across a broad spectrum of topical areas including – competitive strategy and market learning, franchising, strategic actions, managerial perceptions of the Internet, managerial attitudes toward consumerism, knowledge management and innovation, exporting and sponsorship business to business relationships. Overall some 40 papers were submitted for the special issue and after a rigorous review process 11 papers were accepted for publication. The papers represent a broad spectrum of critical marketing issues, highlighting both the breadth and depth of marketing management.

The paper by Steven Lysonski, Srinivas Durvasula and John Watson focuses on free trade in New Zealand and how that market has behaved. They argue that New Zealand has undergone a radical metamorphosis since free market economics were introduced in the mid-1980s, contending that marketing managers are particularly interested in the views of consumers about issues dealing with marketing activities. It is their view that negative views could signal consumer backlash against free market activities. On this basis their study examines the views of consumers from 1986 to 2001 on a range of issues dealing with marketing and consumerism. Their results show that consumers are less negative about marketing and consumerism issues since 1986. They conclude that, it seems likely that New Zealand has evolved, in terms of the consumerism life cycle, over the last 15 years, and that marketing managers should continue to remain proactive in their responses to consumer discontents.

The paper by Jay Weerawardena focuses on the role of entrepreneurship in the marketing process. He contends that competitive advantage has been predominantly measured in terms of financial indicators of performance and, in general, the literature reflects the need for comprehensive measures of organisational innovation and competitive advantage. Jay examines the role of market focused learning capability in organisational innovation-based competitive strategy. His work contributes to strategic marketing theory by developing and refining measures of entrepreneurship, market focused learning capability, organisational innovation and sustained competitive advantage and testing relationships among these constructs.

Nicholas Ashill, Mark Frederikson and John Davies use grounded theory to develop an inductive model of strategic marketing planning (SMP). Based on a field investigation of some large organisations drawn from a single industry, the authors present the views of those involved in SMP development and implementation, and identify and group relevant variables into seven major themes or "core categories" that characterise the SMP process. It is their contention that their grounded "picture" supports the earlier work of Piercy and Morgan (1994) and Greenley and Oktemgil (1996) which advocated a broader domain of SMP. They suggest that extending practitioners' understanding of the nature of these inter-related factors may lead to better insights of how a SMP process can be managed more effectively.

The paper by William Boulton and Rajan Nataraajan focuses on how a recently developed model called the alternative classification scheme (ACS) may be used in the context of the newly industrializing economies (NIEs) of the Asia-Pacific region. They focus on this region, arguing that possibly it is the most rapidly rising players in the world economy. The authors argue that after nearly a decade of research into Asian economic development strategies, consideration of future development alternatives is warranted. Using the ACS, the authors broadly categorize the range of available strategic alternatives that will drive the NIEs' development strategies, and discuss the results of such application.

Sue Pulendran, Richard Speed and Robert Widing examine the relationships between marketing planning, market orientation and business performance. They explore conceptually how linking the behaviours of marketing planning with the values of market orientation impact on business performance. They suggest that high quality marketing planning can lead to performance benefits, but as an antecedent to a market orientation, rather than as an independent activity.

The paper by Anthony Pecotich, Felicity Purdie and John Hattie focus on issues associated with corporate strategic action arguing that this area has been addressed from three general academic perspectives. They evaluated executive perceptions of strategic typologies in Australia. They focus on four strategic typologies (growth versus retrenchment, the product/market matrix, the grand strategy alternatives and Porter's (1980) generic strategies). These were compared using confirmatory factor analysis on a set of data obtained from top mangers in Australia and their results support Porter's (1980) formulation of cost leadership, differentiation and focus.

Francis Farrelly and Pascale Quester argue that there is little empirical research that examines the effects of marketing orientation on the two most important relationship marketing concepts, namely trust and commitment. In this paper, the sponsorship relationship is the focus of an empirical investigation aimed at uncovering the potential effect of market orientation, exhibited by both parties of the sponsorship dyad, upon trust and commitment. By selecting the leading sponsorship property in Australia, the AFL, the majority of key Australian sponsors were included in this study, allowing the authors to draw managerial implications of direct relevance to other sponsors and properties aiming to secure long lasting sponsorship relationships.

The paper by Elaine Leong, Michael Ewing and Leyland Pitt focuses on the role that the Internet is playing in marketing. They argue that the Internet is playing an increasingly important role in the marketing activities of organisations across a wide range of industries. It is their view that while the opportunities afforded by this phenomenon seem readily apparent, there is still much debate and speculation on exactly what impact it will have on marketing. To shed some light on this uncertainty, their study examines managers' perceptions of the impact of the Internet on key marketing activities and suggest that expectations in 1999 may have been unrealistically optimistic and exaggerated. It would appear that the so-called "dot.com crash" has led to more realistic and pragmatic expectations among practicing managers in 2001. They also focus on differences in perceptions between industries and show that divergent views emerge – particularly from within the services sector.

Focusing on marketing knowledge Jenny Darroch and Rod McNaughton argue that marketing knowledge is seen as a critical resource with both tangible and intangible attributes. Effective knowledge management is emerging as an important concept that enables all the resources of firms, including knowledge, to be used effectively. A knowledge management-orientation is positioned in this paper as a distinctive capability that supports the creation of sustainable competitive advantages such as innovation. They identify four clusters of firms based on knowledge management practices within the New Zealand business environment. The clusters are then described according to their innovation and financial performance profiles. The study finds that firms with a knowledge-management orientation outperformed those classified as market oriented. The study also shows a market-orientation to be a subset of a knowledge management-orientation.

The paper by Lilly Chow and Lorelle Frazer analyses the operational differences between mobile franchising arrangements and fixed-site franchises using agency-theory. They argue that almost 40 per cent of all franchised units in Australia operate as mobile or home-based businesses, predominantly in service industries where products or services are provided directly to consumers.

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Examining firm and environmental influences on export marketing mix strategy and export performance of Australian exporters

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Keywords *Export, Marketing, Performance, Marketing mix, Strategy, Australia*

Abstract *This study examines the impact of specific firm characteristics, environmental characteristics and marketing mix strategy on export marketing performance. Data were gathered via a mail survey of firms engaged in exporting. The results indicate that firm characteristics and environmental characteristics impact significantly on both overall performance and marketing mix strategy adaptation by exporting firms. However, the decision to adapt or standardise the marketing mix strategy did not significantly impact marketing performance, implying that either standardisation or adaptation is appropriate and yields comparable performance.*

Introduction

Increasingly, Australian firms are looking beyond their traditional domestic markets and focusing on high growth export markets to not only grow, but also to enhance their competitiveness. Some have gone as far as saying that, in many ways, export market development is becoming more a matter of survival rather than a matter of choice for many Australian firms (Cooke, 1991; Julian, 1995). For some time in Australia there has been a concerted effort by many industries and governments to improve the export focus and performance of firms (Cooke, 1991; Department of Foreign Affairs and Trade, 1994; Julian, 1995). Interestingly, this is not a phenomenon specific to Australia and in this context the determinants of export marketing performance have been the focus of much debate and research (e.g. Cavusgil and Zou, 1994; Francis and Collins-Dodd, 2000; Styles, 1998; Sundqvist *et al.*, 2000; Thirkell and Dau, 1998; Zou *et al.*, 1998). However, beyond countries such as the USA, UK, Canada, New Zealand and various European countries, little effort has been expended in examining export performance and the factors that impact on it. Australia's

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export performance over the last decade has been problematic at best with Australia being a net importer since 1990 (Australian Bureau of Statistics, 2000) with gross imports exceeding gross exports.

As such, it is important for Australia as a country to better understand the determinants of export performance success in order to substantially improve its poor export performance. Therefore, we believe there is a need to identify and examine the antecedents of export marketing performance from an Australian perspective and also the mix strategies (adaptation versus standardisation) pursued. By doing so we can help Australian industry improve its export performance and contribute to the theoretical development of the export marketing literature by examining specific factors that impact the performance of export market ventures. Given such issues it is imperative that more research be undertaken to develop a greater understanding of export performance and factor that impact it. This study focuses on examining the relationship between firm characteristics, export market characteristics, marketing mix strategy and the export marketing performance of firms exporting from a specific region.

Conceptual framework of export marketing strategy and performance

In general, one of the key factors impacting export marketing performance identified from previous studies is export marketing strategy (Cavusgil and Zou, 1994). A key strategy issue is whether to adapt or standardise the product/service (Shoham, 1999). Other factors to impact export marketing performance include firm-specific characteristics (Diamantopoulos and Schlegelmilch, 1994), product characteristics (Cavusgil *et al.*, 1993) and export market characteristics (Dominguez and Sequeira, 1993). The conceptual framework of export marketing mix strategy and performance proposed in Figure 1 identifies that the marketing mix strategy of an export venture is determined by both internal factors and external forces in the environment. The performance of an export venture, in turn, is determined by the export marketing mix strategy adopted, firm characteristics and environmental characteristics. Similar to Cavusgil and Zou (1994), the proposed conceptualisation posits a link between firm, environmental characteristics and performance through export marketing mix strategy, highlighting the central role marketing mix strategy plays in performance. Figure 1 indicates that the firm's characteristics includes product uniqueness, international experience of the firm, support provided to the firm's distributors and resource commitment. Key export environmental characteristics include competitive intensity, legal-political environment of the export market, channel accessibility and customer exposure to the product/service and that marketing mix strategy involves the decision to standardise or adapt the marketing mix.

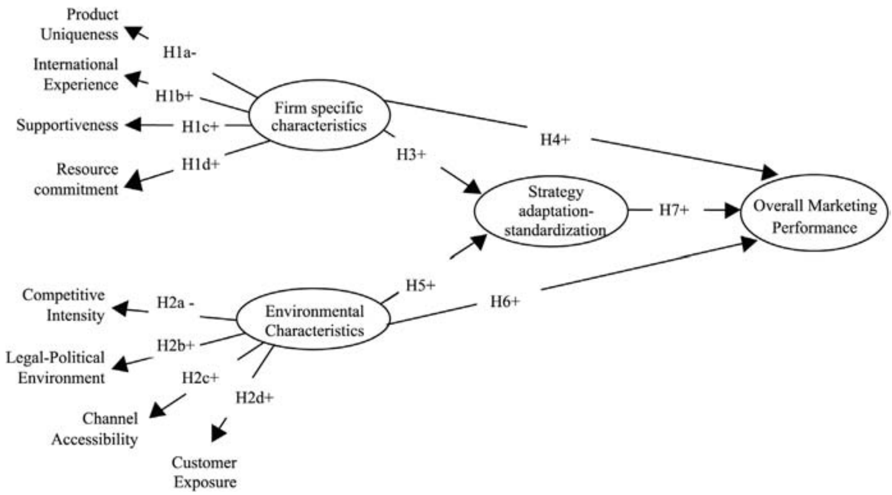

Figure 1.
Hypothesised
relationships

It is important to note that although in marketing management the central concern has been with the development of the marketing mix, and in the management/policy area with higher level issues associated with the corporate mission, competitive advantage and grand strategies, the pivotal element in each is the manager or decision maker. Whether the process emphasised is synoptic or incremental (Lysonski and Pecotich, 1992), or the focus on strategy is situation-specific, universal or contingency, it is the firms management, who on the basis of perceptions manages the alignment of environmental opportunities and threats, internal firm strengths and weaknesses, and strategic action taken (Aaker, 2001; Cravens, 1999; Jain, 1999). A strong case can, therefore, be made that in the context of exporting strategic actions are more likely to be consistent with management perceptions than with objective criteria (Miles *et al.*, 1974). In reality strategic action takes place in a social context and while objective conditions and events may influence management actions, it is perceptions associated with these conditions that are of great importance. The view that management perception should be the focus of research in marketing has been advocated, particularly top level management (Wind and Robertson, 1983).

Firm characteristics

The characteristics of a firm's product have been identified as having a significant influence on export marketing performance (Cavusgil *et al.*, 1993). The product's attributes are argued to affect the positional (marketplace) competitive advantage of a firm (Day and Wensley, 1988), thereby influencing marketing performance. Product characteristics that have been argued to influence marketing performance include culture specificity, strength of patent, and uniqueness (Cavusgil and Zou, 1994). A unique product provides a firm with a differentiation advantage that other firms in a competitive market may find difficult to challenge or overcome resulting in higher performance than a standardised product (Douglas and Craig, 1989). This differentiation advantage may result from better quality and reliability, or more durability, or they may be backed by better service, or have superior design or better performance (Terpstra and Sarathy, 2000). Furthermore, when a culture-specific product is exported to a foreign market, the cultural base on which the product is developed may not match the cultural base in the foreign market (Terpstra, 1987). To be viable, the product must be adapted to the cultural idiosyncracies of the export market (Douglas and Craig, 1989). As such, it is hypothesised that:

H1a. The uniqueness of an exporting firm's product contributes significantly to its firm specific characteristics.

It is argued that in the context of firm-specific characteristics, a firm's capabilities and constraints (strengths and weaknesses) influence their choice of marketing strategy and ability to execute a chosen strategy (Aaker, 1988). The resources of a firm constitute its sources of sustainable competitive advantage (Day and Wensley, 1988) and in export marketing these resources include size advantages (Reid, 1982), international experience (Douglas and Craig, 1989) and resources available for export development (Terpstra, 1987). Possession of such resources enables a firm to identify the idiosyncracies in the export markets, develop the necessary marketing strategies and implement them effectively, thus achieving higher export marketing performance (Cavusgil and Zou, 1994).

In relation to the firm's international experience, the more internationally competent a firm is the more likely it is that standardisation alone will not lead to optimal results. A competent firm, because of its international experience knows the differences in environmental conditions and is more likely to select the most attractive market for the venture and adapt the marketing strategy to accommodate the specific needs of the market (Cavusgil and Zou, 1994). An inexperienced firm seeks the closest match between its current offerings and foreign market conditions so that minimal adaptation is required (Douglas and Craig, 1989). When a product can meet universal needs, a standardised strategy is facilitated (Cavusgil and Zou, 1994), however, if a product only meets unique needs, greater adaptation of product and promotion will be required to meet customers' product use conditions (Cavusgil *et al.*, 1993) and to educate customers in using and maintaining the product. As such, it is hypothesised that:

H1b. The international experience of an export firm contributes significantly to its firm specific characteristics.

In relation to resources, the export venture's distribution network is seen as a necessary resource for successful participation in foreign markets. Therefore, when the export market is competitive, supporting the distributor/subsidiary is particularly important to ensure that the distributor/subsidiary performs adequate promotion, timely delivery, and proper maintenance and service (Terpstra, 1987). Furthermore, in technology-intensive industries, because of the inherent complexity of technology incorporated in the products, manufacturers must provide adequate training support to the foreign distributors/subsidiaries so that the product can be handled, marketed and serviced properly (Cavusgil and Zou, 1994). As such, it is hypothesised that:

H1c. The support provided by an exporting firm to its distributors contributes significantly to its specific firm characteristics.

In relation to resource commitment of the firm, when managers are committed to an export venture, they carefully plan the entry and allocate sufficient managerial and financial resources to the venture. With formal planning and resource commitment, uncertainty is reduced and marketing strategy can be implemented effectively (Aaby and Slater, 1989; Cavusgil and Zou, 1994) leading to better performance (Cavusgil and Zou, 1994). As such, it is hypothesised that:

H1d. The resource commitment of an exporting firm contributes significantly to its specific firm characteristics.

Environmental characteristics

Along with firm characteristics environmental characteristics have also been argued to be important. In this sense foreign markets pose both threats and opportunities for exporting firms which are argued to significantly affect marketing performance. As such, a firm must match its strengths with market opportunities to negate market threats, to ensure better marketing performance. Therefore, export marketing performance tends to be conditioned by environmental characteristics (Cavusgil and Zou, 1994) such as the extent of competition (Christensen *et al.*, 1987); the legal and regulatory policies of host country governments (Contractor, 1990; Blodgett, 1991); the availability of suitable distribution and communication channels (Blodgett, 1991; Ganitsky *et al.*, 1991) and, customer familiarity with the product (Cavusgil and Zou, 1994).

In the export market the intensity of competition could force firms to seek a high degree of product and promotion adaptation to gain a competitive advantage over rivals (Cavusgil *et al.*, 1993; Jain, 1989), because adaptation of product and promotion can broaden the local market base and be geared to specific local preferences thereby enhancing marketing performance (Douglas and Craig, 1989). Additionally, in a competitive export market, a high degree of product adaptation also is needed due to intense competitive pressure, because product adaptation can help gain a competitive superiority over rivals (Cavusgil and Zou, 1994). However, a product that has to be adapted to the domestic market because it is unique, new to the company, culture-specific or because the export market is competitive may have limited acceptance in the export market. As such, it is hypothesised that:

H2a. Competitive intensity will contribute significantly to environmental characteristics.

As far as the legal and regulatory policies of host country governments are concerned, frequently when a developing country is involved, the host country government may exercise influence over the choice of suppliers and over marketing (Osland, 1994). Or it may impose exchange controls, which can have an important impact on reinvestment, financing and repatriation decisions (Beamish, 1993; Yan and Gray, 1994). As a result, laws or pressure from the host government can play a significant role in the marketing performance of the venture by increasing or reducing firm capacity and effectiveness (Beamish, 1993; Cavusgil and Zou, 1994). As such, it is hypothesised that:

H2b. The legal-political environment of the host country will contribute significantly to environmental characteristics.

As far as access to suitable distribution channels is concerned, inaccessibility to distribution channels has been widely cited as the reason behind the failure of many foreign market ventures (Yan, 1998). Furthermore, success in export markets is often equated with the export venture's ability to initiate and sustain strong and mutually beneficial relationships with their foreign partners. This is because market knowledge is likely to reside with the local partner or distributor. When an unstable political and economic environment is perceived to influence the export market, many export market ventures rely heavily on their local partners or distributors to help reduce the risk (Osland, 1994). Also, to take advantage of local resources, the export market venture must rely on its local partners or distributors to negotiate with local governments to provide access to local elite and manage local labour (Makino and Delios, 1996; Osland, 1994). Companies provide ongoing support to their foreign distributors in the form of sales force training, technical assistance, marketing know-how, promotional support etc. In the Cavusgil and Zou (1994) study the most critical determinant of such support turned out to be management's commitment to the venture. As such, it is hypothesised that:

H2c. Channel accessibility will contribute significantly to environmental characteristics.

Finally, in relation to customer familiarity with the product, export customers familiarity with a brand of a particular product can ease the entry of the product into the export market. Therefore, a familiar brand requires a lower degree of promotion adaptation in the export market than an unfamiliar one, because familiarity can translate into a favourable attitude, which then forms brand equity ultimately enhancing performance (Cavusgil and Zou, 1994). As such, it is hypothesised that:

H2d. Customer familiarity with the product will contribute significantly to environmental characteristics.

As indicated in Figure 1 product uniqueness (patents), firm experience (in exporting), support (training provided to intermediaries and type of relationship formed with channels) and resource commitment (financial, time and physical) are all identified as elements of firm specific characteristics. Competence in international operations enables firms to select better export markets, formulate suitable marketing strategy, and effectively implement the chosen strategy (Douglas and Craig, 1989; Cavusgil and Zou, 1994). When managers are committed to the venture, they carefully plan the entry and allocate sufficient managerial and financial resources to the venture. With formal planning and resource commitment, uncertainty is reduced enabling marketing strategy to be implemented effectively leading to better performance (Cavusgil and Zou, 1994). Additionally, when a product can meet universal needs, standardisation of product and promotion is facilitated (Levitt, 1983). However, if a product meets only unique needs, greater adaptation of product and promotion will be needed to meet export customers' product use conditions (Cavusgil *et al.*, 1993) and to educate customers in using and maintaining the product. Similarly, when a culture-specific product is exported to a foreign market, the cultural base on which the product is developed may not match the cultural base in the foreign market (Terpstra, 1987). To be viable, the product must be adapted to the cultural idiosyncracies of the export market (Douglas and Craig, 1989). Finally, supporting a distributor/subsidiary in the export market can lead to a cooperative partnership between the manufacturer and the distributor/subsidiary. Cooperation in the export channel will lead to effective implementation of marketing strategy and better performance (Cavusgil and Zou, 1994). As such, it is hypothesised that:

H3. Firm-specific characteristics will have a significant influence on the export marketing mix strategy to be adopted.

H4. Firm-specific characteristics will have a significant influence on export marketing performance.

As discussed above we focus on four key environmental characteristics that are important. These include, first, competitive intensity, involving the extent of price competition and the number of competitors in the market. Second, the legal-political environment involving the legal, political and regulatory nature of the market and the extent of government intervention into the operation of the export market venture. Third, channel accessibility, involving access to distribution channels, number of customers and the demand potential of the product in the market. Finally, customer exposure, involving access to customers, customer familiarity with the product and exposure of customers to the product in the market. The intensity of competition in the export market could force firms to seek a high degree of product and promotion adaptation to gain a competitive advantage over rivals (Cavusgil *et al.*, 1993; Jain, 1989), because adaptation of product and promotion can broaden the local market base and be geared to specific local preferences thereby enhancing marketing performance (Douglas and Craig, 1989). Similarly, a competent firm understands the idiosyncracies of the export market and is able to respond to the local conditions by an adaptation strategy. Finally, export customers' familiarity with the brand can ease the entry of the product into the export market. Therefore, a familiar brand requires a lower degree of adaptation than an unfamiliar one. As such, it is hypothesised that:

H5. Environmental characteristics will have a significant influence on export marketing mix strategy.

H6. Environmental characteristics will significantly influence export marketing performance.

Marketing strategy

In response to external forces and in recognition of internal forces firms develop and implement an export marketing mix strategy. Export marketing strategy is the means by which a firm responds to market forces to meet its objectives, via all aspects of the marketing mix, including, product, price, promotion and distribution, and in international marketing, the key determining factor affecting marketing strategy includes the decision to standardise or adapt to the conditions of foreign markets (Cavusgil and Zou, 1994; Douglas and Craig, 1989). The degree of adaptation versus standardisation is a function of firm and environmental characteristics (Cavusgil *et al.*, 1993; Jain, 1989). Therefore, export marketing strategy can be seen as the degree of adaptation or standardisation of the marketing mix required in the foreign market (Cavusgil and Zou, 1994), thus, directly influencing marketing performance. However, as Douglas and Wind (1987) and Cavusgil and Zou (1994) suggest, the more internationally experienced a firm is, the more likely it is that standardisation alone will not lead to optimal results. A competent firm, because of its international experience knows the differences in environmental conditions and is more likely to select the most attractive market for the venture and adapt the marketing strategy to accommodate the specific needs of the market (Cavusgil and Zou, 1994). An inexperienced firm seeks the closest match between its current offerings and foreign market conditions so that minimal adaptation is required (Douglas and Craig, 1989). As such, it is argued that there will be a positive relationship between firms adopting an adapted export marketing strategy and overall performance. Therefore, the greater the level of adaptation in the export marketing strategy the higher the export marketing performance, and as such:

H7. Export marketing mix strategy will significantly influence export marketing performance.

Research design

The study was based on an empirical investigation of firms involved in exporting to foreign countries from Queensland, a large Australian state. The sampling frame included firms from a wide cross section of industries including, agriculture, mining, light industries, metal-working, electronic, chemical and services industries. The list of firms making up the sampling frame was provided by a government department.

In order to obtain valid and reliable measures of the variables, previously validated scales were used for all of the constructs in this study. Firm characteristics were measured via items related to resource commitment, support provided to the firm's distributors, international experience of the firm and product uniqueness. Resource commitment was measured via the extent of management commitment, resource commitment, planning and the amount of resources the firm has available for export development adopted from Cavusgil and Zou (1994). Support provided by the firm to its distributors was measured from items taken from Cavusgil and Zou (1994) on the extent of overall support provided to the firm's distributors, the promotion support provided to the firm's distributors and the amount of training given to the sales force of the firm's distributors. We viewed these items as showing the extent of supportive relationships between the exporting firm and its distributors. International experience of the firm was measured via the number of foreign markets the firm has operations in, the international experience of the firm and the number of years the firm has been involved in international business. Finally, product uniqueness was measured via items adapted from Cavusgil and Zou (1994) that measured the extent of patent protection, the uniqueness of the product/service and the culture specificity of the product/service.

Environmental characteristics were measured via items focusing on competitive intensity, the legal-political environment, channel accessibility and customer exposure (Cavusgil *et al.*, 1993; Christensen *et al.*, 1987). Competitive intensity was measured via the extent of industry price competition, the extent of foreign competitors and the degree of marketplace price competitiveness. The legal-political environment was measured via the extent of government intervention into the operation of the export market venture and the extent of legal and regulatory barriers in the market the venture was operating in. Channel accessibility was measured via accessibility to suitable distribution channels, the number of customers the export market venture had and demand potential of the product/service. Finally, customer exposure was measured via the degree of exposure by customers to the product/service and the degree of familiarity of customers to the product/service. Export marketing mix strategy adaptation versus standardisation was measured via items tapping the extent of adaptation of the marketing mix variables adopted from Cavusgil and Zou (1994) with higher scores implying greater adaptation. Export marketing performance was obtained by asking managers to indicate their perceived success of the export venture on a ten-point scale, with 1 being unsuccessful and 10 being successful.

The questionnaire was developed and pre-tested using a small sample of exporters with the final instrument mailed to the sample. All items were measured via five-point bipolar scales with scale poles ranging from strongly disagree (1) to strongly agree (5) (Cavusgil and Zou, 1994). After the pilot test the questionnaire was mailed to 1,132 firms who were a priori identified as being involved in direct exporting. In total 293 useable questionnaires were returned, giving a response rate of 25.8 per cent. Approximately 51.5 per cent of the firms operated in less than five export markets, 26.3 per cent in five to ten markets, 9.2 per cent in 11 to 15 markets and 9.6 per cent in more than 15 markets. Also around 41 per cent were involved in consumer markets with 44 per cent being involved in industrial markets.

Results

Prior to analysing the data the issue of non-response bias was addressed via an "extrapolation procedure". This assumes that the groupings of actual respondents by an identified criterion are similar to the 'theoretical' non-respondents (Armstrong and Overton, 1977). Frequencies and independent *t*-tests were used to determine whether significant differences existed between the sample of 293 export market ventures and the target population of 1,132 based on their industry classification. No significant differences were identified between the sample and the target population for this classification variable. Therefore, it is argued that there are no significant differences between respondents and non-respondents, and the sample can be considered sufficient to draw conclusions about Queensland export market ventures for the issues under study (see Table I).

After an examination of the export literature addressing similar issues, the data were initially analysed using principal components analysis to assess the psychometric properties of the instrument. Following similar procedures to Cavusgil and Zou (1994) we sought to establish that items loaded onto their appropriate constructs and factors were interpretable. Along similar lines to Cavusgil and Zou (1994) our primary concern was interpretability of the factors. All items loaded appropriately and no cross-loadings above 0.2 were identified with only factor loadings of above 0.5 being accepted. The reliabilities for all scales were greater than 0.70 in all cases, with several over

Table I.
Sample firm characteristics

	Percent
Industry the product competes	
Services	25.3
Agriculture	22.5
Metal working	16.7
Mining	8.9
Light manufacturing	8.9
Electrical	8.2
Chemical	6.5
Name of the export market	
ASEAN	20.5
Japan	10.9
North America	10.6
New Zealand	6.1
Europe	5.8
China	5.8
New Guinea	5.1
Hong Kong	2.7
Korea	2.0
Taiwan	1.4
India	1.4
South America	1.4
South Pacific Islands	1.4
Iran	1.0
South Africa	0.3

0.80. The initial analysis indicated the psychometric properties of the measures were acceptable to examine the relationships depicted in Figure 1.

Given the formulation of the hypotheses it was decided to use partial least squares (PLS) to analyse the data (Fornell and Cha, 1994; O'Cass, 2001). PLS is a general structural equation modelling (SEM) variance based technique for estimating path models involving latent constructs indirectly observed by multiple indicators such as is shown in Figure 1. It is often referred to as a form of "soft modelling" (Falk and Miller, 1992) and in circumventing the necessity for the multivariate normal assumption has major advantages for non-experimental research (Kroonenberg, 1990). Similar to the SEM techniques of LISREL and AMOS, a PLS model is specified by two sets of linear relations: the outer model in which the relationships between the latent and the manifest variables are specified; and the inner model where the hypothesized relationships between the latent variables are specified and whose interpretation is as for standardized regression coefficients (Chin, 1998a, b; Falk and Miller, 1992; Fornell and Cha, 1994; Kroonenberg, 1990; O'Cass, 2001). In the classic test theory factor analytic model reflective indicators as shown in Figure 1 are assumed to change together or move in the same direction.

Therefore, given the theoretical formulation and the research context (including sampling), PLS is particularly suitable as a method of analysis and model evaluation for this study.

Importantly, evaluation of a complex model such as Figure 1 can not be made on the basis of any single, general fit index, but rather involves multiple indices which are characterised by aspects such as their quality, sufficiency to explain the data, congruence with substantive expectations, precision and confidentiality (Lohmöeller, 1989). Hence, a systematic examination of a number of fit indices for predictive relevance of the model is necessary (Fornell and Cha, 1994; Lohmöeller, 1989) including r^2, average variance accounted for (AVA), average variance explained (AVE), regression weights and loadings. These indices provide evidence for the existence of the relationships rather than definitive statistical tests, which may be contrary to the philosophy of soft modeling as outlined by Falk and Miller (1992) and others, as no distributional assumptions are made. The results of the outer measurement model are shown in Table II (*H1a-d* and *H2a-d*) and Table III provides the inner model results (*H3-7*).

For the latent variable firm specific characteristics the bootstrap critical ratios (Chin, 1998a, b) are acceptable (greater than 1.96; $p < 0.05$) and the AVE is 0.47. For environmental characteristics the bootstrap critical ratio are all acceptable and the AVE is 0.43. The between blocks correlation coefficients of the residuals of the manifest variables were all relatively low suggesting that the blocks are distinctly defined (Falk and Miller, 1992). The loadings are used in evaluating the relationships in Table II, where significant critical ratios are shown for all hypothesised paths in the outer model of firm specific characteristics and environmental characteristics, providing support for *H1a-d* and *H2a-d*.

The AVA for the endogenous variables was 0.55 and the individual R^2 were greater than the recommended 0.10 (Falk and Miller, 1992) for all of the

Table II. Component loadings for the measurement models

Components and manifest variables	Hypothesis	Loading	Critical ratio
Firm-specific characteristics (*AVE = 0.47*)			
Product uniqueness	*H1a*	0.53	8.04[a]
Firm experience	*H1b*	0.50	5.14[a]
Supportive	*H1c*	0.80	26.73[a]
Resource commitment	*H1d*	0.84	37.99[a]
Environmental characteristics (*AVE = 0.43*)			
Competitive intensity	*H2a*	0.84	42.07[a]
Legal-political environment	*H2b*	0.54	7.48[a]
Channel accessibility	*H2c*	0.58	8.80[a]
Customer exposure	*H2d*	0.74	19.53[a]

Note: [a] Indicates meets or exceeds minimum acceptable levels

Table III.
Partial least squares results for the theoretical model

Predicted variables	Predictor variables	Hypothesis	Path	Model Variance due to path	R^2	Critical ratio
Strategy adaptation-standardisation	Firm-specific characteristics	*H3*	0.33	0.16[a]		4.87[a]
	Environmental characteristics	*H5*	0.26	0.12[a]	0.28	3.60[a]
Overall marketing performance	Firm-specific characteristics	*H4*	0.20	0.07[a]		3.27[a]
	Environmental characteristics	*H6*	0.28	0.11[a]		4.18[a]
	Strategy adaptation-standardisation	*H7*	0.01	0.003	0.18	−0.23
AVA					0.55	

Note: [a] Indicates meets or exceeds minimum acceptable levels

predicted variables. As all of these R^2 estimates were larger than the recommended levels it is appropriate and informative to examine the significance of the paths associated with these variables. A reasonable criterion for evaluating the significance of the individual paths is the absolute value of the product of the path coefficient and the appropriate correlation coefficient (Falk and Miller, 1992, p. 74). As paths are estimates of the standardised regression weights this produces an index of the variance in an endogenous variable explained by that particular path and 1.5 per cent (0.015) of the variance is recommended as the cut off point. In Table III all the paths, except for strategy adaptation-standardisation, exceed this criterion and the bootstrap critical ratios are of the appropriate size (greater than 1.96; $p < 0.05$).

This, therefore, supports *H3-7*. This data, therefore, suggests that the firm-specific characteristics and environmental characteristics are associated with strategy adaptation-standardisation, where in effect the possession of the firm specific characteristics and identified environmental characteristics lead to greater adaptation. Also firm specific characteristics and environmental conditions lead to better export performance. However, marketing strategy adaptation versus standardization was not associated with marketing performance. The results for the hypothesised relationships are shown in Figure 2.

Discussion

At the outset we proposed that along with firm characteristics such as product uniqueness, support provided to intermediaries, firm experience, resources, and commitment, the environmental characteristics of the foreign market would

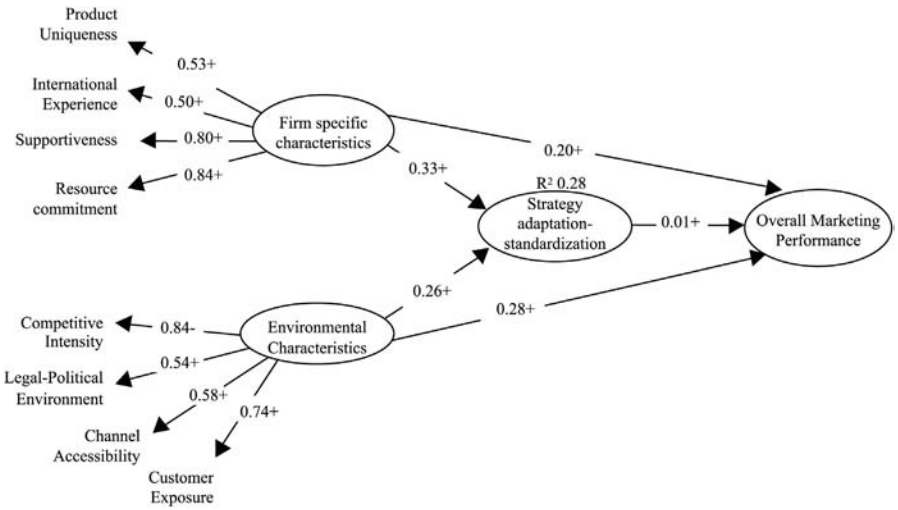

Figure 2.
Results for hypothesised relationships

also be important determinants of export marketing performance. In reality foreign markets pose both threats and opportunities for exporting firms that can affect marketing performance. Firms that match their strengths with market opportunities to negate market threats, that identify, understand and seek favourable export environments and manage their own capabilities will perform better. The results of this study do indicate that export marketing performance is conditioned by both firm-specific characteristics and environmental characteristics, such as the extent of industry price competition, the number of foreign competitors in the market place, the degree of market place price competitiveness and the degree of familiarity and exposure of customers to the product/service. The lack of market place competition made a positive contribution to environmental characteristics, the strategy decision and overall performance. Further, the degree of familiarity and exposure of customers to the product/service also had a positive effect on environmental characteristics, the strategy decision and overall performance.

In the context of firm-specific characteristics, the study's findings indicate that a firm's resources influence their choice of marketing strategy and marketing performance. As such, the resources of firms constitute their sources of sustainable competitive advantage in export marketing. Such resources include the extent of management commitment by the firm to the export venture, extent of careful planning carried out by the export venture, the amount of resources the firm has available for export development and the support provided to the firm's distributors. Support provided to the firm's distributors came in the form of promotion support and training provided to the sales force of the firm's distributors. Possession of these resources enables firms to match the needs of the export markets with specific firm characteristics, thereby achieving better export marketing performance. Also the characteristics of the product had a significant influence on export marketing performance. A product that is unique, culture specific or is one that enjoys a degree of patent protection over competing products appears to have a differentiation advantage in the market place enabling the firm to use an adapted strategy leading to better performance.

In the context of environmental characteristics, the study's findings indicate that the level of competition in the foreign market and the degree of familiarity of customers to the product/service influenced the venture's choice of marketing strategy and performance. The level of competition is influenced by the number of competitors in the foreign market, market place competition and industry price competition. The effects of adaptation or standardisation strategies did not significantly impact overall export marketing performance. This indicates that firms achieved acceptable performance levels via standardisation or adaptation. However, firms with greater product uniqueness, expertise in exporting, provided greater support to their intermediaries and greater resource commitment were more adaptive in their strategic approaches to exporting. Also when faced with macro environments that were more prone to significant government and legal intervention, were more competitive, but had greater demand and accessibility to customers, and the greater the exposure and familiarity of customers to their product/service the more likely they were to use a strategic approach characterised as adaptive. The reverse was the case for those adopting standardised strategic approaches to exporting. Similar to Shoham (1995) we also found that exporters were split between those that mostly adapt and those that standardise, with some firms in the same industry adapting whilst others opted for a standardised strategy. Such findings could possibly be explained by the nature of the data collected, in that it was cross-sectional in nature with the industries represented including agriculture, mining, light, metal-working, electronic, chemical and the services industries. It is possible that some industries such as the electronic industries and metal-working industries achieved positive results using an adaptive strategy whereas other industries that produced products that were more generic in nature, such as agriculture, mining and the chemical industries could have achieved positive results using a standardised strategy, which accounts partially for the conclusion that positive results were achieved using either strategy, adapted or standardised.

As a result of the growing body of work on exporting, particularly that focusing on the exporting firms' characteristics, export market managers will be better able to understand and match their own firms characteristics to potential export markets achieving improved performance. We hope that we have moved from the situation outlined by Jain (1989) to a point where managers now have some research based guidelines where standardisation and adaptation are more compatible with the export market being considered and the firm. Our findings are similar to Samiee and Roth (1992) in that we also found no significant differences in performance between firms guided by either strategic approach and as such contributed to the theoretical advancement of the exporting literature. The findings indicate that satisfactory performance can be achieved when a firm matches its characteristics with the proposed export market characteristics and in such cases pursuit of adaptation or standardisation strategies will be apparent to the better exporter.

Implications and future research

The findings indicate potential practical implications for Australian firms currently exporting and those who desire to become export active. The findings indicate that a strategic approach must match the capability of both the firm and its environment.

Our findings indicate the need for more research in this area, particularly related to the strategy-performance nexus and the drivers of this relationship. We need to examine particular industries to establish the propensity of particular firms to pursue specific strategies, and also if such strategies are just as successful in each export market of the firm. That is, if a firm has multiple export markets, do they perform as well in each market? This would also allow examination of the particular export market characteristics at a greater depth to map such features onto the exporting firm's capabilities and characteristics.

We have examined exporting from a particular region and generalisation beyond this region should be carefully undertaken. Overall, our findings should be viewed at this stage with some caution. However, within this region our sample includes all major industries and is an acceptable representation of the firms found in the region.

Conclusion

With growing globalisation of markets and increasing competition, export markets have become increasingly important options for firms. Therefore, it is of great importance both theoretically and practically to examine export related issues, such as strategy, firm characteristics, the environment of markets and performance in specific export markets. Australian industry, governments and the community have a vested interest in ensuring its competitiveness both domestically and internationally. What we may say is that, with more research such as that undertaken here, we may move from the situation outlined by Jain (1989), when he indicated that managers have few research based guidelines about the conditions that impact performance to a greater understanding of such conditions contained within firms and their environments (export markets) (Jain, 1989). Such knowledge would allow for greater managerial matching between exporters and their target markets.

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Should marketing managers be concerned about attitudes towards marketing and consumerism in New Zealand? A longitudinal view

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Abstract *New Zealand has gone through a radical metamorphosis since free market economics were introduced in the mid-1980s. Marketing managers are particularly interested in the views of consumers about issues dealing with marketing activities. Negative views could signal consumer backlash against free market activities. This study examines the views of consumers from 1986 to 2001 on a range of issues dealing with marketing and consumerism. The results clearly show that consumers are less negative about marketing and consumerism issues since 1986. It seems likely that New Zealand has evolved in terms of the consumerism life cycle over the last 15 years. Marketing managers should continue to remain proactive in their responses to consumer discontents. Implications for New Zealand and for other countries are addressed.*

Introduction

New Zealand has undergone enormous transformation since the free market economics of Prime Minister David Lange (i.e. Rogernomics) instituted a controversial privatization program to unleash the country from its highly regulated structure. In addition to financial deregulation, state owned assets in utilities, telecommunications, mining, forestry, and many other sectors were sold to private investors. Support for these changes was fueled by "economic rationalism" which fostered the notion that reasoned economic analysis would always lead to support for free-market policies (Quiggin, 1998). Such changes have altered New Zealand society and in particular its market economy. Prior to these radical reforms, New Zealand was one of the most controlled and socialistic countries in the OECD (McTigue, 1998). Today, New Zealand rates as one of the most open and free economies in the world according to the Cato Institute and Heritage Foundation (McTigue, 1998).

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Strong support continues today for the free market philosophy in New Zealand (Brittenden, 2000). Some analysts suggest that the radical reforms have contributed to significant economic development in New Zealand (Cherie, 1997). In particular, the Commerce Act of 1986 defined in law that competition was to be the general principle governing economic activity, which removed institutional obstacles to government action. This new economic landscape has ushered in a true market oriented society. In this new era, modern marketing methods have taken firm root in the business culture.

As deregulatory economic policies gave the private sector more discretion in business decisions, the likelihood of the abuse of power has increased. Some groups in New Zealand have questioned the social and economic consequences of a less regulated economy. Even former Prime Minister Lange said that he now regrets many of the reforms he introduced in the name of the free market (Field, 1996). Quiggin (1998) charges that the free-market reforms have resulted in increasing inequality and generally poor economic outcomes while others suggest that the free market model does not appear to have produced the results expected (Cameron *et al.*, 1999; Ivey, 1997). A Research Gallup poll found that nearly two-thirds of New Zealanders believe that free market principles have gone too far (Edlin, 1996). Concern has been registered about the adequacy of the market to respond fairly and equitably to the vast range of consumer needs. In fact, the rationale for launching the Fair Trading Act (1987) was to give the consumer and business greater redress in the event of deceptive advertising. Provisions of the Act controlled for consumer related issues such as product puffery, nondisclosure, and comparative advertising among others. Some evidence suggests that the frequency and severity of deceptive advertising has diminished since this Act was passed (Lysonski and Duffy, 1992).

In the midst of this change, marketing managers in New Zealand are keen to understand how they might have to alter their marketing orientation in light of potential consumer dissatisfaction with marketing practices. Critics of privatization, for example, fear that large corporations could manipulate prices and use monopoly power to wield unfair control. Even the New Zealand Minister of Consumer Affairs, recently announced that consumer credit policy and legislation was not adequate to protect consumers from unfairness and difficulties (*Chartered Accountants Journal of New Zealand*, 1999).

One way to grasp the attitudes that consumers may have regarding marketing practices by business is to use the framework established by others to measure attitudes toward marketing and consumerism (e.g. Barksdale and Darden 1972). Although there is no generally accepted operational definition of consumerism (Kangun *et al.*, 1975; Swagler, 1994), consumerism may be defined as "a social movement seeking to augment the rights and powers of buyers in relation to sellers" (Kotler, 1972). In practice, attitudes toward marketing and consumerism have been measured by examining the perceptions of consumers to marketing activities such as pricing, advertising and product quality, among others. A few studies have used the expression of "consumer sentiment" to apply to attitudes toward marketing and consumerism issues (cf Lysonski and Zotos, 1989; Gaski and Etzel, 1986); the two sets of terms fundamentally look at the same set of issues regarding consumer perceptions of the marketplace.

Consumer attitudes are an important and integral part of the marketing environment that managers need to scan to understand potential forces that could curtail marketing activities. Failure to monitor the environment or misdiagnosis of environmental trends can lead to serious problems for marketers (Kotler, 1972; Nicouland, 1987). One way to gauge consumers' attitudes toward marketing is to examine their perceptions towards a wide range of marketing mix activities and issues pertaining to consumerism. Proactive marketing managers are attentive to consumer problems before such problems reach crisis levels. In contrast, reactive managers wait until these problems reach a critical stage before they commit to altering their practices. Historically, some countries have found that government intervention may result if consumer dissatisfaction reaches a critical level (Harland, 1987; Ryans *et al.*, 1985). If consumers are found to have negative or skeptical attitudes toward marketing activities, it is crucial that marketing managers determine the source of this negativity and its threat to future business actions.

The goal of this paper is to examine if consumer attitudes toward marketing and consumerism have changed in New Zealand over the last 15 years since free market economics were introduced and to assess whether these changes represent a threat to marketers. How consumers rated marketing activities in 1986 is compared to how they rate them in 2001. Specifically, we investigate perceptions of marketing activities regarding product quality, advertising, pricing, government regulations, manufacturers' consumer orientation, consumer problems and responsibilities, and attitudes towards consumerism. We anticipate that consumerism and marketing issues will be of lower concern in 2001 relative to 1986 given the extensive consumer legislation that has been enacted to protect consumers. It is also likely that consumers will recognize that firms are more customer-oriented in 2001 given the widespread diffusion of the marketing concept among New Zealand businesses.

Many studies have been conducted to understand attitudes toward marketing and consumerism in other parts of the world. Yet, no recent study has examined if consumers in New Zealand have become more critical of the marketing practices and consumerist issues in light of this new business era. No study has taken a longitudinal perspective to determine if consumer perceptions have also gone through a metamorphosis. This study provides insight for marketing managers in other countries into how consumers' attitudes may change when market reforms are introduced.

The first part of this paper examines the published empirical studies on consumer attitudes toward marketing and consumerism and the degree to which consumers have expressed dissatisfaction with marketing activities. The theory of the consumerism life cycle as it relates to New Zealand's evolution is also examined. The second section discusses the methodology used to measure consumer perceptions. After the empirical results are presented, conclusions and implications are discussed.

Background literature

The concept of consumerism

The consumer movement was given its spark in the USA with President Kennedy's 1962 call for a "Bill of Consumer Rights" and with the appointment in 1964 of a special assistant to the President for Consumer Affairs (Lampman, 1988). Shortly thereafter, business practitioners and academicians began investigating the degree to which people were satisfied or dissatisfied with marketing practices. Under the rubric "consumerism", these researchers tried to identify the factors that most disturb consumers about marketing.

Use of the word "consumerism" has become commonplace in contemporary lexicon, yet it has been conceptualized in multiple ways (Buskirk and Rothe, 1979; Swagler, 1994). As noted above, Kotler (2000, p. 152) views consumerism as an "organized movement of citizens and government to strengthen the rights and powers of buyers in relation to sellers". McIllhenny (1990) identifies consumerism as a citizens' movement with widespread demands on suppliers of goods and services with social, ecological and political implications, while Maynes (1989) suggests that it represents the voice of consumer discontent and subsequent corrective actions. Earlier, Cravens and Hills (1973, p. 164) defined consumerism in operational terms as "a multitude of group actions concerned with such issues as consumer protection laws, the availability of product and price information, fraudulent and deceptive business practices and product safety". In essence, consumerism deals with consumer issues about a range of marketing related issues.

Because marketing is the most visible managerial function, marketing strategies and practices are viewed as reflecting the ethics or mentality of marketers. Consumerists argue that excessive marketing in terms of product differentiation and segmentation in mass consumption societies has created anxiety for consumers (Straver, 1977). Some critics argue that product differentiation is created in part to permit more segmentation of the market. Such differentiation is based on minor differences among brands or product lines yet price points are developed to signal large differences in quality. Consumers then assume larger quality/price differences than what objectively exists.

Consumerism issues ostensibly relate to elements of the marketing mix. For example, product policy is attacked because of problems dealing with planned obsolescence, product proliferation, safety, and labeling. Pricing policies may be criticized during periods of increasing inflation and economic crisis.

Distribution policy may be attacked due to aggressive in-store merchandising techniques and lack of quality information to evaluate price/quality relationships among similar brands. Lastly, advertising strategies may be criticized because of the psychological positioning used to differentiate products, puffery, deception and the emphasis on materialism to achieve the "good life". In this paper, the use of the term consumerism is used in a broad sense with respect to business activities that impact consumers, particularly marketing activities.

In the USA, Jones and Gardner (1976) attributed the causes of consumer discontent to two reasons: first, higher expectations of a better lifestyle resulting from increasing incomes and sociological changes, and second negligence by business and government to protect consumers. Andreasen and Best (1977) documented consumer discontent arising from marketers' incompetence or reluctance to resolve complaints; the government was also blamed for the rise of consumer discontent since it was viewed as being more pro-business and not defending the interests of consumers effectively. Greyser and Diamond (1974) found that consumers were not adequately protected since laws were founded on the principle of *caveat emptor*. Moreover, Hustad and Pessmier (1973) found a range of marketing practices that contributed to this discontent.

Concern with consumerism and marketing issues has not been confined only to first world nations. Onah (1979) extended the idea to third-world countries by noting that it applied to efforts by consumers, government, or independent institutions to protect consumers from unscrupulous business activities driven by the profit motive. Kaynak (1982) noted that consumerism and policies against some marketing practices in developing countries expressed itself more in government legislation and enforcement *vis*-à-*vis* organized public activities. Perhaps, it is for this reason that most of the research on consumerism and marketing activities has examined first world countries where the market economies are advanced and tend to be freer of government interference.

Empirical evidence on consumers' attitudes

Over the past 20 years, several studies have sought to quantify the attitudes consumers hold toward marketing and consumerism issues. Many of these studies have been conducted in diverse national and cross-national settings. They showed a high level of consumer discontent with various aspects related to marketing and consumerism; buyer dissatisfaction on a range of issues related to marketing was also found to be widespread among countries. The initial studies looked at the USA such as the one by Barksdale and Darden (1972) which found that 70 percent of respondents in the USA believed that most manufacturers were not satisfactorily handling consumer complaints. Such complaints were associated with the quality of products, their reliability and safety aspects and were felt to be endemic to the marketing system rather than being just a failure of poorly designed corporate policy. Hence, it was believed that firms were marketing products that could potentially cause harm to the users. More recently, Roberts and Manolis (2000) compared consumerism and advertising attitudes of those born from 1946 to 1964 to those born from 1965 to 1974 in the USA. They found that there were generational differences in that the later cohort were more favorably disposed towards marketing and advertising, considered marketing to be more beneficial and marketers to be more socially responsible than did the earlier cohort.

As research progressed on consumerism, the focus began to shift to cross cultural comparisons of the USA with other counties. Such studies found common patterns of concern about marketing and consumerism issues among respondents in the USA, Venezuela and Norway (Arndt *et al.*, 1980) as well as in England (French *et al.*, 1982) and in other countries (Barksdale *et al.*, 1982). Common problems for consumers were high prices, lack of product quality, lack of adequate repair and maintenance services, deceptive advertising, and inadequate handling of complaints. Several cross-cultural studies also found mixed views about consumer attitudes regarding marketing and consumerism between the USA and other countries. For example in a comparative study contrasting Sweden to the USA on marketing practices, Klein (1982) found that Swedish consumers were more satisfied. Wee and Chan (1989), also found that consumers in Hong Kong were more favorable in their attitudes towards marketing than those in the USA due in part to better marketing practices in Hong Kong.

The most recent focus has looked at cross-cultural investigations without including the USA for comparisons. Darley and Johnson (1993), for instance, studied marketing and consumerism issues in multiple countries: Singapore, India, Nigeria, and Kenya. They found differences among the countries but some degree of discontent appeared in all of them. Consumers in Turkey also had negative views about these issues (Uray and Menguc, 1996) while a study by Varadarajan *et al.* (1990) on consumers in India found discontent with marketing practices and support for greater government regulation. Lastly, Bhuian *et al.* (2001) found that in Saudi Arabia, young adults who had a business education background were more favorably disposed towards marketing and consumerism issues than those who had a non-business background. Irrespective of their educational backgrounds, all young adults in Saudi Arabia had positive perceptions toward consumer-related government regulations and price controls.

Likewise, Chan *et al.* (1990) found that Australian consumers were unfavorable in their attitudes toward marketing except for retailing, while those in Hong Kong were more favorable. They suggested that because Australians live in a more individualistic society, they are more apt to complain than Chinese in Hong Kong who live in a society that encourages internal harmony and not complaining. In sum, the preponderance of the historical studies point to negative opinions about marketing and consumerism issues in developed and developing countries while some studies find that consumers do express satisfaction with certain elements of the marketing system.

Two studies have looked at attitudes on marketing and consumerism in New Zealand, but both are seriously dated. Barker (1987) found that New Zealanders lacked confidence in business regarding its ability to meet consumers' expectations; product quality, deceptive advertising and high prices were the main areas of concern and were expressed across demographic and socioeconomic strata. Barker (1987) warned that unless business pays more attention to the way it deals with consumerism and marketing issues, more government regulation was likely. Lysonski and Zotos (1989) examined consumer perceptions in New Zealand, England, USA, and Greece. They found that respondents in the four countries were not critical in their beliefs about issues product quality issues. New Zealanders were the most negative about advertising, as ads were seen as unreliable sources of information, presenting unbelievable and false pictures of products.

Consumerism life cycle and its relevance to New Zealand

Little discussion has been given to the evolution of consumerism issues in the literature in the last eight years. In one exception, Rhee and Lee (1996) examined consumer activism in Korea between 1910 and 1995 and how it progressed from an anti-colonial social movement into one that targets consumers' interests at the individual and societal levels. These authors suggest that a country's political environment and the level of economic development dictate consumer activism and the focus on consumer problems. Hence, it is likely that interest in consumerism and marketing activities evolves in a country in accordance with the macroeconomic development of an economy (Bloom and Greyser, 1981; Gaedeke and Udo-Aka, 1974). This evolution can be seen in terms of the amount of consumer information that is available in the marketplace, the degree to which legislation is enacted to protect consumers, the emergence of government institutions or actions that seek to protect consumers and the level of public financing of consumer education programs. Another important indicator of the evolution of consumerism in a country relates to the mentality of consumers and their awareness and sensitivity towards consumer issues.

Kaufman and Channon (1973), Kaynak (1985) and Straver (1977) suggest that countries may follow a consumerism life cycle. This life cycle posits that consumerism is much like any social movement and, therefore, subject to a life cycle pattern of development. These authors suggest that the life cycle of consumerism can be classified into four stages or phases:

(1) crusading;

(2) popular movement;

(3) organizational/managerial; and
(4) bureaucratic (Barker, 1987; Straver, 1977).

Kaynak (1985) and Straver (1977) also suggest that individual nations can be classified in terms of the consumerism life cycle stage they are experiencing. It is likely that the attitudes that consumers have towards marketing consumerism issues relate to the stage in which consumerism has developed in a country.

In developing a general theory on consumerism, Hendon (1975) postulates that seven conditions affect the timing, intensity and likelihood of consumerism. Each of these conditions is listed below, as is the condition's likely impact on consumerism in New Zealand. As the conditions increase, Hendon (1975) proposes that consumerism is more likely:

(1) *Level of inflation*. New Zealand experienced high levels of inflation in the mid-1980s but since 1990 there has been moderate inflation, which has not created consumer protests.
(2) *Proximity of sufficient people who are willing to act collectively*. New Zealand has not seen major concerted efforts to control business.
(3) *Presence of restrictive environmental movements such as restrictive political and legal systems and class conflict*. New Zealand has not seen any concerted movements since 1985.
(4) *Pace of economic development*. New Zealand has seen significant changes in economic development given the degree of privatization in the economy. The government no longer controls major industries as it did prior to 1985. Unemployment and poverty have increased.
(5) *Complexity or sophistication of consumer issues (when the issues are basic, there is more likely to be stronger consumer interest)*. There is now concern in New Zealand about the impact of some of free market reforms on the welfare of society.
(6) *Class distinctions (as lower income classes become more affluent, less discontent is likely)*. In New Zealand, lower income classes are seeing much more hardship compared to the pre-free market era. The social welfare "safety net" is no longer as secure as it was prior to 1985.
(7) *Over sophisticated economy whereby problems of consumption outweigh the problems of production*. In New Zealand, consumption problems have appeared due to growing inequality of incomes. Unemployment has increased and the distribution of income has become more skewed. A large middle class has been able to enjoy cheaper goods given the end of import restrictions. Moreover, transnational corporations continue to penetrate New Zealand especially in the media and in retail.

Given the changes noted above, it is likely that consumerism and marketing issues have evolved significantly since the mid-1980s when free market policies began. It is likely that New Zealand may have gone from an organizational/managerial stage (phase 3) to phase 4 where government institutions and policies emerged to protect the interests of consumers. We, therefore, would expect New Zealand consumers to be as conscious of consumerism and marketing issues in more current years yet less critical since government mechanism may have mitigated the abuses that heretofore were more common. Thorelli (1990) argues that more developed economies are likely to have higher levels of consumer dissatisfaction with consumer issues given the higher levels of education and higher consumption standards. Similarly, Kaynak and Wilkstrom (1985) observed that higher incomes and education give rise to higher expectations, which are more likely to produce greater dissatisfaction and cynicism among consumers. Hendon (1975) also argues that as consumers become more affluent, their needs become more complex and therefore more difficult to satisfy, resulting in a greater likelihood of dissatisfaction. Finally, Thorelli (1981) posits that there is a high association between consumer aspiration levels and the economic development of a country, which has been supported by a study by Thorelli and Sentell (1982) showing that consumers in less developed countries have low levels of aspirations reflecting the macroeconomic conditions.

Evidence that New Zealand is in the last stage of the consumer life cycle may be seen by the plethora of legislation aimed at protecting the consumer since the free market era began. Among the best known of this legislation are the Fair Trading Act (1987) (as discussed above), The Health and Safety in Employment Act 1992, the Resources Management Act 1991, and the new Companies Act and the Consumer Guarantees Acts of 1993. The Consumer Guarantees Act of 1993 represents New Zealand's effort at the modernization of consumer sales law (Ahdar, 2000). Furthermore, in early 2000 the New Zealand Food Authority released a draft code that will require food manufacturers to label all products with the percentage of main ingredients and put nutritional labels on all packaged food. Recently, New Zealand health ministers voted to adopt one of the strictest mandatory food labeling laws in the world (Ban, 2001). Presently there is discussion to give consumers more protection in their use of credit (Hattaway 2000). These changes suggest that New Zealand is clearly evolving in terms of consumer issues.

Research methodology

The research instrument to measure consumer attitudes toward marketing and consumerism has been used in several studies and represents the most frequently used approach to measure the construct (Barksdale and Darden, 1972; Barksdale and Perreault, 1980). Gaski and Etzel (1986) used many aspects of the instrument to develop their approach called "consumer sentiment" to measure consumer attitudes toward marketing and consumerism. Likert scales were used such that each respondent registered his/her level of agreement for 39 items on a balanced rating scale ranging from strongly agree (1) to strongly disagree (5). The 39 items related to seven areas of consumer perceptions. As identified by Barksdale and Darden (1972), these seven areas are:

(1) product quality;
(2) advertising;
(3) pricing issues;
(4) government regulation;
(5) customer orientation;
(6) consumer problems and responsibilities; and
(7) consumerism.

We believe that each of these areas continues to be important in determining consumers' attitudes towards consumerism issues. However, it is likely that customer orientation is a less important issue these days given that many firms have now embraced the marketing concept, which is in fact a customer orientation.

The questionnaire was administered in New Zealand. A sample of 149 subjects responded to the survey in 1986 and another sample of 144 subjects responded to the same survey in 2001. Nearly equal proportions of men and women were in each of the samples. The mean age of each sample group was approximately 22.

In both the 1986 and the 2001 samples, the sampling frame limited respondents to the young adult population with a university education background. Consequently, the two samples are similar in a matched sample sense, making it possible to measure changes in consumer attitudes in the last 15 years. Even though young adults represent a very specific consumer segment, these respondents represent an important segment with substantial discretionary income. They also reflect the attitudes of the new generation – attitudes that have been conditioned by various reference groups such as parents, schools and friends. Further, for certain products, young adults represent a group that is the target of most advertisers, especially for products such as soft drinks, fast foods, or fashion items. While young adults have been found to have indifferent to negative attitudes toward advertising, their responses are typically consistent with those of the general population (Zanot, 1984). Moreover, Barker (1987) found no differences demographically for consumerism and marketing issues when he investigated New Zealand. Parenthetically, it is possible that this younger segment of consumers might be less dissatisfied than the general population given that they have less experience as consumers *vis-à-vis* older, more experienced one who remember the highly regulated New Zealand economy.

Results

Employing multivariate analysis of variance, we first compared the overall vector of mean values consisting of those 39 statements representing consumer attitudes towards marketing and consumerism for the 2001 sample and the 1986 sample. Results are as follows: Wilk's $\Lambda = 0.012$, $F = 321.075$, $p = 0.00$, and effect size $(\eta 2) = 0.960$. This statistic demonstrates that overall, the mean responses to the consumer perceptions scales are significantly different for the two samples. To understand where the mean values for the two samples differed, univariate analyses were performed for each statement. Moreover, examining each question independently gives the reader a more penetrating view into the mindsets of New Zealanders attitudes towards marketing and consumerism. Results of these univariate analyses are presented in Tables I–VII.

Parenthetically, it should be noted that a factor analysis of the items did not show a factor structure along the seven dimensions identified by Barksdale and Darden (1972). Hence, the dimensionality limitations of the scale do not allow computation of composite measures of each of the seven dimensions. For ease of understanding the results, the 39 statements are categorized into seven areas corresponding to the main concerns of consumers and according to the conventions used in preceding studies by other researchers investigating consumerism and marketing issues. For comparison purposes, each table presents mean values for the two samples along with p-values for the mean difference tests.

Product quality

Table I shows mean attitude scores toward product quality. There are two noteworthy findings from this table. Both samples tend to agree that

	1986 sample	2001 sample	p-value
1. In general, manufacturers make an effort to design products to fit the needs of consumers	2.62	2.19	0.000
2. Over the past several years, the quality of most products has not improved	3.36	3.67	0.005
3. From the consumer's point of view, style changes are not as important as improvements in product quality	3.15	2.98	0.174
4. The wide variety of competing products and brands makes intelligent buying decisions more difficult to make	2.69	2.67	0.881
5. For most types of products, the differences among competing brands are insignificant and unimportant	3.28	3.06	0.062
6. Manufacturers do not deliberately design products which will wear out as quickly as possible	3.13	3.04	0.420

Note: All items are measured on a five-point scale where 1 = strongly agree and 5 = strongly disagree. The Table shows item mean ratings for the two samples along with p-values associated with the mean difference tests

Table I. Attitudes toward product quality

	1986 sample	2001 sample	p-value
1. Manufacturers' advertisements are reliable sources of information about the quality and performance of products	3.93	3.29	0.000
2. Generally, advertised products are more dependable than unadvertised ones	3.64	3.31	0.004
3. Manufacturers' advertisements usually present a true picture of the products advertised	3.66	3.41	0.021
4. Most product advertising is believable	3.41	3.20	0.055
5. The games and contests that manufacturers sponsor to encourage people to buy their products are usually dishonest	3.72	3.72	0.974

Note: All items are measured on a five-point scale where 1 = strongly agree and 5 = strongly disagree. The Table shows item mean ratings for the two samples along with p-values associated with the mean difference tests

Table II.
Attitudes toward advertising

	1986 sample	2001 sample	p-value
1. High prices of consumer goods are caused primarily by wholesale and retail middle-people taking excessive profits	2.99	2.74	0.022
2. Considering the wage rates and income levels today, most consumer products are priced fairly	3.13	2.85	0.011
3. Government price control is the most effective way of keeping the prices of consumer products at a reasonable level	3.77	3.12	0.000
4. Competition ensures that consumers pay a fair price for products	2.24	2.08	0.148
5. Most manufacturers are more interested in making profits than in serving consumers	2.32	2.49	0.123

Note: All items are measured on a five-point scale where 1 = strongly agree and 5 = strongly disagree. The Table shows item mean ratings for the two samples along with p-values associated with the mean difference tests

Table III.
Attitudes toward price and price control

manufacturers make an effort to design products that fit consumer needs (statement 1) and that the quality of most products has improved (statement 2). The degree of this agreement, however, is stronger for the 2001 sample than for the 1986 sample. Parenthetically, it should be noted that statement 2 is negatively worded, but both samples disagreed with this statement (mean > 3). Hence, we can conclude that respondents in 2001 have significantly more

	1986 sample	2001 sample	p-value
1. The government should test competing brands of products and make results of these tests available to consumers	2.48	2.57	0.461
2. The government should set minimum standards of quality for all products sold to consumers	2.24	2.19	0.731
3. The government should exercise more responsibility for regulating the advertising, sales and marketing activities of manufacturers	3.17	3.12	0.665
4. A governmental Department of Consumer Protection is not needed to protect and promote the interests of consumers	3.71	3.72	0.955
5. In general, self-regulation by business itself is preferable to stricter control of business by the government	2.49	2.69	0.080

Note: All items are measured on a five-point scale where 1 = strongly agree and 5 = strongly disagree. The Table shows item mean ratings for the two samples along with p-values associated with the mean difference tests

Table IV. Attitudes toward Government regulation

	1986 sample	2001 sample	p-value
1. Most manufacturers operate on the philosophy that the consumer is always right	3.42	2.70	0.000
2. Despite what is frequently said, "Let the buyer beware" is the guiding philosophy of most manufacturers	2.91	2.86	0.614
3. Manufacturers seldom shirk their responsibility to the consumers	3.34	3.16	0.078
4. Generally, product guarantees are backed-up by the manufacturers who make them	2.36	2.54	0.061

Note: All items are measured on a five-point scale where 1 = strongly agree and 5 = strongly disagree. The Table shows item mean ratings for the two samples along with p-values associated with the mean difference tests

Table V. Attitudes toward consumer orientation

favorable perceptions about product quality as compared to those for the 1986 sample. It is likely that government measures to protect consumers more effectively have had some impact on product quality in the last 15 years.

Advertising

Both samples exhibited generally negative attitudes toward advertising (see Table II). The 2001 sample, however, has significantly less negative

	1986 sample	2001 sample	p-value
1. The problems of consumers are less serious now than in the past	3.16	3.35	0.078
2. The information needed to become a well-informed consumer is readily available to most people	3.01	2.80	0.068
3. The average consumer is willing to pay higher prices for products that will cause less environmental pollution	3.35	2.97	0.000
4. The problems of the consumer are relatively unimportant when compared with the other questions and issues faced by the average family	3.17	3.39	0.052
5. Many of the mistakes that consumers make in buying products are the result of their own carelessness or ignorance	2.74	2.88	0.239
6. Concern for the environment does not influence the product choices made by most consumers	2.76	3.09	0.003
7. Consumers often try to take advantage of manufacturers and dealers by making claims that are not justified	3.24	2.90	0.001

Note: All items are measured on a five-point scale where 1 = strongly agree and 5 = strongly disagree. The Table shows item mean ratings for the two samples along with p-values associated with the mean difference tests

Table VI.
Attitudes consumer problems and responsibilities

perceptions as evident from the p-values. Both samples tend to disagree that advertisements are reliable sources of information about product quality and performance (statement 1), advertised products are more dependable than the unadvertised ones (statement 2), company sponsored ads present a true picture of the products advertised (statement 3), and the product advertising is believable (statement 4). The only positive perception for either sample is that the manufacturer sponsored games and contests aimed to increase product purchase are not considered dishonest (statement 5). Parenthetically, it should be noted that statement 5 is negatively worded, but the two sample groups have disagreed with it (mean of 3.72). Hence, these results show that advertising issues remain a concern in New Zealand, but this concern has diminished over time.

Price and price controls

As shown in Table III, New Zealanders continue to be skeptical about the motives of managers in serving customers. The perception that high prices are

	1986 sample	2001 sample	p-value
1. Manufacturers seem to be more sensitive to consumer complaints now than they were in the past	2.28	2.14	0.104
2. When consumers have problems with products they have purchased, it is usually easy to get them fixed	3.14	2.98	0.165
3. Most business firms make a sincere effort to adjust consumer complaints fairly	2.64	2.51	0.184
4. The exploitation of consumers by business firms deserves more attention than it receives	2.37	2.71	0.000
5. Consumerism or the consumer crusade has not been an important factor in changing business practices and procedures	3.37	3.49	0.249
6. Consumerism is an important issue today	2.17	2.29	0.206
7. In the future, consumerism will be more important	2.12	2.47	0.000

Note: All items are measured on a five-point scale where 1 = strongly agree and 5 = strongly disagree. The Table shows item mean ratings for the two samples along with p-values associated with the mean difference tests

Table VII. Attitudes toward consumerism

caused by wholesalers and retailers taking excessive profits is significantly stronger now than it was in 1986. Respondents in 2001 also feel significantly more strongly that government price control keeps prices at a reasonable level. It must be kept in mind that price controls were common in the pre-deregulation era and virtually non-existent in the present era. Although both samples feel manufacturers are more interested in making profits than serving customers (statement 5), they recognize that competition facilitates fair pricing for products (statement 4). Yet, neither of these attitudes differ significantly for the two groups. Finally, current respondents indicate significantly greater agreement that products are priced fairly (mean = 2.85) as compared to respondents from 1986 (mean 3.13) (statement 2).

Government regulation

As presented in Table IV, none of the mean attitude scores for any of the items related to government regulation differed significantly between the 1986 and 2001 samples ($p > 0.05$). However, in general both groups felt positively toward government regulation. For example, the statement that the government should test competing brands of products and make the test results available to consumers had mean scores of 2.57 or less (statement 1), and the statement that government should set minimum standards of quality for all products sold to consumers had mean scores of 2.24 or less for both samples (statement 2).

However, both groups agree that if possible, self-regulation by business is preferable to government control (mean of 2.69 or less) (statement 5). In the absence of such a regulation, a governmental department of consumer concern is considered important for protecting and promoting consumer interests (statement 4). Parenthetically, it should be noted that statement 4 is negatively worded, but the two sample groups have disagreed with it (mean of about 3.71). These results signal that consumers view government as an important force in consumerism and marketing issues. It is likely that consumers will call on government to address consumer problems if business does not monitor itself.

Customer orientation

There was one significant difference between the 1986 sample and the 2001 sample with respect to the area of customer orientation. As shown in Table V, 1986 respondents did not feel that manufacturers operate on the philosophy that that the consumer is always right (mean = 3.42) (statement 1), while the 2001 respondents indicated significantly greater agreement with the statement (mean = 2.70, $p < 0.05$). Such responses suggest that respondents feel that firms have become more customer-focused.

Consumer problems and responsibilities

Table VI presents the mean values for attitudes related to consumer problems and responsibilities. The results clearly indicate that current respondents exhibit more concern for the environment than the 1986 sample. In a relative sense, the 2001 sample is significantly more likely to agree that consumers are willing to pay higher prices for environmentally friendly products (statement 3). In addition, the 2001 sample indicates that concern for the environment influences product choice (statement 6) to a greater extent than it did for the earlier sample.

In terms of other statistically significant results, current respondents agree more than individuals from the 1986 sample that consumers take advantage of manufacturers and dealers by making unjustified claims (statement 7). This finding is not altogether surprising, considering that the 2001 sample (and the 1986 sample to some extent) perceives that both manufacturers and dealers are more profit-oriented and less customer-oriented (see statements 1 and 5 in Table III). These results suggest that consumers experience greater complexity in their consumer problems, which may illustrate that New Zealand is more advanced in its consumerism life cycle.

Consumerism

Table VII shows mean responses to statements about consumerism attitudes. Importantly, both 1986 and 2001 samples feel that exploitation of consumers by business firms deserves more attention than it receives (statement 4). They also feel that consumerism is an important issue today (statement 6) and in the future (statement 7). This is because the mean responses to all of these statements are below 3 for both the samples. However, for statements 4 and 7, the significantly lower mean scores for the 1986 sample ($p < 0.05$) imply that the intensity of these feelings is stronger for this sample than for the 2001 sample.

Discussion and implications

One can infer from the results of this study that consumerism and marketing issues in New Zealand are less problematic than 15 years ago. Undoubtedly, while consumerism and marketing issues will always be important to New Zealanders, New Zealand has become more advanced in its legislation and regulations to protect consumers as witnessed by the pro-consumer legislation discussed earlier. Hence, consumer issues are better addressed now by a formal government framework compared to the absence of this framework prior to the late 1980s. It is likely that government efforts to establish laws and regulations to protect consumer interests have succeeded, as deregulation and heightened competition appear to be good for consumers. Hence, even though the results show that consumerism and marketing issues are less pressing now, it is probably because New Zealand has become more sophisticated in dealing with the issues.

In 2001, consumers have relatively more favorable attitudes toward product quality, and in comparison to 15 years ago, consumers today think that manufacturers are more customer-focused in that they make products that fit consumer needs. Manufacturers are thought to be concerned about consumer complaints and make a sincere effort to handle consumer complaints as well. These results suggest that New Zealand may have moved into a new era of consumerism in terms of its life cycle. Alternatively, it is also possible that the general levels of expectations of corporate activity have changed. While it is not completely possible to say unequivocally that a new era of consumerism and concern for marketing issues is now under way in New Zealand, it can be argued that the significant pro-consumer legislation enacted since the mid-1980s has altered the corporate landscape. With consumer interests better represented than in the past, there is less of an urgent need to address critical issues. Consequently, the stage does not seem to be set for consumer action at this time.

Consumers recognize that companies are in business to make money, however. Such recognition may explain why the 2001 consumers share similar negative attitudes toward advertising with the 1986 sample, even though the degree of such negativism is significantly smaller today. For example, respondents did not view manufacturers' advertisements as providing reliable information about quality and performance or that ads present a true picture of products. New Zealand firms have a timely opportunity to use these results to understand consumer grievances. Further analysis may help identify opportunities to make advertising more informative and to identify operational and tactical deficiencies.

Also concerning manufacturers' profits, respondents continue to agree that companies are more profit oriented than customer oriented. In addition, there is a stronger perception today that high prices for consumer goods can be attributed to excessive profit taking by members in the distribution chain such as wholesalers and retailers. What is the solution? One option is to encourage competition to control prices. This perception is shared by both the samples.

With respect to the government's role in protecting consumer interests, both samples agree that government can establish minimum standards for product quality as well as perform independent tests of competing brands and publish the results. They also agree that there is a need for a governmental department of consumer protection. However, respondents do not feel that government price control is the most effective way of keeping prices at a reasonable level. Given the role that government has played in the USA and Sweden to control marketing practices, it is possible that the New Zealand government may impose more controls on the marketplace. Such actions typically result if government officials believe it is the government's role to be involved with that particular issue or if the government feels it can assist in solving the problem. As a result, managers need to be proactive and use self-policing systems to preclude government from excessive involvement. If businesses do not respond to consumer needs responsibly, they must expect that government institutions will fulfill this role. Clearly, it is very unclear if government policy is the primary cause of changes in the economic system or if new government policies will improve any perceived problems.

It is important to remember that consumers use a variety of information when making purchasing decisions. For example, a recent study on New Zealand consumers found that one in five reported rewarding or punishing companies in the previous year based on their perceived social performance (Tapsell 2000). Consumers today also exhibit more concern for the environment than they did 15 years ago. This concern is more likely to affect product choices today than in the past.

Overall, the results offer some insight applicable to other economies in the world. Despite some protests in New Zealand that deregulation has gone too far, consumers' attitudes have become more favorable about the marketplace as expressed through their attitudes about marketing activities and consumerism. Deregulation is said to unleash an entrepreneurial spirit or force of "creative destruction". Businesses can then strive to succeed without excessive or oppressive government interference; such interference may tend to create economic inefficiencies and power in the hands of a few firms. For economies in highly-regulated business environments, consumers are likely to be receptive to economic changes and reforms once they experience the concomitant benefits resulting from deregulation. More competition and a more level playing field are likely to give consumers greater choice. Subsequently, greater choice is likely to enhance consumer welfare leading to greater satisfaction with the economic and marketing system. Hence, attitudes towards marketing and consumerism issues are likely to be less problematic when an economy is allowed to operate more freely and government creates rules that encourage fair play and equal access to the market system for all businesses.

In sum, the results from this study indicate that in New Zealand there has been significant change in consumer perceptions over the last fifteen years (2001 vs 1986), and in contrast to the results that Barker (1987) found for New Zealand, New Zealand managers are exhibiting more responsiveness to consumer issues. Nonetheless, marketers must continue to remain vigilant in identifying and addressing any significant consumer complaints that may arise. Should this awareness continue to occur and should New Zealand continue to prosper in its deregulatory environment, it is the consumers who ultimately benefit.

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Exploring the role of market learning capability in competitive strategy

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Abstract *It has been argued that a firm's capacity to learn from its market is a source of both innovation and competitive advantage. However, past research has failed to conceptualize market-focused learning activity as a capability having the potential to contribute to competitive advantage. Prior innovation research has been biased toward technological innovation. However, there is evidence to suggest that both technological and non-technological innovations contribute to competitive advantage reflecting the need for a broader conceptualization of the innovation construct. Past research has also overlooked the critical role of entrepreneurship in the capability building process. Competitive advantage has been predominantly measured in terms of financial indicators of performance. In general, the literature reflects the need for comprehensive measures of organizational innovation and competitive advantage. This paper examines the role of market-focused learning capability in organizational innovation-based competitive strategy. The paper contributes to the strategic marketing theory by developing and refining measures of entrepreneurship, market-focused learning capability, organizational innovation and sustained competitive advantage, testing relationships among these constructs.*

Introduction

The increasingly changing business environment, which is characterized by fragmented markets, rapid technological changes and growing dependence on non-price competition has forced many firms to be innovative in all areas of business activity. Reflecting this trend, during the last decade there has been a resurgence of interest by researchers in the role of innovation in competitive strategy. Whilst the relationship between innovation and competitive advantage has been well documented (e.g. Porter, 1990; Lengnick-Hall, 1992) researchers have argued that a firm's capability to learn from market changes is a source of both innovation and competitive advantage (e.g. Day, 1994a; Slater and Narver, 1995; Sinkula, 1994). However, research examining the relationship between market-focused learning activity and firm performance has been inconclusive, and it is argued that innovation may be the missing link (Han *et al.*, 1998). In general, there are several inadequacies in research examining the role of market-focused learning in innovation-based competitive strategy. First, the market-focused learning activity has not been operationalized as a capability having the potential to contribute to firm's

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sustained competitive advantage (SCA). Second, past innovation research has been biased toward technological innovation, whereas evidence suggests that both technological and non-technological innovation lead to SCA. Third, prior research has overlooked the critical role of entrepreneurship in the capability building process. Fourth, the literature reflects the need for comprehensive measures of organizational innovation and SCA. Although the Australian literature in innovation-based competitive strategy has been limited and fragmented, recent studies provide empirical support to the emerging view that both technological and non-technological innovations enable firms to gain SCA in both domestic and global markets (Australian Manufacturing Council, 1995; McKinsey & Company and Australian Manufacturing Council, 1993).

This paper explores the role of market-focused learning capability in organizational innovation-based competitive strategy. The paper contributes to competitive strategy theory by refining and testing measures of entrepreneurship, market-focused learning capability, organizational innovation and SCA. The paper initially examines the theory of sustained competitive advantage focussing on the role of learning capabilities in competitive strategy. Second, the conceptual framework describing the focal constructs and theoretical relationships intended to be tested is discussed. Third, the method used to test the hypotheses is discussed, followed by the results, based on analysis of data collected from 324 Australian manufacturing firms. The paper concludes by discussing implications for competitive strategy theory and practice, identifying limitations of the study and providing directions for future research.

The theory of competitive advantage and market-focused learning capability

The capability-based theory of competitive advantage suggests that a firm can achieve SCA through distinctive capabilities possessed by the firm (Grant, 1991; Prahalad and Hamel, 1990; Hayes *et al.*, 1996) and that the firm must constantly re-invest to maintain and expand existing capabilities in order to inhibit imitability (Mahoney, 1995). In exploring this model we concur with recent contributors who distinguish capabilities from resources (Grant, 1991; Teece *et al.*, 1997). The resource-based theory argues that competitive advantages lie in the heterogeneous firm-specific resources possessed by the firm (Rumelt, 1984; Montgomery and Wernerfelt, 1988). Resources include "all assets, capabilities, organisational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve efficiency and effectiveness" (Barney 1991, p. 101). Accordingly, organizational capabilities are viewed as a resource; however a growing number of researchers argue that this conceptualization of resources restricts the identification of factors, which play a key role in the value creation and service delivery process. Mahoney and Pandian (1992), building upon the work of Penrose (1955), argue that a firm achieves rents not because it has more or better resources, but because the firm's distinctive capabilities allow it to make better use of available resources. Resource-based theory attributes priority to the content aspect of strategy, and leaves the managerial aspect that underlies the creation and management of resource-based strategies (Mahoney, 1995; Foss, 1997; Henderson and Mitchell, 1997). Although capabilities are resource dependant (Grant, 1991) resources do not exclusively determine what the firm can do and how well it can do it. A key ingredient in this relationship is entrepreneurial key decision maker of the firm (Grant, 1991; Teece *et al.*, 1997). In general, the capability-based theory differs from the other competitive strategy models in that the framework recognizes the crucial role played by the entrepreneurial key decision makers of the firm in building and sustaining a competitive advantage (Lado *et al.*, 1992; Grant, 1991; Hayes *et al.*, 1996).

The literature suggests a strong relationship between organizational learning processes and organizational capabilities (Prahalad and Hamel, 1990; Leonard-Barton, 1992; Day 1994a) in that it is argued that organizational capabilities are "the collective learning in the organization" (Prahalad and Hamel, 1990, p. 82). Based on the literature (Grant, 1991; Prahalad and Hamel, 1990; Day, 1994a) in the current study organizational distinctive capabilities are defined as the organization's capacity to perform a range of organizational routines (sequences of coordinated actions) for the purpose of delivering products and services to the market in a manner that outperforms competitors. Distinctive capabilities are information-based knowledge systems.

The competitors' inability to duplicate the distinctive capabilities (Grant, 1991, 1996; Hayes *et al.*, 1996) or the "capability differential" on which competitive strategy is founded (Coyne, 1986; Hall, 1993) is suggested as the key source of sustainability of advantage under the capability theory. This view of sustainability of advantage has important implications for researchers attempting to capture the distinctiveness of a capability. As suggested in the literature, a distinctive capability is a set of things that organization does particularly well (relative to its competitors) (Selznick, 1957; Andrews, 1971; Snow and Hrebnick, 1980) and therefore a distinctive capability should be operationalised in relative terms and not in absolute terms.

Conceptual framework

As discussed earlier, distinctive capabilities are built and nurtured by entrepreneurial key decision makers of the firm. Organizational learning processes are key determinants of capabilities. In addition, the learning approaches to innovation suggest that the degree of innovation reflects the extent of new knowledge embedded in an innovation (Dewar and Dutton, 1986; Ettlie, 1983) and learning from markets is a key source of innovation. Accordingly, this paper argues that entrepreneurial firms pursuing innovation-based competitive strategy build and nurture distinctive market-focused learning capabilities, which in turn enable such firms to outperform their competitors by creating superior value to their customers.

Entrepreneurship

As argued earlier, entrepreneurship is the key factor determining the capability building activity of the firm. A firm's entrepreneurial orientation dictates its competitive orientation (Merz and Sauber, 1995). "Entrepreneurship is the key element for gaining competitive advantage and consequently greater financial rewards" (Schollhammer, 1982, p. 210). The entrepreneurial firm is generally distinguished in its ability to innovate, initiate change, and rapidly react to change flexibly and adroitly (Naman and Slevin, 1993). Premised on the firm-behaviour model of entrepreneuship (Covin and Slevin, 1986; Naman and Slevin, 1993) that has gained popularity among strategy researchers over recent years, in this paper, entrepreneurship is conceptualized as a firm behavior in which the firm displays innovativeness, proactiveness and risk-taking propensity in their strategic decision making. It is further argued that entrepreneurship can be conceptualized in terms of a continuum using these three attributes, which reflects the "entrepreneurial intensity" of the firm. Rizzoni (1991) establishes a link between entrepreneurship, organizational capabilities and innovation. According to him a firm pursuing an innovation-based strategy accumulates specific capabilities, which distinguish the firm from its competitors and enable it to face the variability of the environment.

Market-focused learning capability

Learning from market changes has emerged as a key source of innovation and firm performance particularly in the literature on the market driven firm paradigm (Day, 1994a, b; Kohli and Jaworski, 1990; Slater and Narver, 1995). This approach, which has its roots in the "market-pull" or "need-pull" approach to innovation, which emerged in the 1960s, argues that, to be effective innovators, organizations should constantly scan the horizons for new opportunities to satisfy their customers (Leavitt, 1960). It has been argued that generating innovative ideas through the collection and dissemination of marketplace information is a starting point for innovation (Foxall and Fawn, 1992). Because knowledge of market preferences reduces the degree of incompatibility of new products with customer needs, it is likely to enhance the adoption and success of innovations (Cooper and Kleinschmidt, 1987). In general, the emphasis of the market-focused learning approaches to innovation has been on customers' latent needs (Prahalad and Hamel, 1990; Brown, 1991). As argued by Prahalad and Hamel (1990) "the critical task for management is to create an organization capable of infusing products with irresistible functionality or, better yet, creating products that customers need but have not yet even imagined". In this paper market-focussed learning capability is conceptualized to incorporate learning activities aimed at both customer preference changes and competitor actions.

The need to conceptualize market-focused learning activity as an organizational learning capability for advancing research in strategic marketing has been stressed in the literature (Day, 1994a; Sinkula, 1994). As Hamel and Prahalad (1993) suggest, that merely being a learning organization is not sufficient. Learning processes must be translated into the acquisition of managerial competencies that permit the organization to be more efficient than competitors. The first step in this direction will be to arrive at a definition of organizational learning. Based on Sinkula (1994), Huber (1991) and Slater and Narver (1995), organizational learning is defined as the development of new knowledge or insights that have the potential to influence behavior, which can be distinguished from individual learning in an organization. The organizational learning as conceptualized in the literature (Huber, 1991; Sinkula, 1994; Slater and Narver, 1995; Schein, 1990) comprises four learning activities, which constitute the overall organizational learning process of the firm. These activities are knowledge acquisition (the development or creation of skills, insights, relationships), knowledge sharing (the dissemination to others of what has been acquired by some), knowledge utilization (integration of the learning so that it is assimilated, broadly available, and can also be generalized to new situations) and unlearning (the review and renewal of existing knowledge and communication of changes within the firm). Recent literature stresses the importance of unlearning as a vital aspect in the organizational learning process (Slater and Narver, 1995; Schein, 1990). A firm's failure to review past beliefs may constrain generative learning or even encourage ineffective learning if they focus the organization inappropriately (Dixon, 1992). If this happens, a traditional capability can become a "core-rigidity" (Leonard-Barton, 1992) or a "competence trap" (O'Driscoll *et al.*, 2000).

Similarly, organizations learn from both external (exploration) and internal (exploitation) sources (March, 1991). Market-focused learning is one of the externally focused learning activities and therefore conceptualized in this paper as a subset of the overall organizational learning activity.

This paper argues that distinctive capabilities should be measured relative to a firm's closest competitors. Past research has measured distinctive capabilities in absolute terms, which does not capture the potential of an organizational capability to contribute to competitive advantage. As noted earlier, a distinctive capability is a set of things that organization does particularly well relative to its competitors (e.g. Grant, 1991; Selznick, 1957; Andrews, 1971; Snow and Hrebnick, 1980). A market-focused intelligence generation strategy focuses not only customer needs but also competitors' capabilities (Slater and Narver, 2000) and one way of diagnosing capabilities is by benchmarking with direct competitors (Day, 1994a).

Research that has attempted to operationalize market-focused learning capability is limited. One of the important contributions to this effort has been

Li and Calantone (1998). However, they have excluded unlearning from their measure and not measured the capability in relative terms. This paper conceptualizes the market-focused learning capability in terms of the four learning processes discussed above. Based on this discussion, in the current study, market-focused learning capability is defined as the capacity of the firm relative to its competitors, to acquire, disseminate, unlearn and integrate market information to value creating activities of the firm.

Given that a fundamental activity of entrepreneurship is not only to create products ahead of competitors, but also to create them ahead of the recognition of an explicit need by customers, market-focused learning appears to be an important characteristic of entrepreneurial firms. Such learning enhances a deeper understanding of the marketplace, and successful innovators frequently work with lead customers (Von Hipple, 1986). We argue that market-focused learning capability is critical for entrepreneurial firms pursuing innovation-based competitive strategy. In summary, the preceding discussion suggests the following hypothesis:

H1. There is a positive relationship between entrepreneurial intensity and market-focused learning capability.

Organizational innovation intensity

In the context of innovation-based competitive strategy the role of technological innovation, and especially product innovation, has often been stressed. Reflecting this trend, past research has conceptualized the innovation construct in terms of the degree of innovation, namely incremental and radical innovation (e.g. Tushman and Nadler, 1986). However, the need for a broad conceptualization of innovation is well recognized (Damanpour, 1991; Hyvarinen, 1990; Porter, 1990). As noted earlier, recent Australian evidence suggests that firms pursue both technological and non-technological innovations to gain SCA (Australian Manufacturing Council, 1995). Building on this perspective, we define innovation as the application of ideas that are new to the firm, to create added value either directly for the enterprise or indirectly for its customers, regardless of whether the newness and added value are embodied in products, processes, work organizational systems or marketing systems. As observed earlier learning from customer needs and competitor behaviour provide valuable input to firm's innovation process. As observed earlier, learning from customer needs and competitor behaviour provide valuable input to the innovation process. In reality what we may see is that entrepreneurial firms actively learn about changing consumer preferences and competitor behavior and actively integrate marketplace knowledge to both technological and non-technological value creating activities of the firm. Based on this discussion the following hypothesis is advanced:

H2. There is a positive relationship between market-focused learning capability and organizational innovation intensity.

Sustained competitive advantage

Competitive advantage can be conceptualized as a superior "marketplace position" that captures the provision of superior customer value and/or the achievement of lower relative costs, which results in market share dominance and superior financial performance (Hunt and Morgan, 1995; Day and Wensley, 1988). Much of the existing research uses superior financial performance or "rent" as an indicator of SCA (Aharoni, 1993; Porter, 1990). Similarly, SCA is believed to be simply a competitive advantage that lasts a long period of calendar time (Jacobson, 1988). These views, particularly those advocating the use of financial indicators, have attracted criticism from the recent literature (Barney, 1991; Day and Wensley, 1988) and there is a need to conceptualize this construct to incorporate well-founded and realistic indicators of sustainability of competitive advantage. We concur with Day and Wensley (1988) who do not totally discard financial indicators of SCA but suggest strengthening financial indicators with comprehensive indicators of market advantages. One of the key "competitor-centred" methods of measurement is assessing the distinctive capabilities on which advantages have been founded (Day and Wensley, 1988).

Premised on the capability-based model, this construct is conceptualized as: whether the firm has gained superior financial and market advantages (Day and Wensley, 1988) and whether it is possible for competitors to duplicate the firm's competitive strategy (Barney, 1991; Grant, 1991) and distinctive capabilities on which advantages have been founded (Grant, 1991; Hall, 1993).

Evidence supporting the view that innovation leads to SCA comes from several sources. For example, research examining innovation and firm performance suggests that innovation leads to higher performance (Hyvarinen, 1990; Rothwell, 1992; Lengnick-Hall, 1992). Similarly, a growing body of literature suggests that innovation has enabled small and medium-sized firms to penetrate export markets (McKinsey & Company and Australian Manufacturing Council, 1993). Successful innovation can play a critical role in small manufacturing firm's export performance (Bureau of Industry Economics, 1993; MacPherson, 1992; Kleinschmidt and Cooper 1990). A study by the Australian Manufacturing Council (1995) on innovation in the Australian manufacturing industry found that Australian firms adopt four types of innovation to gain competitive advantage in global markets, namely, product, process, marketing method and organization systems innovation. The following hypothesis is advanced:

H3. There is a positive relationship between organizational innovation and sustained competitive advantage.

Research methodology

Sample frame and sample selection

The study was based on the development and administration of a self-completed mail survey.

The sampling frame for the study was a list of 1,272 manufacturing firms in Queensland. The decision to select a sample of firms from the manufacturing industry was driven by the aim of examining all types of innovation within the firm including product innovation. A further consideration was to avoid heterogeneity of technological processes used by the firms that has implications for industry effects in research (Dess *et al.*, 1990). Firms were selected from two industry subgroups within the manufacturing industry, namely, the machinery and equipment manufacturing, and the metal product manufacturing industries. These two industry subgroups are engaged in metal-based manufacturing activities and have no vast differences in their adopted technological processes.

Key informants

CEOs were used as the key informants. CEOs have been used as key informants in similar research on innovation-based competitive strategy (Li and Calantone, 1998). Although, there are limitations of using CEOs as key informants (Barnes, 1984; Hogarth and Mkridakis, 1981), they possess the most comprehensive knowledge of the characteristics of the organization, its strategy and performance (Hambrick, 1981). The chief executive officer is familiar with all the aspects of the company's operations, influences the strategic direction of the company and plays a key role in technology adoption decisions (Miller and Toulouse 1986). Data on strategy gathered from middle and lower managers have questionable validity because these managers typically do not have access to information about how the total system operates (Kotha and Vadlami, 1995). Similarly, a growing number of researchers argue that in marketing strategy development activity it is the firm's management, who on the basis of perceptions formulate strategies aimed at exploiting market opportunities. A strong case can, therefore, be made that in the context of innovation, learning and marketing strategic actions are more likely to be consistent with management perceptions than with objective criteria (Miles *et al.*, 1974). As an additional measure, as suggested by Kumar *et al.* (1993), a self-assessment of knowledgeability was adopted. On a seven-point Likert scale (anchored at "little involved" to "heavily involved" the informants were asked how involved they were in a firm's key decision making. The mean response was greater than five ($s = 5.85$) thus showing evidence of knowledgeability.

Measures

Theoretical constructs in the conceptual model are measured using multi-item scales, which are displayed in Table I.

Entrepreneurial intensity. The entrepreneurial intensity scale captures the extent to which the firm's strategic leaders are innovative, proactive and risk seeking. High scores on this scale indicate that the firm's key decision makers value innovation and proactiveness and have a high tolerance for risk. The specific items used are derived from Naman and Slevin (1993), which is an adaptation of the entrepreneurship scale originally developed, by Covin and Slevin (1986).

Market-focused learning capability. High scores on the market-focused learning scale indicate that the firm possesses distinctive capabilities in the acquisition of knowledge on consumer preferences and competitor behaviour in terms of the four learning activities discussed earlier. Firms that score highly on this scale collect market information frequently and have a thorough understanding of market preferences. The measure developed for this construct is an adaptation of the 14-item market learning scale proposed by Day (1994b). In the pilot testing process it was observed that some of the market-focussed learning activities suggested in the measure are not undertaken by Australian firms, which were excluded. These excluded items are, willingness of customer contact employees to feed market information to management, knowledge of cost-effectiveness of marketing programs, adequacy of market information systems and the role of the market research function.

Organizational innovation intensity. The innovation intensity scale captures the extent of the firm's product, process, managerial, and marketing innovations, and high scores on the innovation intensity scale indicate that the firm has introduced radical innovations in the said four value creating activities. This composite measure, addressing the need for a broader conceptualisation of the innovation construct, incorporates both the degree and types of innovation.

Sustained competitive advantage. The competitive advantage scale captures the extent to which the firm's innovations and distinctive capabilities resist erosion by competitors' efforts. The composite measure developed for this study is based on Day and Wensley's (1988) view that measures of SCA should reflect more than simply financial performance and the concept of inimitability of a firm's competitive strategy and the distinctive capabilities on which advantages have been found (Grant, 1991; Hall, 1993). High scores on the competitive advantage scale suggest that innovations have enabled the firm to achieve superior financial/market advantages and that competitors are unable to duplicate the firm's innovations and distinctive capabilities on which advantages have been founded.

Variable	Mean	SD	(1)	(2)	(3)	(4)
(1) SCA	2.984	0.898	1.000			
(2) Innovation intensity	3.097	0.825	0.496	1.000		
(3) Market-focused learning	3.532	0.946	0.368	0.414	1.000	
(4) Entrepreneurial intensity	3.348	0.804	0.494	0.581	0.439	1.000

Note: All correlations significant at $p < 0.01$

Table I.
Means, SDs and intercorrelations

Administration

In total 326 useable questionnaires were returned, yielding a response rate of 25.6 percent. This response rate is within the range of response rates of recent field survey research in marketing (e.g. Lusch and Brown, 1996).

The sampling method succeeded in providing observations that varied greatly, in terms of firm characteristics. The firms represented in the sample varied widely in size, as measured by annual sales (mean = \$14 million; SD = \$44 million) or number of employees (mean = 65 employees; SD = 177 employees). On average, the firms in the sample had been operating for 24 years (SD = 21.7 years). Approximately 58 percent of firms in the sample were competing in export markets. Further, these firms had been competing in export markets for nine years on average (SD = 8.1 years).

Non-response bias was assessed using an extrapolation method that compared waves of early and late respondents (Armstrong and Overton, 1977). This procedure showed no significant differences between early and late respondents, which suggests that non-response bias may not be a problem.

Analytic technique

After data screening, separate congeneric measurement models for each theoretical construct were estimated using LISREL 8 (Joreskog and Sorbom, 1996). Congeneric measurement models are useful for assessing the reliability of measures and verifying unidimensionality (Anderson and Gerbing, 1988). Next, composite variables were created using the factor score regression weights from the congeneric measurement models. Finally, the structural model was estimated for an examination of the hypotheses.

Results

The preliminary results indicated that the measures were acceptable. For example, entrepreneurial intensity χ^2 12.51 (0.17), RMSR 0.03, GFI 0.99, AGFI 0.98 and RSMEA 0.03 and reliability of 0.83, market-focused learning χ^2 7.423 ($p = 0.191$), RMSR 0.02, GFI 0.99, AGFI 0.98 and RSMEA 0.038 and reliability of 0.83, organizational innovation intensity χ^2 33.25 ($p = 0.01$), RMSR 0.06, GFI 0.99, AGFI 0.98, RSMEA 0.05 and reliability of 0.83, sustained competitive advantage χ^2 3.84 ($p = 0.57$), RMSR 0.024, GFI 0.99, AGFI 0.99, RSMEA 0.00 and reliability of 0.80.

The measures demonstrated adequate reliability, convergent validity and discriminant validity. The reliability for all measures exceeded the preferred level of 0.70 (Nunnaly and Bernstein, 1994). Adequate convergent validity was demonstrated in each of the four measurement models, which showed no evidence of cross loadings and demonstrated t-values in excess of 1.96 for each item loading (Anderson and Gerbing, 1988). Discriminant validity tests indicated that all reliabilities for constructs were greater than their respective correlations and as such discriminant validity was found (Gaski, 1984). Table I provides the means, SDs and correlations between constructs.

As the data for both dependent and independent variables was collected using self-report scales (Lindell and Whitney, 2001) a *post hoc* test for common method variance was undertaken. Following Podsakoff and Organ (1986), Harmon's one factor test was conducted where all items, presumably measuring a variety of different constructs, were subjected to a single factor analysis. Using this approach, six factors were extracted with eigenvalues greater than 1 and the variance explained was 63.31 percent. As a common factor underlying the data was not observed, and as the majority of the variance was not accounted for by one general factor, a substantial amount of common method variance was not evident.

Estimating the structural model produced a significant chi-square statistic ($\chi^2(1) = 7.880$, $p = 0.005$). However, other fit indices provided evidence of adequate fit to the sample data (goodness-of-fit index = 0.985, adjusted goodness-of-fit index = 0.859, root mean square residual = 0.041, normed fit index = 0.928). The structural model explains 27.8 percent, 42.9 percent, and 37.6 percent, respectively, of the variation in market-focused learning capability, organizational innovation intensity and SCA, providing additional support for the structural model. Standardized parameter estimates and *t*-values for the model are shown in Table II. The results of the hypothesis tests are described subsequently.

The detailed conceptual model with the hypothesized relationships as discussed above are indicated in Figure 1, to provide a summary of the hypotheses.

The results indicate that market-focused learning capability is strongly influenced by entrepreneurial intensity, supporting *H1*. Firms that are innovative, proactive and having a risk seeking posture are more likely to possess distinctive market-focused capabilities ($\beta = 0.527$, $t = 8970$). As predicted by *H2*, there is a positive relationship between market-focused learning capability and organizational innovation intensity. Entrepreneurial firms that have excellent market sensing skills are more likely to develop

Path	Parameter estimate	*t*-value
Entrepreneurial intensity → market-focused learning capability	0.527	8.970
Market-focused learning capability → organizational innovation intensity	0.194	2.832
Organizational innovation intensity → sustained competitive advantage	0.454	7.088
Market-focused learning capability → sustained competitive advantage	0.250	3.399

Table II. Standardized parameter estimates for final model

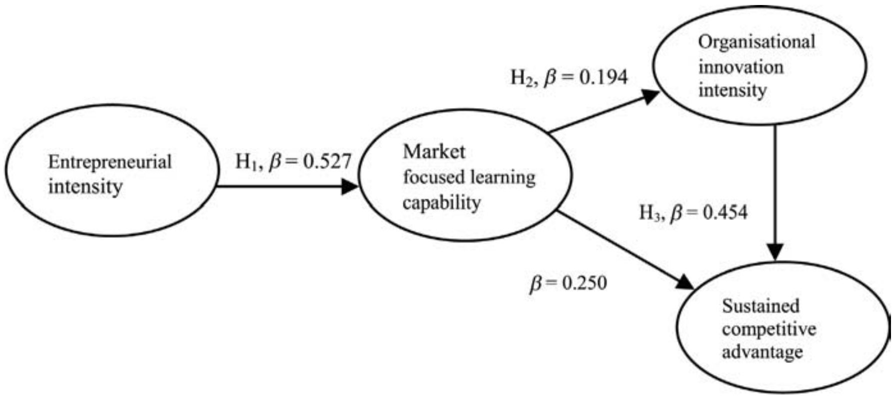

Figure 1.
Detailed conceptual model with hypothesized relationships

radical changes to products, processes, marketing methods and managerial systems ($\beta = 0.194$, $t = 2.832$). There is a strong positive relationship between organizational innovation intensity and sustained competitive advantage, supporting *H3*. Organizations are more likely to out-perform their competitors where they have successfully implemented radical changes to their value creating activities ($\beta = 0.454$, $t = 7.088$). The final model suggests a relationship, which was not hypothesized in the initial model, i.e. market-focused learning capability has a significant effect on SCA. This suggests that not only do distinctive market sensing skills enable the firms to perceive new ways of performing the activities of the value chain but also in general firms having distinctive market-focused learning capabilities also gain SCA ($\beta = 0.250$, $t = 3.399$).

Discussion and implications

The results provide substantial support for the conceptual framework. The theoretical constructs operate largely as hypothesized and explain a substantial proportion of the variation in competitive advantage.

The conceptual framework argues that market-focused learning capability enables entrepreneurial firms to successfully pursue innovation-based competitive strategy. The results of the study largely support this position. The data in general support the proposed conceptualization of the market-focused learning capability in terms of the four learning processes discussed earlier, except for the "knowledge sharing" aspect of the learning processes on which the three learning dimensions were founded. This may be partly due to the fact that sampled firms are dominated by a large number of small firms. Small firms lack functional levels that impede the flow of information. The owner/manager functions as a member of the work team and the size of the firm facilitates regular interactions. Therefore, there is no need for explicit structures for information- sharing suggested in the literature, such as multifunctional activities, discussions (Cooper and Kleinschmidt, 1987), and conflict resolution procedures (Cosier and Schwenk, 1990).

As predicted, market-focused learning capability influences organizational innovation intensity. This relationship has not been examined in prior research. Past research has typically focused exclusively on technological innovation including product modifications. In contrast, the current study provides evidence that market-focused learning capability enables firms to pursue both technological (product and process) and non-technological (marketing and organizational systems) innovations. Firms that have superior market-focused learning skills are able to monitor changing customer needs as well as competitor activity and these skills enable them to market products with superior value to their customers. The study also finds that organizational innovation enables firms to gain SCA. This provides support for the Australian Manufacturing Council (1995) study, which found that Australian manufacturing firms use both technological and non-technological innovations to gain SCA. Managers should recognize that technological and non-technological sources of innovation are both important, and separately or together can impact on SCA.

Findings suggest that entrepreneurial intensity is an important determinant of the capability building activity of the firm, providing support for the capability theory of SCA. Although the capability-based theory assigns a dominant role to the entrepreneurial key decision makers of the firm, this relationship has not been examined in prior research. Arguably, the framework used in this paper presents managers with a feasible path for building SCA. Firms striving to gain competitive advantage must build and nurture distinctive market-focused learning capabilities. At the same time, however, managers should recognize that building distinctive capabilities could be an expensive undertaking (Hayes *et al.*, 1996; Teece *et al.*, 1997). The process involves first developing certain capabilities, and then selecting and refining a few of those capabilities to the point where they become the basis for competitive advantage.

The findings in general suggest that entrepreneurial firms pursuing organizational innovation-based competitive strategy build and nurture distinctive market-focused learning capabilities. These findings provide support to the emerging marketing and entrepreneurship interface paradigm which stresses the need for research into the role of entrepreneurship on innovation based competitive strategy to reach a better understanding of the contribution of marketing concepts to the entrepreneurship field (Hills and La Forge, 1992). The findings also contribute to the debate on marketing's contribution to the strategy dialogue (Day, 1992; Varadarajan, 1992; Kerin, 1992). Specifically, the findings support the view that the marketing function is equipped to play a dominant role in the context of leveraging a number of distinctive organizational skills and resources into sustainable positional advantages (Varadarajan, 1992). The findings have important implications for government policy planning aimed at improving competitiveness in the Australian industry. The innovation policy statements of the Australian government in 1995 and 1997 reflect government's desire to keep Australia at the cutting edge of the technological developments in the Asia Pacific region. However, the primary focus of these policy statements has been to develop industry R&D capabilities. Recent research (Innovation Study Council, Business Council of Australia, 1993) stresses the need for a more firm focused policy of innovation, and the findings of this study provide valuable input for this purpose. Overall, findings suggest that firms should be encouraged to build and nurture distinctive market-focused learning capabilities. Similarly firms should be encouraged to pursue both technological and non-technological innovations.

Limitations

Though the study provides some useful insights into the role of market-focused learning capabilities in innovation-based competitive strategy, certain limitations should be recognized. First, the study used single-informant reports to measure each of the theoretical constructs. An alternative approach would have been to combine information from multiple-informants, although the practical difficulties associated with using information from multiple-informant reports are well recognized by management researchers (Kumar *et al.*, 1993). Second, the cross-sectional research design limits the extent to which inferences can be made about the causal ordering of variables. Finally, although the manufacturing sectors that we studied provided an appropriate setting, research in other industries is required. The rapidly growing services sector may provide a meaningful setting to validate the relationships explored in this study.

Directions for further research

As expected, results show that entrepreneurial firms build and nurture marketing capabilities. A growing number of researchers argue that a firm cannot be "world class" in everything it does and that some aspects of the capabilities can be outsourced. Future research might explore other antecedents of market-focused learning capabilities. Organizational resources constrain the capability building activity of the firm (Grant, 1991) and future research may explore linkages between a firm's resources and the extent of market-focused learning capabilities possessed by the firm. Similarly, the proponents of the market-driven firm paradigm (e.g. Day, 1994a) argue that market driven firms possess several capabilities which complement market-focussed learning capability in the competitive advantage process. One of those capabilities will be marketing capability and it is highly likely that market-focused learning capability impacts on marketing capability in innovation-based competitive strategy. Finally, further research may examine the extent to which industry characteristics moderate the relationship between organizational innovation intensity and sustained competitive advantage.

Conclusion

Although the literature on the role of market-focused learning capability in firm performance has grown in significance over the last decade, few efforts have been made to operationalize the key constructs and synthesize the central propositions into a single framework. Specifically, prior research has not examined the role of market-focused learning capability in the competitive advantage process. This study contributes to the capability-based theory of competitive advantage by developing measures for market-focused learning capability, organizational innovation intensity and SCA and testing the key theoretical propositions linking these constructs. The findings support the view that innovation can be the missing link between market learning activity and firm performance (Han *et al.*, 1998). Further, the model captures the critical role of key decision makers in the development of marketing capabilities. For practitioners, the results of the study provide a feasible path for developing competitive advantage. Focusing exclusively on technological advances ignores the many potential sources of non-technological innovation that managers can vigorously pursue to achieve SCA. In addition to its empirical contribution, this research will focus the attention of researchers and managers on the crucial role that strategic leadership plays in developing market-focused learning capabilities in shaping the firm's competitive position.

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Appendix

(1) Market focused learning capability

The following statements assess the extent to which your firm gathers and uses information on market changes, RELATIVE TO YOUR CLOSEST COMPETITORS. Please circle the number which best reflects the extent to which your firm undertakes the following activities.

1. To what extent does your firm collect information about changes in your market? *

Never 1 2 3 4 5 Extensively

2. How frequently does your firm collect information about changes in your market?

Never 1 2 3 4 5 Continuously

3. To what extent does your firm search for innovative ideas through market information?

Never 1 2 3 4 5 Extensively

4. How often do the staff who are not directly involved with sales/marketing (e.g. production) meet with customers to learn to serve them better ? *

Never 1 2 3 4 5 Frequently

5. What is the extent of your firm's knowledge about the market segments in your industry?

Limited 1 2 3 4 5 Extensive

6. What is the extent of your firm's knowledge of competitors?

Limited 1 2 3 4 5 Extensive

7. To what extent do you share information about market changes and customer needs among departments and managerial levels within the firm? *

Never 1 2 3 4 5 Extensively

8. To what extent does your firm integrate customer and competitor information into innovations in your firm?

Never 1 2 3 4 5 Extensively

9. To what extent does your firm undertake review of unsuccessful market research programs and communicate the lessons for improvement widely within the firm?

Never 1 2 3 4 5 Regularly

10. To what extent does your firm rely on external market research firms for market analysis?*

Extensive outside involvement 1 2 3 4 5 Limited outside involvement

(*continued*)

Figure A1.
Measures for constructs

(2) Entrepreneurial intensity

The following statements identify the COLLECTIVE management style of your firm's key decision-makers. Please circle the number that best reflects your firm's management style.

Top managers of my firm favour:

(1)	... an emphasis on marketing tried and true products; avoiding heavy R&D expenditure.	1	2	3	4	5	... a strong emphasis on R&D expenditure, technological leadership and innovation.

In the past five years:

(2)	... my firm has marketed no new products/services.	1	2	3	4	5	... my firm has marketed many new products/services.
(3)	... changes in products/services have been minor.	1	2	3	4	5	... changes in products/ services have been dramatic.

In dealing with its competitors, my firm:

(4)	... typically responds to actions which competitors initiate.	1	2	3	4	5	... typically initiates actions to which competitors respond.
(5)	... is seldom the first business to introduce new products, administrative techniques.	1	2	3	4	5	... is often the first business to introduce new products, administrative techniques.

In dealing with its competitors, my firm: *

(6)	... seeks to avoid competitive clashes and prefers a "live-and-let-live" posture.	1	2	3	4	5	... has a very competitive "beat-the-competitors" posture.

Top managers of my firm have:

(7)	... a strong tendency for low risk projects (with normal rates of return).	1	2	3	4	5	... a strong tendency for high risk investments (with chances for very high rates of return).
(8)	... a policy of growth primarily financed through internally generated funds.	1	2	3	4	5	... a policy of growth primarily financed through external sources such as borrowing.

Top managers of my firm believe that: *

(9)	... it is best to explore new opportunities cautiously via "one step at a time" adjustments.	1	2	3	4	5	... bold and wide-ranging changes are necessary to achieve the firm's objectives.

When confronted with external uncertainty, my firm:

(10)	... adopts a cautious "wait and see" posture in order to minimise costly mistakes.	1	2	3	4	5	... adopts a "bold and aggressive" posture to maximise potential opportunities.

(*continued*)

Figure A1.

(3) Organisational innovation intensity

Innovation refers to any NEW IDEA that your firm adopts for its products, production processes, managerial/administrative and marketing activities which directly or indirectly ADDS VALUE TO THE FIRM.

Please think about the innovative activities your firm has undertaken during the PAST FIVE YEARS. Please circle the number which corresponds to the degree of innovation for each of the following statements.

Product innovations
(Some examples: (a) improving existing products (b) creating entirely new products)

(1) Product innovations introduced by our firm during the last five years have been...

Limited	1	2	3	4	5	Extensive

(2) Product improvements have been mainly...

Incremental; (marginal improvements to existing products)	1	2	3	4	5	Radical (radically new products; change in technology)

Production process innovations
(Some examples: (a) introducing computer-based production applications, (b) automated material-handling, (c) introducing manufacturing information systems)

(3) Process innovations introduced by our firm during the last five years have been...

Limited	1	2	3	4	5	Extensive

(4) Process innovations have been mainly...

Incremental (marginal improvements to existing production process. No change in technology)	1	2	3	4	5	Radical (radical changes to production process. Change in technology)

Managerial innovations
(Some examples: (a) introducing computer-based administrative applications (b) developing new employee reward/training schemes (c) obtaining new financing sources (d) introducing new departments or project teams)

(5) Managerial innovations introduced by our firm during the last five years have been...

Very limited	1	2	3	4	5	Extensive

(6) Managerial innovations have been mainly...

Incremental (marginal improvements to existing managerial practices)	1	2	3	4	5	Radical (Totally new managerial practices)

Marketing innovations

(Some examples (a) introducing new pricing methods (b) new distribution methods (c) new sales approaches or leasing arrangements (d) entering a new market)

(7) Marketing innovations introduced by your firm during the last five years have been...

Very limited	1	2	3	4	5	Extensive

(8) Marketing innovations have been mainly...

Incremental (marginal improvements to existing marketing methods)	1	2	3	4	5	Radical (Totally new marketing methods)

Figure A1.

(continued)

(4) Sustained competitive advantage

To what extent has organisational innovation assisted your firm to gain the following advantages over competitors?

	Not at all				A great deal
(1) Entering new markets *	1	2	3	4	5
(2) Increased market share *	1	2	3	4	5
(3) Increased customer satisfaction *	1	2	3	4	5
(4) Gain a higher return on investments (ROI) *	1	2	3	4	5
(5) Gross profits higher than your industry average	1	2	3	4	5

How easy is it for your competitors to match the following ?

	Very easy				Very difficult
(6) Your firm's product innovations	1	2	3	4	5
(7) Your firm's process innovations *	1	2	3	4	5
(8) Your firm's managerial innovations	1	2	3	4	5
(9) Your firm's marketing innovations *	1	2	3	4	5
(10) Your firm's capability to learn from market changes	1	2	3	4	5
(11) Your firm's capability to learn through internal experimental activities	1	2	3	4	5
(12) Your firm's capability to acquire knowledge and technology through external links and networks	1	2	3	4	5
(13) Your firm's marketing capability	1	2	3	4	5

* denotes items that were dropped during confirmatory factor analysis

Figure A1.

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Strategic marketing planning: a grounded investigation

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Abstract *Using grounded theory, the authors present an inductive model of strategic marketing planning (SMP) which extends the domain of the marketing planning literature. Based on a field investigation of four large organisations drawn from a single industry using a multiple-case design, the authors present findings using the views and perspectives of those involved in SMP development and implementation, and identify and group relevant variables into seven major themes or "core categories" that characterise the SMP process. The authors integrate a broad literature search, both within and without of marketing, with the exploratory research results, to develop a grounded theoretical description of multiple layered factors that characterise a SMP process. This grounded "picture" supports the innovative work of Piercy and Morgan, and Greenley and Oktemgil who advocate a broader domain of SMP. We suggest that extending practitioners' understanding of the nature of these inter-related factors may lead to better insights of how a SMP process can be managed more effectively.*

Introduction

Since the early 1960s, planning and managing the planning process have become more important as a means of coping with a turbulent business environment (e.g. Drucker, 1964; Hussey, 1979). A number of forces have contributed to this, including an increase in environmental uncertainty, the external interdependence of organisations, organisational diversification and size, societal performance demands on organisations, and more recently the disappearance of conventional marketing structures (Hussey, 1979; McDonald, 1982, 1996; Moorman and Rust, 1999; Homburg and Workman, 2000). We note that the marketing literature has begun to broaden its focus and consider the perspective of those organisational actors involved in planning processes. However, empirical studies have been few in number. This paper represents an attempt to take account of the organisational context in which strategic marketing planning (SMP) activity takes place, as perceived by SMP actors, to generate a framework of factors that characterise the process of SMP. For the purpose of this study, we operationally define a strategic marketing plan as a

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plan – a document outlining target markets, the development of marketing programmes and the execution of those programmes – which covers a period of between three and five years (McDonald, 1999).

Our research has two major objectives. First, we seek to gain an understanding of the beliefs about, and of attitudes towards SMP held by those individuals involved in SMP development and implementation. In doing so, we suggest that a major weakness of the SMP literature has been a failure to examine decision-maker perceptions of marketing planning. A second objective is to integrate multiple rounds of qualitative interviews with a broad literature search of marketing and contiguous literatures, to develop a grounded theory descriptive of the SMP process (Strauss and Corbin, 1990).

We first provide a broad literature review to identify those factors considered as potential influencers of SMP processes. We then describe the method of investigation, a grounded theory approach, and compare and contrast the empirical findings from the field interviews with those findings already described in the SMP literature and arising from contiguous fields of inquiry. From such comparisons, we attempt to provide a synthesis in the form of a conceptual framework identifying factors which may offer an appropriate characterisation of the SMP process from the point of view of those managers involved in the process. These factors are grouped into seven major themes or "core categories". This conceptual framework is thus grounded, yet aligned and supported by existing theory. Finally, we present the theoretical and managerial implications of our findings for a future research agenda.

Background and contiguous literature

In recent years, several conceptual frameworks have been developed to better understand the processes of strategy formulation, and for such processes, the term "strategic marketing" is used to describe the decisions taken to develop long-run strategies for survival and growth (Urban and Star, 1991). The strategic marketing literature can be classified as characterising two schools of thought. One "school" adopts a normative position and conceptualises SMP primarily in terms of rational "content" models of strategy formulation (e.g. McDonald, 1984; Greenley, 1986). The other consists of a more limited number of exploratory studies, which focus on the issue of "context" (e.g. Leppard and McDonald, 1991; Speed, 1993, 1994; Piercy and Morgan, 1994). The "normative" approach typically describes the application of logical flow models (O'Shaughnessy, 1988; Kotler, 1991) documenting a pre-determined series of discrete steps or operations. This literature draws heavily upon classical organisation and decision-making theories (Weber, 1947; Fayol, 1949), and stresses such issues as: the need for SMP; the format for planning; the formal procedures to institutionalise planning; and the general "location" of analytical techniques within the operational frameworks (e.g. McDonald, 1982; Giles, 1986; Greenley, 1986; Lehman and Winer, 1988; Cousins, 1991; McDonald, 1995).

A major shortcoming of these "content" models has been described by several researchers as their failure to consider the organisational context in which SMP takes place (e.g. Leppard and McDonald, 1991; Speed, 1993, 1994; Greenley and Bayus, 1994; Piercy and Morgan, 1990, 1994; Cespedes and Piercy, 1996; Greenley and Oktemgil, 1996). These writers also suggest that artificial or narrow boundaries have often surrounded SMP research. These views find favour with Saunders et al. (1996, p. 3) who state: "An approach . . . that looks for parallels outside the traditional boundaries of marketing will always be stronger than those that take refuge in a narrowly defined domain". They also accord with those of Gioia and Pitre (1990) who assert that the development of multiple perspectives arising from the use of alternative research methodologies underpinned by different paradigmatic assumptions is necessary to reflect the multifaceted nature of organisational reality and to engage in theory building.

We also advocate a more comprehensive framing of the domain of SMP by examining fields of inquiry contiguous to the marketing literature. In the strategic planning literature for example, Mercer (1991) makes a distinction between corporate strategy and "robust" strategies. Corporate strategy is typically about optimizing current performance, matching the organisation's activities to the environment and its resource capability (Johnson and Scholes, 1993). The corporate strategy process focuses on internal resource allocation which influences the short-term performance demanded by controlling stakeholders. On the other hand, "robust strategies" are about survival in the long-term, ensuring that all potential threats are covered. These two forms of strategy have very different objectives aimed at producing potentially very different outcomes to satisfy very different groups of stakeholders. While the long-term factor should be included in marketing strategy, in practice, the problem of having to manage conflicting objectives means that the long-term is often sacrificed to allow effective planning to be undertaken in the short-term. In the terms of Stafford Beer's (1985) viable systems framework, this is described as a management meta-system dysfunction in failing to balance the outside/future considerations with the considerations of inside/here and now. Such imbalance is considered to lead to a loss of viability.

McDonald (1996) and Piercy (1997) have argued that the skills of the decision maker need to be taken into account in planning because marketing management tools and frameworks are open to misunderstanding and abuse. McDonald (1989b) states that without an understanding of some of the basic tools of marketing, the chance of coming up with strategies focussed on achieving sustainable competitive advantage is slim. He also states:

> Communication and interpersonal skills are also prerequisites for marketing planning success, since excellent marketing plans will be ineffective unless those on whom the main burden of implementation lies understand them and are highly motivated towards their achievement (McDonald, 1989b, p. 12).

McDonald (1989b) highlights the limitations of a manager's marketing knowledge when he talks about the confusion between marketing tactics and marketing strategy. McDonald's (1989a) thoughts on the isolation of the marketing function from the wider operations within the organisation also emphasize what he perceives to be a lack of understanding of marketing and points to a weakness in communications and skills. McDonald (1989a) also refers to a lack of knowledge and skills in respect of marketing. Hill et al. (1998) suggest that the inability of many managers to analyse and distil the intelligence needed for effective marketing planning from vast amounts of available data indicates a need for greatly improved conceptual and analytical skills. McDonald (1989a) further suggests that the problems of not having such skills is a reason why managers lack a systematic approach to SMP.

Harrigan and Dalmia (1991) also emphasize that marketing planning models have yet to fully incorporate or exploit the potential of the decision maker to be a source of competitive advantage in the planning process. As a corollary, Bonoma (1984) and Bonoma and Crittenden (1988) have identified a range of behavioural factors that influence the implementation of marketing strategies, such as the skills of the decision maker in terms of bargaining and negotiation, resource allocation, and the ability to develop informal organisational structures effectively. Piercy and Morgan's (1994) study of 900 UK medium and large firms found a variety of behavioural issues ranging from planning resistance and non-cooperation by executives, to politics involving resource bargaining and avoidance of consensus in marketing planning. McDonald (1996), in turn, has summarised a number of barriers to success which have emerged from the marketing planning literature and which include the roles decision makers play, a lack of senior management involvement, and a lack of cross-functional or top management support. He has also referred to barriers associated with decision-maker cognition, the non-recognition of alternatives, a lack of innovation, and then other barriers arising from the operationalisation of marketing planning systems. These latter factors range from the inflexible application of "textbook" processes yet a sometimes apparent lack of commitment to follow-through, an over-emphasis on detail yet an inadequacy of resources, through to broader organisational issues such as how culture compresses structure, the stage of organisational development, the short-term nature of reward systems, and the impact of internal politics and external environmental turbulence. Kwaka and Satyendra (2000) also identify a similar set of barriers which range from an incomplete understanding of the marketing concept, to the values and priorities of top management concerning the importance of the customers, conflict between short-term and long-term goals (Webster, 1988; Noble, 1999) – and what Dunn *et al.* (1994) have referred to as an organisation's marketing culture. Walker and Ruekert (1987), on the other hand, identify factors influencing success in implementing marketing strategy, such as the degree to which senior marketing decision makers have autonomy;

the degree to which a functional unit shares functional programmes and facilitates with other units in the pursuit of synergies; and the manner in which corporate-level managers evaluate and reward the performance of functional unit managers.

Several writers have concluded that contributions from process models within the wider planning and management literature can also be useful in advocating a more comprehensive framing of the domain of SMP (e.g. Lindsay and Rue, 1980; Burgelman, 1983; Guth and MacMillan, 1986; Westley, 1990). Planning process research from fields outside marketing can be grouped into three categories. First, interpersonal process views which examine the effects of strategic consensus (shared understanding) and autonomy, leadership and implementation styles, and the effects of communication processes on performance (e.g. Wooldridge and Floyd, 1989; Westley, 1990; Hill *et al.*, 1998); second, individual processes such as cognition, organisational roles and commitment (e.g. Mowday *et al.*, 1982; Sproull, 1986); and third, structural views which examine the effects of various organisational structures and control systems on organisational processes.

Process models, grounded in expectancy and role theory (e.g. Cummings and Schwab, 1973), learned behaviour (e.g. Luthans and Kreitner, 1975; Becker and Gerhart, 1996; Wong and Mavondo, 2000), communications theory (e.g. Schultz et al., 1992) and supportive relations theory (e.g. March and Simon, 1958; Cyert and March, 1963) provide a theoretical basis for understanding motivation, behaviour and participation in planning. For example, a lack of role commitment has been generally associated with higher employee turnover, dissatisfaction, other withdrawal behaviours and decreased performance (Cohen, 1993). Empirical support for this potential contribution to SMP research comes from Martin (1987) who emphasised the impact of organisational structures and the human element on the effectiveness of the planning process; Chae and Hill (2000) who examined the influence of organisational climate on SMP formality; and Leppard and McDonald (1987) and Dunn *et al.* (1994) who attempted to link SMP models to changing corporate cultures. For this study, we accept the notion of culture as describing the pattern of shared values and beliefs that enable employees to understand the way an organisation functions, hence, providing them with norms for behaviour in the organisation (Deshpande and Webster, 1989).

Supportive relations theory allows one to model the organisation as a collection of associations, sharing similar values, beliefs and perceptions, and suggests that support for planning manifest as active contribution and resource allocation can directly affect the attitudes of those intimately involved in the planning process. In Beer's systemic terms, we see a lack of meta-systemic vision, values and leadership leading to conflict and inappropriate competition amongst the very units or sub-systems that exist to act out the organisation's purpose. One consequence is that political behaviour can emerge in the form of coalitions designed to influence decision making (Pfeffer and Salancik, 1978). In turn, the extent to which sub-units can influence decision making reflects the degree of power they hold (Piercy, 1985; Ruekert and Walker, 1987).

In the SMP literature, Leppard and McDonald (1991) highlighted the importance of the culture carrier in determining the level of support and involvement in planning, and there have been a series of empirical studies criticising marketing planning conceptualisations for failing to acknowledge the importance of culture in the marketing planning process (e.g. Stasch and Lanktree, 1980; John and Martin, 1984; Martin, 1987; Piercy and Morgan, 1994). Although these empirical studies of marketing management practices afford some insight into human behaviour in SMP, we suggest that attempts to incorporate a deeper understanding of supportive relations theory into SMP has received scant attention from the SMP literature. In the wider management literature, for example, Schein (1992) documents findings about the things that leaders do to transmit and embed culture and refers to primary mechanisms and secondary mechanisms. He makes a distinction between primary cultural carriers such as those visible actions that leaders take, and a second tier of cultural transmitters such as organisational systems and procedures, structure, design of physical space, facades and buildings, formal statements about organisational philosophy, and stories, legends and myths about important people within the organisation. His primary mechanisms include what he regards as the most influential behaviours that signal and reinforce culture such as how the leader reacts to a crisis or critical events; the criteria the individual establishes for allocating rewards and status, the areas to which the leader pays attention, measures and controls; the criteria he/she establishes for recruitment, selection, promotion and dismissal; the role model he/she plays to others by demonstrating certain behaviour.

In the context of corporate culture, marketing culture is characterized by what actually takes place in an organisation's marketing context (Deshpande and Webster, 1989). From a marketing perspective, this refers to a platform of shared values and beliefs which enable employees to appreciate and feel the marketing function, thus providing them with norms for behaviour in the organisation as well as the importance given to the marketing function (Webster, 1995). It is the way "marketing" things are done in an organisation. Indeed, McDonald (1996, p. 15) states a marketing planning process also embodies "a set of values and assumptions, which, while not being explicit, are nevertheless an integral part of the whole process". Leppard and McDonald (1987) researching corporate culture and marketing planning found that marketing planning goes beyond "action steps" to embody a set of values and assumptions, which give rise to a distinctive corporate climate and culture.

Intertwined with support climate are the political under-tones which exist throughout the organisation. Indeed, Peattie (1993) advocated that strategic planning is a political rather than a purely rational activity and as such, needs to be recognized in any planning system. Power dependency theory may also enhance an understanding of the process of SMP. Bailey and Johnson (1994) also state that strategy is not chosen directly but emerges through compromise and conflict. If strategy, then, is the outcome of negotiation, bargaining and confrontation, those with the most power have the greatest influence on the planning process. Within an organisation, it is highly likely that sub groups, departments, or regional offices will have divergent emphases and/or compete against each other for a limited amount of resources (McDonald, 1989a, b). Whilst these factors can be the bases for conflict, the sub groups are nevertheless interdependent (Hulbert *et al.*, 1980). Consequently, political behaviour can emerge in the form of coalitions designed to influence decision making (Pfeffer and Salancik, 1978). The extent to which sub-groups can influence decision making then reflects the degree of power they hold (Piercy, 1985; Ruekert and Walker, 1987). McDonald (1989b) makes a stronger claim stating that "culture tends to act to maintain the exisiting power structure and status quo." He asserts that marketing planning interventions must be recognised as having a "political" dimension, and that even though requisite training may be given to key marketing personnel and an appropriate systems developed, "without the active support and participation of the power brokers, marketing planning will not happen" (p. 15).

Contributions from process model frameworks developed within the communications literature may also enhance an understanding of the process of SMP. In a functional sense, communications can be defined as the process of passing information and understanding from one person to another (Schultz *et al.*, 1992). The transmission of information and the attainment of understanding is essential for bringing about desired action and feedback in the planning process. Many of the problems of the mainstream content models are associated with internal resistance to change because of a lack of communication and understanding. These models are grounded in an external analysis of markets, customers and competitors but fail to recognise the importance of internal communication in successful marketing implementation (Piercy and Peattie, 1988). Communication theory suggests that the possession of both knowledge and understanding are necessary prerequisites to behaviour. McDonald (1989a) suggests that communication and interpersonal skills are prerequisites for marketing planning success, since plans will be ineffective unless those on whom the main burden of implementation lies understand them and are highly motivated towards their achievement.

Contributions from the wider planning and management literature have also examined the effects of various organisational structures and control systems on organisational processes. Reference to formality in the planning literature comes from Saker and Speed (1992) who comment on "planning having a ritual that makes people impatient"; from Mintzberg (1976) who refers to "excess documentation"; and from Hopkins (1981) who refers to "conformity in the format and approach for planning preparation". According to Beer (1985), and others

(Bart, 1986; Wilson, 1994; Droge and Calantone, 1996), an appropriately designed decentralised organisational structure is also necessary to facilitate the implementation and achievement of an organisation's strategy. When decision making is kept at a top level, the organisation is centralised, while when decisions are delegated to lower organisational levels, it is decentralised (Daft, 1992). John and Martin (1984), in examining the effects of organisational design/structure of marketing groups on the credibility and utilisation of marketing plans, showed that centralisation increased the alienation of employees and reduced their participation which adversely affected the credibility of the plan document. Such findings are in line with the views of Stafford Beer (1985), that the ceding of authority in decision making to those who are best placed to act in the organisation's interest in meeting the needs of external clients, is a fundamental requirement of an organisation's long term viability.

Research method and procedure

The research methods and procedures followed recommended guidelines for theory development in marketing (Deshpande, 1983). We employed a qualitative interview approach to gathering and analysing marketing decision makers' retrospective accounts regarding the most recent formalised SMP process they had experienced. We note that while some organisations function by using informal planning efforts (e.g. small organisations operating in rapidly changing market environments (Dymsza, 1984; Morden, 1991), for most organisations, size brings with it increasing pressures to formalise the SMP process (Mckee et al., 1990). The organisations studied in this research (see Appendix) are typical of the latter group. A formalised SMP process is defined as a process which includes goal formulation, external and internal environmental analysis, generation and selection of marketing strategies and implementation and control (Chae and Hill, 2000).

We began by collecting "grounded events" or actual incidents describing the operation of this process (Glaser and Strauss, 1967). These events or incidents were then analysed to reveal broader patterns. Using Gioia and Pitre's (1990) definition of theory as "any coherent description or explanation of observed or experienced phenomena", we may refer to theory building as the "process or cycle by which such representations are generated, tested and refined". With grounded theory development, patterns must be allowed to emerge from the data. In grounded-theory, research data is collected to determine how literature and data compare (Strauss and Corbin, 1990). This contrasts with the hypothetico-deductive approach, in which a priori theory is superimposed on, and tested against empirical data (Keaveney, 1995). Indeed, the approach to theory-building is likened to one of discovery rather than one of "refinement" through causal analysis (Gioia and Pitre, 1990).

Our concerns, in examining the perceptions of actors in the SMP process of the SMP process itself, relate to the actors' construction of "reality", and are "interpretivist" in nature, our aim being to better describe, understand and explain the processes involved. Of course, whilst this study is reflective of an interpretivist paradigmatic approach to research, others would recognise its contribution as being functionalist in nature in as much as its findings may suggest how practitioners may begin to ascertain how marketing planning might be managed more effectively.

The data collection method utilised a multiple-case study approach. Eisenhardt (1989) suggests that studies of between four and ten cases "usually work well". With fewer than four cases, it is considered that theory can be difficult to generate, and with more than ten cases, the volume of data is often difficult to cope with. For this SMP study, decision makers drawn from four large organisations in a single industry setting in New Zealand were interviewed (see the Appendix). A single industry was chosen to control for industry-specific and location-specific factors (Diamantopoulos and Inglis, 1988) and each organisation was chosen to conform to the classification of large organisations as defined by Statistics New Zealand (1996). The four case sites involved marketing units of similar size, headed by managers of equivalent level. Brief case descriptions are shown in the Appendix.

We promoted data reliability firstly, by using a case study protocol in which all the organisations and informants were subjected to the same sequence of entry and exit procedures and interview questions; secondly, by creating similarly organised case databases for each organisation visited. Construct validity was enhanced by using multiple sources of evidence and by establishing a chain of evidence as each interview was concluded. External validity was promoted by the research design itself, whereby all organisations belonged to the same industry and were relatively similar in size and age. Finally, the authors addressed internal validity by the "pattern matching" data analysis described by Yin (1984).

Data collection

In keeping with the chosen case-study method, multiple sources of data collection were used. Data was collected from those decision makers involved in strategic marketing plan development and implementation. Each interview lasted up to two hours and the interview results were then combined with other documentary evidence provided by the organisation to produce a detailed case study report on each one. A strategic marketing plan was defined as a written plan providing documentation on target markets, covering the development and execution of marketing programs spanning a period of three and five years (McDonald, 1999). Annual product/brand plans and more general business plans were excluded. All individuals who participate in SMP development and implementation were identified as respondents (Greenley, 1988). A total of 26 respondents were interviewed across the four organisations over a three-month period (the full interview protocol is available from the authors). Immediately after the interviews, the researchers recorded and crosschecked facts, as well as their own personal perceptions and impressions. We followed a particular protocol for "within-case" analysis (Yin, 1984). The "24-hour rule" required that detailed interview notes and impressions were completed within one day of the interview. The interview results were then combined with other primary sources of documentary evidence provided by the organisation to produce a detailed case study report on each one. The reports were then returned to the interviewees to be checked for accuracy. When accuracy was confirmed, the case study evidence was deemed suitable for analysis.

Content analysis

The analysis phase employed a three-step content analysis procedure (Glaser and Strauss, 1967; Miles and Huberman, 1994). In a first "unitising phase", the transcripts were broken down into "thought units" which ranged from a phrase to several sentences. Second, in the categorising phase, the thought units were organised into emergent categories. The assignment of labels to each category reflected attempts to capture the perceived communality or shared message amongst the thought units. Disagreements among the researchers regarding the categories (and their labels) were resolved by using a "blind" research assistant not familiar with the SMP literature. This additional researcher was utilised to complete an independent content analysis. Independently derived findings were then compared and contrasted. Finally, in this classifying phase, the categories emerged or metamorphosed into seven unifying themes or "core categories" that provide a summary of "what is going on" in the data (Strauss and Corbin, 1990). Two members of the research team performed this activity.

Research findings

The patterns we observed across all four organisations allowed us to draw inferences regarding factors which characterise the operation of SMP from the perspective of those involved. Analysis of the transcribed interviews yielded 14 categories that were organised into seven major themes. Table I includes the theme names, category names, and examples of each category. The reader is encouraged to use Table I and the Appendix as a guide to the commentary that follows.

Theme 1: "SMP systems and procedures"

Interviewees in all four organisations made statements regarding responsibilities and formal procedures to direct action in SMP. We organised the following categories into the theme "SMP systems and procedures":

- the degree to which to which clear responsibilities exist for SMP activities (category 1);
- the extent to which provision is made for adjusting the direction and effort of SMP (category 2).

In case site A for example, the senior national planning (SNP) associate utilised a "grid-like" planning structure to provide clear and definite tasks concerned with

Table I. Themes and categories derived from the case site data

Themes	Category	Case site A	Case site B	Case site C	Case site D
SMP systems and procedures	1. Formal procedures and systems to direct SMP activity	Yes	Yes	Yes	Yes
	2. Provision to adjust direction and effort of SMP activity (iteration)	Yes (three- to five-year planning focus)	Little provision due to short-term planning focus	Little provision due to short-term planning focus	Little provision due to short-term planning focus
SMP comprehension	3. Formats to guide strategic marketing plan development (structure for SMP)	Yes	Yes – via a "project management tracking system"	Yes – via company-wide marketing audit templates	Yes – via a company-wide planning manual
	4. Understanding of marketing strategy	Yes	Lack of integration between objectives, strategies and tactics	Yes - via marketing audit templates	Yes – via a company-wide planning manual
SMP support climate	5. Management support for SMP	Yes	Planning not supported by senior management and RT managers	Yes	Top management support but non-compliance by RRS managers
	6. Resource allocation support for SMP development and implementation	Yes	Limited	Limited	Yes
Status and power of the chief marketing executive (CME)	7. CME responsibilities	SNP Associate responsible for promotions mix decisions only	Limited responsibility for marketing decisions	Limited responsibility for marketing decisions	Full/major responsibility for marketing decisions
	8. Size of the functional "area" responsible for SMP development and implementation	12 individuals but recent down-scaling	Six individuals	Four individuals	Six individuals

(*continued*)

Themes	Category	Case site A	Case site B	Case site C	Case site D
SMP commitment	9. Role involvement	SNP associate and RRM managers involvement in SMP activity, but limited involvement of marketing representatives	No involvement by line managers (RT managers)	Line management involvement evident	Limited involvement by line managers
	10. Role autonomy	Role autonomy for SNP associate and RRM managers	Limited role autonomy for RPC managers and RT managers	Limited role autonomy for NMP manager and regional marketing (RM) managers	Role autonomy for national retail marketing (NRM) manager but not for RRS managers
Decision-maker cognition	11. Knowledge and skills to undertake SMP tasks	Knowledge and skills deficiency evident	Knowledge and skills deficiency evident	Knowledge and skills deficiency evident	Knowledge and skills deficiency evident
	12. The provision of strategic leadership in the SMP process	Perceived lack of leadership by RM managers	Perceived lack leadership by RT managers	Perceived lack of leadership by RM managers	Strong visionary leadership perceived by RRS managers
Workflow and task structure	13. Centralisation	Valued centralisation	Valued centralisation	Recent shift to decentralise the SMP process evident	Valued centralisation
	14. Formalisation	Valued formalisation but dysfunctional problems	Valued formalisation	Valued formalisation	Valued formalisation but dysfunctional problems

Table I.

the organisation's strategic direction over a three- to five-year period. Within this planning structure (incorporating the elements of vision, market definition, segmentation, competitive differentiation, SWOT, strategy development, implementation and monitoring), each regional retail marketing (RRM) manager was provided with a one page diagram or "picture" summarising the organisation's three- to five-year strategic marketing direction to guide regional plan development. Similar systematic approaches were also found in case sites B, C and D. In case site B for example, the two regional planning and control (RPC) managers were guided by a project management tracking system (PMTS) operating from Australia to provide clearly defined tasks to perform.

Theme 1 also incorporates the extent to which provision is made for adjusting the direction and effort of SMP (flexibility of SMP activities). For example, a planning process is more flexible if there are provisions made for change, either as alternatives such as contingency plans or formal procedures for making marketing adjustments. All four case sites displayed a number of similar characteristics in terms of the volatility and diversity of their external environments. For example, their markets were not experiencing noticeable volatility which might require extraordinary planning activities; the nature of competition in these markets appeared to be relatively stable; all organisations tended to market their products in similar ways; and their products tended to be purchased and consumed by similar market segments. However, differences emerged in the flexibility of SMP activity between case sites. In case site A, a slow changing environment had resulted in the organisation incorporating longer lead times and planning horizons into the SMP process. In contrast, a tactical short-term focus characterised the most recent SMP process in case sites B, C and D. Retrospective accounts from decision makers at all levels within these organisations, suggested that there had been a failure to grasp the strategic orientation in planning, providing little support for a proactive marketing orientation beyond the current fiscal year. For example, in case site B, strategic marketing plan development was driven from Australia and excluded regional and territory managers in New Zealand. Although the two RPC managers were guided by the PMTS, this system focused only on monitoring and controlling tactical marketing performance. Senior planners and regional and territory managers also made continuous reference to an inflexible SMP process because of the lack of planning control within New Zealand. One of the regional and territory managers stated: "we have little scope to adjust the planning process due to the amount of "real" planning control we have of SMP in this country".

Theme 2: "SMP comprehension"

This theme refers to the extent to which marketing decision makers understand SMP and its structural components. The categories that emerged from the case data included:

- the existence of a planning format sufficiently detailed in terms of objectives, strategies, actions, and integration, to guide plan development (category 3);
- the extent to which individuals comprehend the goals and objectives of the organisation's marketing strategy (category 4).

For example, in case site A, RRM manager comprehension of the process was obtained via the strategic outlook report (SOR) and dealer information. In case site A, the SNP associate described the SOR document as the one document that "tells everyone what we are about and where the organisation is going". In case site D, a planning manual also detailed specific task guidelines, and acted as a communications device between regional retail sales (RRS) managers and the site representatives. Similarly, in case site B, the PMTS provided a set of task guidelines for both RPC managers to follow. However, both planning managers made continuous reference to unsuitable and unobtainable objectives in the strategic marketing plan document developed in Australia, and a lack of integration between objectives, strategies and tactics in the plan document itself. There appeared to be little shared understanding (consensus) of overall strategic direction between the NZ marketing unit and offshore senior planners in Australia. One RPC manager stated: "I feel that the goals of the strategic marketing plan are unrealistic for New Zealand".

Theme 3: "SMP support climate"

The environment created by the existence or otherwise, of a support climate for SMP, was also identified in all four case sites. This theme was again characterised by two categories:

- the extent to which top management, middle management and "other" functional areas were seen to value and support SMP activity (category 5);
- the extent to which the availability of resources met the level perceived as necessary by those involved in the SMP process to develop and implement the strategic marketing plan (category 6).

For example, the application of a participatory management style, involving lower management conducting the marketing audit stages, was particularly evident in case sites A and C. In case site A, one of the RRM managers explained: "Having an input from everyone to determine where we are going is essential. If we didn't do this [SMP], they [competitors] would have been able to take over a lot of our business". In case site D, however, while top management were actively seen to support SMP activity, there was little visible support from regional retail sales managers responsible for SMP implementation. Three of the four sales managers saw SMP as something that top management had imposed on them. One RRS manager explained: "I'm so busy trying to sort out day-to-day problems that any involvement with these extra commitments is just an added pressure". Similarly, in case site B, SMP was not diffused, valued nor supported freely in the organisation. There appeared to be little support from other functional areas in the organisation and little support from senior management. Negative perceptions of the RPC managers by regional and territory (RT) managers appeared to result in low motivation and consequently lower commitment to and participation in the SMP process.

Our findings also suggest differences in the resource allocation support for SMP development and implementation (category 6). In all case sites, resource allocation was tackled by forming coalitions, bargaining and "doing deals" to increase the level of participation in the budgeting process. In case sites A and D, resource allocation was sought by building cases with other functional groups within the organsiation and seeking informal support from top management. In case site B, resource allocation was perceived to be less than optimal with resource bargaining a frequent activity with core service divisions. In case site C, the national marketing planning (NMP) manager coped with a lack of people resource by seeking informal support from non-marketing personnel on the same floor as the NMP manager. Though it was not in their job description to assist the NMP manager, they did and vice versa.

Theme 4: "status and power of the chief marketing executive"

This theme reflects the power and status of the chief marketing executive (CME) within the organisation (the individual responsible for making the highest-level strategic marketing management decisions). Two further categories which emerged from the case data were:

- the marketing responsibilities of the CME (category 7);
- the size of the marketing function "area" responsible for SMP development and implementation (category 8).

For example, in case site A, recent down-scaling of the marketing area responsible for SMP development and implementation had resulted in a diminished strategic role for the SNP associate and diminished ownership for the SMP process by RRM managers. The SNP associate referred to dominant power vested in the functional areas of distribution and selling, leaving the SNP associate responsible for only promotional mix decisions. In case site B, the RPC managers had limited power because the organisation's operating plan was decided offshore in the organisation's divisional office. Similarly, in case site C, competition for resources was limited because all organisational plans were approved independently offshore thereby reducing the potential for any back room bargaining from the decision-making process.

Theme 5: "commitment to the SMP process"

This theme reflects the extent to which an individual is willing to devote energy to job tasks in SMP. Job/role autonomy (category 9) and role involvement (category 10) were identified from the case data as mirroring categories of commitment to the SMP process. Role involvement describes the extent to which an organisational member participates in SMP development and implementation. Role autonomy describes the extent to which an organisational member has freedom to make meaningful decisions and independently adjust behaviours in performing a role. For example, in case site B, all four retail and territory managers explained that senior planners were too far removed from the "coal face" to be effective, describing their (senior planner) involvement in the SMP process as being very limited. One regional and territory manager stated: "we know little of planning... we do our own thing... we do sales plans and budgets only". In case site A, participation in the SMP process was achieved by granting the three retail regional marketing managers full responsibility for developing the strategic direction of their own region. All three marketing managers felt that they had a great deal of autonomy in making marketing decisions. Regular communication with the dealer network ensured that the RRM manager was kept fully informed of what was happening in their geographical region.

Theme 6: "decision-maker cognition"

Two categories emerged from the case data to describe this cognitive theme:

- the knowledge and skills of the marketing decision maker to perform SMP tasks and activities (category 11);
- the provision of strategic leadership to the SMP process (category 12).

In some case sites, retrospective accounts of the SMP process from middle managers suggested that some senior planners did not possess the necessary marketing knowledge and skills to provide strategic leadership. In case site B, one regional territory manager stated: "Each planner I have seen in this organisation lacks one other skill of strategic leadership. That is a readiness to look personally foolish; a readiness to discuss half baked ideas, since most fully baked ideas start out in that form; a total honesty, a readiness to admit you got it wrong". Similarly, one of the RM managers in case site C stated: "The SMP process lacked market leadership in the organisation. No one individual appears to take charge of making SMP happen".

Senior marketing decision makers also identified skill shortages specific to middle management and more junior marketing personnel. In case site C, the NMP manager made continuous reference to the inability of the retail marketing managers to consolidate individual site opportunities into regional plans because of their lack of understanding of basic marketing tools and techniques.

Theme 7: "SMP workflow and task structure"

This theme emerged to describe the structure of the workflow and tasks associated with SMP as they relate to organisational values. Two categories were generated from the case data to reflect this theme:

- centralisation, the extent to which the organisation values SMP activities and decisions being in the hands of relatively few persons (category 13);
- formalisation, the emphasis the organisation places on following specific rules and procedures in carrying out SMP formulation including documentation of planning activities and adherence to job descriptions (category 14).

All four case sites valued formalisation in planning, and required decision makers to formally document planning activities and adhere to job/task descriptors. In case site A for example, each RRM manager was required to submit a formal financial proposal detailing desired funding and planning volume objectives because the organisation "valued" a formal approach to business. Case site D valued a country specific approach to SMP reflecting recognised differences in country legislation, taxation policies, customer segmentation and so on. However, in both of these case sites, formalisation appeared to be associated with dysfunctional problems such as making individuals impatient, too much documentation, and perceptions that the SMP format was too rigid and inflexible.

In all four cases, the extent of dispersion of SMP decisions also appeared to affect how SMP was undertaken. For example, in case sites A, B and D, centralisation appeared to create a lack of mutual understanding among planners and operations/line managers and as a consequence, planning problems emerged. Perceptions of case site B respondents indicated that the Australian division viewed the New Zealand Organisation as performing an implementation role only. One RPC manager explained: "All New Zealand SMP development is undertaken by the Australian division". In case site C, respondents described a shift to decentralise the SMP process so that lower levels within the organisational hierarchy, i.e. those responsible for implementation, were brought into the SMP process. Retail regional managers were empowered to make decisions for their regions and be accountable for such decisions. A previously centralised planning approach made it very difficult for those organisational members close-to-the-customer to report on what was happening in the marketplace.

An inductive model of SMP

Our further analysis and synthesis of the findings contributed to the development of an inductive descriptive model of SMP drawing on and bringing together the views and perceptions of those actors involved in the SMP process, themes that emerged from this study, and factors identified in previous research. Indeed, many of the categories and themes emerging from the data are consistent with extant conceptual and empirical contributions to SMP research (e.g. Leppard and McDonald, 1987; Bonoma and Crittenden, 1988; McDonald, 1989a; Piercy and Morgan, 1990, 1994; Saker and Speed, 1992; Speed, 1993, 1994; Dunn *et al.*, 1994; Greenley and Bayus, 1994; Greenley and

Oktemgil, 1996; Harris, 1996; Cespedes and Piercy, 1996; McDonald, 1996; Hill *et al*., 1998). Figure 1 graphically depicts this inductive model of SMP.

The recognition and conceptualisation of SMP as a complex activity is facilitated using the metaphorical analogy of an "iceberg". The metaphor endorses a multi-dimensional approach to SMP, and illustrates the seven themes generated from the case data, not necessarily as steps in a process but as a set of interpretive filters (Espejo and Harnden, 1989) providing the multiple perspectives allowing us to develop insights of culture described by Schein (1992) as having different layers of visibility and interpretability (Homburg and Pflesser, 2000).

The most visible layer of the iceberg model, artifacts, focuses on and represents the constructed physical and social environment of SMP activity. This environment characterises those tangible aspects of the SMP process shared by actors responsible for SMP development and implementation. In other words, it represents those tangible aspects that an individual hears, sees and feels when undertaking marketing planning activities, manifest as written and spoken language, and also the overt behaviour of individual decision makers (Trice and Beyer, 1993). These verbal, behavioural and physical artifacts are the surface manifestations of SMP and are subsumed in the themes "SMP systems and procedures" and "SMP comprehension".

A second and less visible layer of the model is labelled framed perspectives. The frame and its associated perspectives can "shape" and "distort" the perceptions and judgements that lead to the tangible and visible output of SMP activity, in as much as they encompass the socially shared rules, norms and

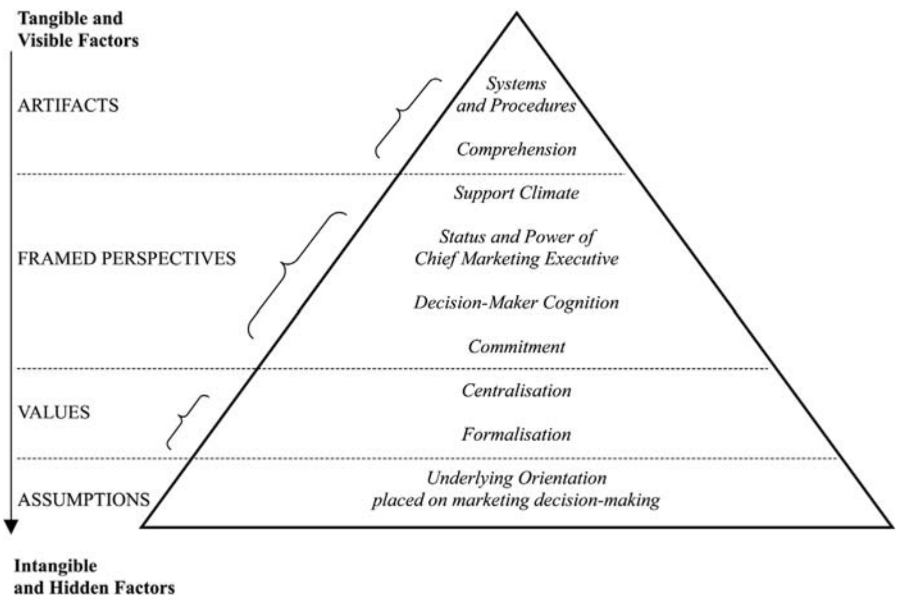

Figure 1. An inductive model of SMP

values applicable in a given situation. The frame and its perspectives impact upon the way a group perceives and interprets situations. Four themes that provide a cognitive structure for examining the framed perspectives are identified as residing at this layer. These are "SMP support climate", "commitment to the SMP process", "decision-maker cognition", and "power and status of the CME". We suggest that support for SMP, that is perceptions of widespread active participation in, and resourcing of the process, personal "commitment to the SMP process", perceptions of effective "decision-maker cognition", and perceptions of the "status and power" of the CME may not only reflect but also reinforce the attitudes and behaviour of those involved in the planning process, impacting on how shared values develop and permeate the organisation.

The third layer illustrated in our inductive model encompasses what the organisation formally values as being important in the SMP process. How a marketing decision maker approaches problems and opportunities can depend on extrinsic rewards linked to some formal evaluation process. Many values are openly and explicitly articulated, some because they serve the function of guiding organisational members in how to deal with certain key situations. For example, if an organisation explicitly states in its documentation that it strongly values people, it may be doing so because it wants to encourage actors to reflect that value. In this sense, understanding values and the values system in terms of what underpins perspectives and how values contribute to the cognitive structure of the framed perspectives is key. Two categories emerged from the case data to illustrate the twinned notions of the "SMP workflow and task structure" theme: centralisation and formalisation. Centralisation characterises the extent to which the organisation values the SMP process as being in the hands of relatively few people considered to hold a comprehensive view of the organisation's needs; formalisation characterises the extent to which an organisation places emphasis on following specific rules, and procedures and guidelines, for example, requiring marketing decision makers to document planning activities and adhere to job descriptions.

If we are to understand how the overt and visible artifacts, framed perspectives and values relate to the SMP process, then we must also acknowledge and understand the tacit beliefs and assumptions (unconscious or unarticulated beliefs) underpinning them within the organisation. Such assumptions represent the fourth and most hidden layer in the inductive model, and depict the implicit beliefs and assumptions that actually guide behaviour, that impact values and also impact how actors perceive, think and feel about things (Argyris and Schon, 1974). At this layer, assumptions are paradigmatic in nature, grounded in the underlying philosophy or orientation that reflects the organisation's *raison d'etre*, the nature of its business. Such orientation reflects the role of marketing within the organisation, specifically the extent to which recognition is given to the marketing concept and how it is operationalised through marketing models and frameworks. If marketing planning is perceived throughout the organisation in a positive light, then it is likely, for example, that market and customer orientation are dominant in the corporate culture, and that marketing per se has high credibility (Deshpande, 1983; Kotler and Heskett, 1992; Greenley and Foxall, 1996). While it is generally accepted that the marketing process can be a major conduit helping the organisation understand, shape and respond to its environment, a marketing manager's activities may become so attenuated by a profit orientation otherwise suffused through the organisation or imposed by off-shore/top management; or become so limited by short-term horizons, that the development of marketing strategy becomes sales or budget, rather than customer-orientated (Piercy, 1985).

Figure 2 illustrates how the different layers may be interrelated using the findings from case site B. In this organisation, formal systems and procedures exist to guide SMP activity (in the form of a PMTS), but these systems and procedures largely focus on monitoring and "controlling" tactical marketing performance. There is however, no control of the SMP process within the New Zealand system (SMP artifacts). In addressing the issue of what deeper patterns these SMP artifacts reflect, we suggest that a number of factors may "shape" SMP artifacts in so much as the artifacts themselves can be manifestations of how individuals define and interpret situations they confront. In the case B organisation, both RPC managers perceived themselves to have limited power because of the Australocentric nature of the organisation's management of the SMP process , which was conducted offshore in the organisation's divisional office. Although senior managers were in a position to

Layers	Case Site B	Visible
Artifacts *(visible manifestations)*	Monitoring and control of tactical rather than strategic marketing performance. Absence of local NZ control of SMP activity. Strategic decisions centralised, and controlled offshore. Short-term focus & short-term planning horizon/cycle; sales and profit orientation.	Systems and procedures SMP Comprehension
Perspectives and Perceptions	RT managers perceive exclusion from decision-making. Perceptions of poor leadership to direct and support SMP activity. Perceived limited power because SMP activity conducted offshore. Low participation in, and commitment to the SMP process.	SMP Support Climate Decision Maker Cognition Power and Status of CME Commitment to the SMP Process
Values	Australocentric paternalism, expressed as Australocentric centralisation of strategic decision-making and formal controls on NZ operations.	Centralisation Formalisation
Assumptions - philosophical orientation	$$$ orientated approach to business. Market and customer issues not dominant in the organisation's culture.	
		Invisible

Figure 2.
A managerially-derived framework for examining the SMP process

scrutinise the company's Australasian expectations and directions for New Zealand, middle managers (the RT managers) involved in SMP activity were excluded from key decision making. As a consequence, SMP was not diffused, valued or supported freely in the organisation. Negative perceptions of the RPC managers by RT managers appeared to result in low motivation and consequently lower commitment to and participation in the SMP process. These managers also voiced concerns about the existence of leadership to direct and support SMP activity, and strongly believed that the RPC managers were too far removed from the "coal face" to be effective.

Schein (1992) similarly contends that understanding the meaning of artifacts and the deeper patterns they may reflect, requires an understanding of the core values that underpin the day-to-day operating principles by which individuals guide their behaviour. This can be interpreted in Beer's (1985) terms as the consequence of an effective meta-systemic (S5) function of promulgating shared values, obviating the need for formal (S3) controls or detailed (S2) coordination facilities to instruct or guide (S1) operational behaviour. In case site B, for example, centralisation was highly valued by the divisional office in Australia but appeared to create a lack of mutual understanding of S5 values among planners and of S3 operational planning guidelines in New Zealand which, as an aside, impacted adversely on mutual credibility.

As stated earlier, our assumptions "construct" can be considered as grounded in the underlying philosophy or orientation placed on marketing, specifically, the extent to which recognition is given to the marketing concept and how it is operationalised by using marketing frameworks and concepts. From the findings reported above, we can infer that market and customer issues are not dominant in the case B organisation's corporate culture. Senior planners located offshore impose sales volume and profit targets on RPC managers in New Zealand creating a sales-orientated approach to the planning of marketing strategy. Such senior planners (RPC managers) in New Zealand have voiced concerns about their lack of success in convincing other internal coalitions that understanding and satisfying customer needs through SMP activity is a critical contingency in the organisation's search for and securing of necessary scarce resources from its environment. In the case B organisation, the marketing subunit has not been able to wield as much influence as other more dominant coalitions, perhaps a consequence of a somewhat lower level of marketing orientation towards the organisation's external marketing environment.

In general terms, our descriptive framework (shown schematically as Figure 1) postulates a chain of relationships that link assumptions, values, framed perspectives and artifacts. The framework emphasises layers of a SMP process that can be interpreted as hierarchical, and as embedded in culture, each layer being derived from and a manifestation of lower layers in the hierarchy. We propose that the tacit beliefs and assumptions underpinning an organisation that guide SMP behaviour may impact on the values, framed perspectives and overt artifacts that characterise a SMP process. Specifically, we suggest the following propositions for future empirical investigation: that the tacit and paradigmatic beliefs and assumptions underpinning an organisation's orientation to marketing are manifest as shared values suffused throughout the SMP process; and that such shared values impact on the development of frames and perspectives which "shape" and "distort" the perceptions and judgements that lead to the tangible and visible output of SMP activity.

Managerial implications

The inductive model of SMP synthesised from the research findings and contiguous fields of inquiry suggests that SMP activity embodies a set of framed perspectives, values and assumptions that are integral to the whole process. It is relatively straightforward to observe artifacts, for example, the existence of SMP systems and procedures and SMP comprehension. However, understanding the origins and meaning of these artifacts, how they interrelate and what deeper patterns they reflect is more problematic. Schein (1992) contends that achieving this level of understanding requires an analysis of the central values embedded in the day-to-day operating principles by which actors guide their behaviour. Assumptions may be harder to locate and identify, but if we examine carefully an organisation's artifacts and values, it may be possible to infer the underlying assumptions or worldview that tie things together. If marketing practitioners can understand the nature of these factors then they can begin to appreciate how these factors can collectively distort, attenuate or amplify the effectiveness of the SMP process in their organisation. Specifically, our descriptive framework suggests that a marketing decision maker should seek to understand the relationship between the visible artifacts, accompanying perspectives and values that have their origin in, or are rooted in the organisation's tacit assumptions. Extending practitioners' understanding of the nature of these inter-related factors may lead to better insights of how a SMP process can be managed more effectively.

The impact of these inter-related factors on the operation of the marketing planning process is not accounted for in this study. We suggest there is a need to explore the relationships between these different layers of SMP process, and resulting plan effectiveness. Harnessing knowledge of multiple criteria measures of effectiveness of planning systems resident in the strategic management literature may be a useful starting point in further study of SMP processes. If our goal is to better understand the utilisation of strategic marketing plans, and ultimately the quality of these plans in terms of their contribution to marketing and business performance, then we may need to adopt a broader and more holistic model of the SMP process.

Limitations and directions for future research

The case site investigations presented in this paper were carried out in response to, and with a purpose of bridging a perceived gap in the SMP literature – namely, the lack of empirical research pertaining to managerial perceptions of SMP. In linking to, and drawing on theoretical work in the area of organisational culture, we have suggested a framework to conceptualise the SMP process that provides a more detailed understanding of those underlying processes through which marketing strategy is formulated and implemented. Our descriptive model depicts several "layers" of factors or themes, which effectively characterise the SMP process in the four large organisations who undertake formalised SMP activity. Our analysis also provides insights about the relationships among the different layers in the inductive model. In doing so, we complement the contribution made by Homburg and Pflesser (2000) and agree that future research should link marketing-oriented organisational culture to other organisational constructs in marketing research that are related to the intraorganisational role of the marketing function (Homburg and Pflesser, 2000, p. 458). SMP activity is one example of the intraorganisational roles of the marketing function.

The emergent themes helping to describe perceptions of SMP generated from the case study findings are consistent with theoretical and empirical research cited in the wider management literature. As such, these conceptualisations provide support for a broader consideration of the domain of SMP. Given the complex nature of marketing planning, we suggest that the process is best described through the use of multiple frameworks which in combination may generate insights about, inform or explain a wider variety of the situations than would a framework or model based on a single theory (Gioia and Pitre, 1990). As a parallel, harnessing insights from this exploratory research with findings from the contiguous fields of inquiry helps to build theory, which has the potential to provide a more comprehensive view and understanding of formalised SMP activity.

Building an understanding of the nature and relationship of these factors is a precursor to how practitioners may begin to ascertain how SMP might be managed more effectively. Our model, redolent of an iceberg in many ways in terms of its visible and hidden features, suggests that SMP research must continue to use a multi-perspective approach to examine multiple dimensions of the process of SMP to gain a full appreciation and an appropriate understanding of SMP. The iceberg provides a suitable descriptive schematic metaphorical representation to aid understanding of SMP, and its face validity is tied to the extent that marketers build understanding through its use as an interpretive filter (Espejo and Harnden, 1989).

As yet, we refrain from positing relationships between factors at different layers in the model although our study does draw attention to possible inferences regarding any linkages between the different layers. However, we are still at an early stage in the grounded theory-based inductive research process. Our schematic framework or model is essentially systemic in nature drawing attention to the need for a holistic view of the SMP process. The case study method used in this study has limitations recognised by several of its proponents. As with any qualitative study, risk may be associated with recall bias and selective reporting (Bazerman, 1998), and the nature of data may lead to findings with limited validity, reliability or generalisability. However, authors such as Yin (1989, 1993), Eisenhardt (1991) and Gummesson (1991) have long advocated theory building grounded in case study research. Here, in order to enhance the reliability and generalisability of the findings specific to a single industry setting, four different organisations (with global parents) were selected and researched. Additionally, data validity was assessed by confirming the veracity and accuracy of the information and findings with interview subjects.

We can make no claims about the comprehensiveness of the model. For example, it is problematic to determine whether a participant's retrospective account of the most recent SMP process actually represents the process or is more reflective of the frames and "scripts" the manager has developed about the SMP process. It is conceivable too, that other concepts from other domains may be useful in characterising SMP. Therefore, whilst, on the one hand, we offer a reminder that the emergent categories should be regarded as indicative of the "collective scripts" of SMP actors, we also suggest that the SMP iceberg model can be usefully regarded as a developing meta-framework for examining SMP.

The use of retrospective accounts and perceptions of SMP actors and decision makers can also present limitations. Although the use of recall and retrospective accounting was inevitable in some sense, it was nevertheless appropriate given the desire to explore the thoughts and thinking of decision makers charged with SMP development and implementation. Such measures of perception are potentially subject to various forms of response bias, for example, the confirmation bias reported by Bazerman (1998) and others. Another related limitation pertains to the timing of the research interviews with respect to the case organisations' planning cycle. Some interviews were undertaken during, and others immediately after an organisation's planning cycle, with recency and vividness thus having a potential impact on the nature and accuracy of recall.

A final matter to be addressed in this paper relates to implications for future SMP research in general, and of using a case-based approach to the development of grounded theory, in particular. It is considered that ongoing research should reflect the value of the expanded and multiple perspectives offered by the grounded theory/inductive model demonstrated in this paper. Indeed, further specification and elaboration of the model may be valuable, and ongoing study should include empirical work further examining the nature of relationships between the different layers as suggested by our inductive model, the variables at different layers within this model, and the effectiveness of the SMP process. The model, grounded in marketing decision-maker experiences, and yet aligned with existing theory, contributes to knowledge about the SMP process by supporting previous theory and research on SMP, and also by providing a broader and perhaps deeper understanding of SMP using the perceptions of those individuals actively involved in the process. Given the integral role of planning in marketing oriented organisations, we suggest that this study represents an important step in the development of a grounded theory-based approach to the study of the SMP process. Our research findings may provide a useful starting point. Future research should also target identification of other relevant variables needed to increase our understanding and ability to manage the SMP process within organisations.

Conclusion

We suggest that SMP is likely to be shrouded in obfuscation unless careful attention is given to identifying and understanding the many factors characterising the SMP process. Research has generally focused on explanations of organisational marketing planning, that is, actual planning procedures. One purpose of this research has been to seek an understanding of beliefs about, and attitudes towards SMP of those individuals involved in SMP development and implementation, and in so doing, to develop a broader cultural perspective of the SMP process. In addition, by examining decision-maker perceptions of SMP, we seek to continue the innovative work of Piercy and Morgan (1994) and Greenley and Oktemgil (1996) who seek to extend the domain of marketing planning by examining contiguous fields of enquiry outside marketing. As such, and acknowledging parallels with work in the domain of organisational culture, we have suggested a grounded model of SMP that draws strongly on the notion that SMP processes can be conceptualised as emerging and existing at multiple levels within an organisation. Such a grounded framework not only surfaces layers of SMP processes embedded in organisational culture, as described by Schein (1992), but it also facilitates the recognition of relationships between these different layers, and reinforces the notion that the development and implementation of strategic marketing plans can be viewed as existing at multiple levels, too.

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Appendix. The four case sites

Case site A

NZ$900 million (turnover), 460 employees.

SMP participants:

- Senior national planning associate (SNP Associate) – responsible for writing the strategic outlook report (SOR) to guide all marketing activities for the organisation's retail division.
- Three regional retail marketing (RRM) managers – responsible for developing and implementing respective regional plans in line with the SOR document.
- Eight marketing representatives – responsible for supporting 15 to 30 retail outlets within their respective geographic territories.

Case site B

NZ$1,000 million (turnover), 1,700 employees.

SMP participants:

- Two regional planning and control (RPC) managers – responsible for producing the retail contribution to the organisation's country strategic marketing plan.
- Four regional and territory (RT) managers – responsible for regional plan development and implementation.

Case site C
NZ$665 million (turnover), 360 employees.

SMP participants:

- National marketing planning (NMP) manager – responsible for coordinating and implementing the national strategic marketing plan.
- Three regional marketing (RM) managers – responsible for developing and implementing respective regional plans.

Case site D
NZ$1,079 million, 524 employees.

SMP participants:

- National retail marketing (NRM) manager – responsible for developing retail strategic direction for the country business plan.
- The corporate planning (CP) manager of management services – responsible for examining, challenging and facilitating the planning activities of all managers involved in the SMP process.
- Four regional retail sales (RRS) managers – responsible for regional plan development and implementation.

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The alternative classification scheme in the Asian context

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Abstract *This paper essentially shows how a recently-developed model called the alternative classification scheme (ACS) may be used in the context of the newly-industrializing economies (NIEs) of the Asia-Pacific region, possibly the most rapidly-rising players in the world economy. After nearly a decade of research into Asian economic development strategies, the authors consider future development alternatives. Using the ACS, the authors broadly categorize the range of available strategic alternatives that will drive the NIEs' development strategies, and discuss the results of such application.*

Introduction

It would be a cliché to say that there cannot be an effective marketing manager without an effective marketing strategy. But marketing strategy falls under the umbrella of strategic business planning, and all business strategies must contain a strategy for marketing. Thus, the overall business strategy drives the marketing plan, the devising and implementing of which is the key function of a marketing manager. The tools of strategic planning, such as the BCG portfolio model, the Porter five-forces model, life-cycle models, and the GE portfolio model, have been commonly used in developing marketing strategies. Now, Nataraajan *et al*. (2000) have introduced a new tool, the alternative classification scheme (ACS), to aid strategic planning. Recognizing that classification is a prerequisite for instilling order into unstructured problem solving, the ACS provides a theoretically-based categorization system for orderly structuring of strategic alternatives. Once the alternatives are classified, they become considerably easier to evaluate, which in turn, greatly facilitates the selection of reasonable alternatives. Needless to say, it is the selection of reasonable options that improves the likelihood of strategic success.

In this article, we will use the ACS to classify the strategic alternatives that make up the global market entry strategies adopted by the newly industrialized economies (NIEs) of the Asia-Pacific region (Boulton, 1997). South Korea (Republic of Korea), Taiwan, Singapore, Malaysia and Hong Kong were known as the Pacific Tigers in recognition of their rising economic importance. However, China – with the annexation of Hong Kong in 1997 – has emerged as the dominant player in the Asia-Pacific region, attracting nearly 80 percent of Asia's foreign direct investment. We hasten to add that, while Hong Kong is politically an integral part of China, the former is nevertheless treated as a

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separate country for all practical purposes by the latter. In other words, the former Hong Kong is now, Hong Kong-SAR (separately administrated region), and continues to operate as a separate country. As a matter of fact, China expects Hong Kong to continue to compete with the rest of the Pacific Tigers. Thus, in actuality, China, Hong Kong, Republic of Korea, Singapore, Taiwan, and Malaysia constitute the Asia-Pacific NIEs, hereafter referred to simply as the NIEs in this article.

It is important to realize that strategic alternatives impose boundaries on the marketing alternatives available to decision makers. As strategy-makers, the NIE officials will benefit from the resulting clarity in assessing, discarding, honing, or fine-tuning their own strategic alternatives as they endeavor to modify their economic development strategies in the global economy. In the same vein, the NIEs can conduct their own assessments and classification of strategic alternatives and fit their capabilities and stage of development. Strategy watchers and analysts in the global arena can also benefit in assessing the reasonableness of strategy selections made by the NIEs. In particular, Australia has much to gain from such analysis as the aggressive NIEs of Southeast Asia decide on their economic development strategies.

To reiterate, a systematic assessment of alternatives enables both participants and observers to see the lacunae, the imperfections, and the general mismatch of objectives and resources in the strategy formulation process. Therefore, the ACS provides a powerful analytic tool for all competing entities to use and benefit from, and encourages egalitarian thinking consistent with Bagozzi and Nataraajan's (2000) argument that marketing should aim to bring about global happiness.

NIEs' recent strategic history

Asia's successful development strategies have imposed far-reaching consequences for economic changes in the Asia-Pacific region (Boulton and Kelly, 1999). In 1990, Michael Porter (1990, p. 546) described the four stages of national competitive development as being factor-driven, investment-driven, innovation-driven, or wealth-driven. After observing the variety of market strategies targeted by the NIEs during the 1990s, we found more specific strategies being used for gaining competitive advantage in economic development.

Most significantly, China developed world-class industrial parks to attract foreign direct investment. In addition, labor rates for factory workers averaged less than $100 per month for 12 hours per day, six days per week. As a result, China attracted more than two-thirds of all manufacturing-related investments in developing nations in the late 1990s, reaching 80 percent of foreign direct investment in Asia (Boulton, 2000).

It is to be noted that Hong Kong provided access to China's low-cost labor markets after China opened its doors in 1978. Hong Kong provided high quality engineering and marketing support and infrastructure to support China's economic development zone in Shenzhen, just across the border from Hong Kong. Today, with the maturity of Shenzhen and the rapid establishment of industrial parks across China, Hong Kong is in search of a new strategy (Boulton, 1997).

Furthermore, Singapore competed with Hong Kong to attract regional headquarters and technical centers of multinational companies. To support these firms in staying cost competitive, Singapore established high-technology industrial parks in Vietnam (near Ho Chi Minh City), Suzhou (near Shanghai), and India (in Bangalore). The Chinese government sent more than 200 trainees to Singapore to learn how to manage the China-Singapore Suzhou Industrial Park. Today, both Hong Kong and Singapore face increased competition from the rapid development of Shanghai as the new business center of Asia (Boulton, 1997).

It is also to be noted that the NIEs have targeted specific industries and technologies for development. For instance, Taiwan's 1992 strategic plan targeted the following ten high-technology, emerging industries:

(1) communications;

(2) information;

(3) consumer electronics;

(4) semiconductors;

(5) precision machinery and automation;

(6) aerospace;

(7) advanced materials;

(8) specialty chemicals and pharmaceuticals;

(9) medical and health care; and

(10) pollution control and treatment.

To carry out its strategic plan, Taiwan's critical components strategy was devised to target development of 48 critical components and 24 critical products needed to attain global leadership in these emerging industries. Semiconductors and display technologies are just two of the areas in which the Taiwanese government provides R&D, prototyping, and ramp-up incentives and support.

It would be relevant to mention that Singapore's 1991 strategic plan identified similar industries for development, covering a full range of technologies needed to build a "cluster" of related businesses. For example, Singapore's Aztech Technology controlled nearly 90 percent of the world's sound card market by the mid-1990s (Boulton, 1997).

Clearly, the NIEs have worked hard to build conducive business environments to attract leading edge information technologies. The

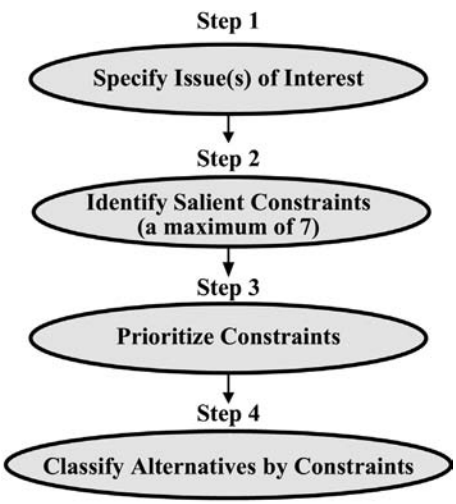
Malaysian government established a new multimedia university in its "multimedia corridor", called Cyberjaya, as it continues to build a paperless environment. Malaysia's Cyberjaya uses multipurpose integrated-chip cards for passports, identity cards, credit cards and electronic money, and driver's licenses. Companies that transfer technology into Cyberjaya can obtain a 10-year tax holiday (Boulton, 1997).

China has established "golden projects" to upgrade its telecommunications and electronics industries. It is building a network to provide voice, document, and graphics communications between 500 cities and 12,000 large corporations. Following Singapore, China is building a paperless system for trade and statistics. Golden "smart" cards have been issued to 150 million people to replace cash transactions. The government plans to use these cards for medical records as well (Boulton, 2000).

As mentioned earlier, this article will broadly categorize the range of strategic alternatives needed as the NIEs continue to strive for global market entry. While many of these alternatives may have already been adopted by the NIEs, this ACS application can help rationalize the strategies in play. Prior to such classification, we will provide a brief description of the ACS. For a detailed description of the ACS, please refer to Nataraajan *et al.* (2000).

The ACS

As seen in Figure 1, the ACS consists of four steps. In the first step, the issue(s) of interest are identified. In the second step, the salient constraints that will limit the feasible range of alternatives are identified. On the basis of "chunking theory" (e.g. Bettman, 1979; Miller, 1956), the number of constraints should be



Source: Nataraajan *et al.* (2000)

Figure 1.
ACS

limited to a maximum of seven. It may be noted that the process of determining the salient constraints for alternatives reveals the underlying assumptions upon which alternatives are generated. Further, neither trivial nor redundant constraints are allowed.

In the third step, these constraints that will be used to categorize alternatives are ranked from the "most relaxable" to the "least relaxable" for the context under consideration. In the fourth and final step, the alternatives are classified according to the priority in constraints as determined in the preceding step. Specifically, the constraints are relaxed, one by one, and the resulting alternatives under each view are categorized. Note that if there are n constraints, then n+1 views are possible, as the first view will contain all the constraints. In other words, n+1 classes of alternatives will be available. The reason as to why sequential and not a combinatorial type of relaxation is permitted is because the latter would result in too many views which would defeat parsimony and therefore clarity, which in turn, would enhance chaos in thinking. Having furnished a brief description of the ACS, we now turn to the task of applying it to the NIEs in the context of global market entry.

Applying the ACS to the NIEs

As per Figure 1, this application is elucidated in four steps. In each of the first three steps, we begin by stating its purpose (what is going to be accomplished), then discuss relevant details, and articulate its essence. In the fourth and final step, we describe the classes of alternatives that emerge as we relax the salient constraints following the hierarchy determined in step 3.

Step 1: specify the "critical" issue(s) of interest

In determining the critical issues for economic development, Boulton and Kelly (1999) found three distinct phases that require different forms of strategy. Excluding Porter's wealth-driven stage of development, these three phases are similar to those of Porter's (1990) factors, investment and innovation factors:

(1) Less developed countries basically provide low-cost labor (Porter's factor stage) to companies that produce labor-intensive products or services. The sophistication of products made depends heavily on education and training systems that provide the skill levels needed to attract and maintain their targeted industry base. Without advancement in skills and capabilities of a country, companies will simply move on to the next source of cheap labor.

(2) Beyond cheap labor, developing countries must provide competitive infrastructures (Porter's investment phase) plus incentives to encourage world-class competitors to transfer technologies and more sophisticated operations into the country. Few less developed countries can develop their own leading-edge technologies (Porter's innovation phase) in the short term. Countries like Japan, South Korea, and Taiwan have spent

decades developing technological leadership, and are now moving operations into countries like China. Countries like Singapore and Malaysia have relied heavily on attracting multinational firms to jump-start targeted industries as they prepare local firms to enter the global arena (Boulton, 1997).

(3) To build and sustain technological leadership (Porter's innovation phase), local companies must participate in the global marketplace. The cost of sustained R&D against global competition forces firms to generate economies of scale and low-cost delivery. Component technologies, such as computer components and software, rely on high global market share and continuous updates. Final product configurations must be customized to meet local demands, often through local assembly operations, as we see with Dell in the computer industry. In fact, without global market exposure, it is unlikely that local firms will be able to develop sustainable product leadership.

In this article, we are interested in the strategic alternatives available as NIEs continue their entry into the global market arena. For sustained economic development, the local firms' ability to successfully enter the world market, or defend against global competitive leaders, appears essential. Without such competitive strengths, the issue of global market entry becomes moot. In short, priorities that support global market entry alternatives require that a country evolve from the lower phases of economic development, which then requires that we address those critical phases of development.

Step 2: identify the salient constraints to the critical issue(s) of interest

For phase one development, the availability of low cost labor versus skilled labor dictates the nature of alternatives available to devising market strategies for development. For example, critical requirements for early development include:

- basic workforce education with skills and knowledge required to attract foreign firms;
- infrastructures capable of supporting the operations of global leaders as well as the development of local firms;
- competitive incentives that attract hi-tech companies to locate within a country; and
- local skills and market access that allow for local firms to compete with world product standards.

The NIEs have developed aggressive strategies to upgrade technologies and sustain market growth. However, increased competition has forced them to now address a significant set of new constraints to sustain that growth:

- overcapacity and price competition now exists in industries like automobiles, semiconductors, consumer electronics, and chemical processing;
- the World Trade Organization (WTO) requires that local markets be open to global competitors, leaving many local firms ill-prepared to compete with global leaders;
- shortages of local capital limit the construction of world class infrastructures, or funding for small entrepreneurial firms;
- rising labor costs and sparsity of skills force changes in local education; and
- government corruption and ineptitude misdirect resources and provide disincentives to foreign investors.

Limited resources and capabilities constantly force developing countries to consider what policies and market strategies will support future economic development. Continued development raises the question of which industries provide future growth potential, in contrast to providing cheap labor for labor intensive industries that often have limited long term growth opportunities. In Singapore, for example, land and population constraints limit the choice of market alternatives and capability development. So Singapore has chosen to focus on research and development activities. In contrast, China offers an unlimited supply of cheap labor and inexpensive land options. Other limiting factors for development include available capital, business environment, skill base and technological capabilities. Such constraints have varying degrees of importance for sustained economic development. In any case, four constraints appear salient in the foregoing, and they are:

(1) infrastructure adequacy;
(2) capital availability;
(3) skills availability; and
(4) market growth sustenance.

Step 3: prioritize the salient constraints unearthed in step 2

For countries that have been successful in their earliest development phase, rising labor costs become a constraint for sustained development. At intermediate stages, continued development is dependent upon the availability of higher levels of skilled labor that can support higher value creating industries. To attract future foreign direct investment, a country's business environment must become competitive, with an infrastructure that will attract new or higher levels of investment. As noted earlier, Singapore and China have aggressively developed world-class industrial parks to support targeted industries. In an attempt to further improve its general business environment, China has made the eradication of "corruption" a leading priority, since corruption impacts the country's ability to attract the massive amounts of capital needed to develop Western China. Preparing for WTO has generated policy initiatives aimed at converting state-owned enterprises (SOE) into competitive firms. For example, SOEs are becoming publicly-traded firms that are now operating independently of the Chinese government in developing strategies to build a highly skilled work force and products with world-class quality (Wang, 2001).

In setting priorities to address the salient constraints for sustained development, "sustaining market growth" is certainly important, but may be of little concern to countries that are only beginning their development. In other words, at the entry stage, it is unlikely that sustainability will be seen as an impediment to development alternatives. Accordingly, this constraint may be considered the "most relaxable" of the four constraints unearthed in step 2. To simply offer low cost labor in attracting investment may be a short-term strategy, but it is better than no investment at all.

On the other hand, "skills availability" determines the types of firms that can be attracted for investment. Without proper skills, countries can neither attract firms, nor develop local firms capable of entering the global arena. Consequently, "skills availability" becomes the "least relaxable" constraint in determining development alternatives. Of the remaining two constraints, "capital availability" is more important, since it impacts also on the ability of a country to develop a competitive infrastructure.

In light of the above discussion, the four salient constraints described in step 2 appear to exhibit the following hierarchy in descending order ("most relaxable" to "least relaxable") of relaxability:

(1) market growth sustenance;
(2) infrastructure adequacy;
(3) capital availability; and
(4) skills availability.

This relativistic approach is open to discussion, but can easily be altered to deal with the specifics on any NIE with unique advantages or disadvantages. Nevertheless, for this paper, it appears as a reasonable hierarchy to follow.

Step 4: specify the five macro-classes of alternatives using sequential relaxation of the four salient constraints

Class 1: completely constrained alternatives. This class provides the most conservative view of economic development by taking into account all four of the salient constraints. It includes only alternatives where:

- the markets will sustain growth;
- the existing infrastructure is adequate;
- capital is available; and
- necessary skills are available and will be utilized.

This completely constrained class of alternatives is naturally the most restrictive and results in the smallest number and variety of likely development alternatives. Interestingly enough, this class of development alternatives would apply to those countries that are highly developed, like Singapore and Taiwan. They already have identified the advanced skills, capital, infrastructure, and target markets that will provide continued development. For example, third-generation wireless telecommunication technologies are being developed and implemented to provide the platform for next generation "mobile business" opportunities (Boulton, 2002).

Class 2. This class includes alternatives that remove the "market growth sustenance" constraint. By eliminating this constraint, development alternatives can include more mature markets in which local firms already have skills, capital investments, and a basic infrastructure needed to continue market penetration and development. This generates a wider range of alternatives to be considered from industries that must be upgraded and expanded to continued national development such as telecommunications, construction and energy.

Note that slow-growing, mature markets would not be considered among class 1 alternatives. However, class 2 alternatives are essential for China as it attempts to expand its development targets into western China. For example, China's latest five-year plan allocates nearly 60 percent of the state's resources to building the basic infrastructure needed to open up development in western China. This class of alternatives, therefore, has a significant impact on China's state-owned enterprises which have typically run industry-based monopolies, such as fixed-line telecommunications (Boulton, 2002).

Class 3. Here, the "infrastructure adequacy" constraint is removed. The relaxation of this constraint dramatically increases the number of available market alternatives. It provides a more opportunistic set of alternatives which might simply take advantage of specific skills that might be available at universities or in research institutes. Available market strategies would include most markets, but development activities would most likely face significant delays. For example, Russian mathematicians were quite successful in developing advanced algorithms for use in the development of software simulations and games but that does not automatically guarantee that operations could begin. This set of alternatives is more limited, since investors lack the broader infrastructure needed to support operations.

This set of alternatives underlies India's entrance into the programming industry. With little more than a computer and a modem, programmers can participate in the global marketplace. Developing countries that lack the basic utilities, like energy and water supplies needed to meet industry requirements, force firms to build their own generators and water purification systems before they can begin operations. Such added expenses often reduce any cost advantage obtained from cheap labor.

Class 4. These alternatives remove the "capital availability" constraint. Without concerns for capital, infrastructure, or growth, the range of alternatives again increases dramatically. This set of alternatives provides much more of a "blue sky" set of alternatives that may take much more time to implement. While the nation might have labor skills for a reasonable cost, the search for capital or foreign investors could provide a major challenge. China has been successful in recent years in selling stock from state-owned enterprises into foreign capital markets. China Mobile was one of the early firms to go public, raising over $5 billion in new capital (Boulton, 2002). Across Asia, Chinese families have provided much of the capital for industrial developments when capital markets were not available.

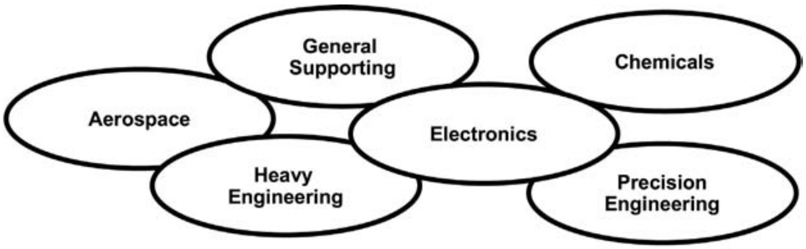
*Class 5: completely unconstrained alternatives.*These alternatives get rid of the final "skills availability" constraint. If a country no longer has the required skills for development, then virtually any industry could be targeted. The assumption is that skills can be acquired or developed for any industry. This has been partially true with software programming, where India, the Phillipines, and China have targeted the industry and are now rapidly developing the skills needed for today's information age. Since there is a global shortage of such skills, even developing countries may start from a relatively level playing field. In the area of skills development, however, China has some advantage by producing over 145,000 new engineers each year. This compares with only 4,500 new engineers for Taiwan (Boulton, 2002). However, this set of alternatives would actually require "turn key" operations to be transferred into a country. In the past, companies have transferred their old factories to developing countries and provided the training needed to operate them. NEC's 6-inch semiconductor factory in Beijing was such an example. Local assembly of automobiles across Asia is another example in which "knock down" kits are sent to a developing country like Indonesia for local assembly.

Discussion

As shown above, the ACS facilitated a systematic analysis of critical issues that impact economic development strategies. When applied to the issues affecting successful economic development itself, it allows us to prioritize the key assumptions that underlie alternative strategies. With classes of development alternatives, country policy makers can better understand the tradeoffs needed to develop their market strategies for growth, specify their infrastructure requirements, and determine the needs for capital and skills for continued economic development.

For newly industrialized economies to sustain long-term economic growth, government leaders are forced to accept higher risk, Class 4 alternatives that characterize newly emerging industries. Singapore's 1991 strategy to focus on specific industry clusters, shown in Figure 2, was an attempt to improve its likelihood of success. This followed Porter's findings that industry clusters lead to national industrial competitiveness (Porter, 1990, pp. 148-54). Selection of emerging industries, however, released virtually all constraints since these developing countries lacked the infrastructure, the capital, and the skills required to immediately enter such sectors.

Porter's research also emphasized the importance of government policies in supporting innovation to implement development strategies (Porter, 1990, pp. 617-82). Taiwan's government officials followed Porter's recommendations by working closely with industry to develop a list of critical components and products, shown in Figure 3, that needed government support for research and



Source: Boulton (1997)

Figure 2. Singapore's strategic clusters

Critical Products

- Improved/Enhanced Definition TV*
- Digital Audio Tape Recorder
- Projection TV*
- Electronic Still Camera*
- Multifunction Clinical Analyzer*
- Ultrasonic Diagnostic and Medical Equipment*
- Engineering Workstation*
- Multi-Processor System*
- High Resolution Page Printer*
- High Performance Scanner
- Optical Disk Drive*
- Micro Disk Drive*
- Digital Mobile Phone*
- Aircraft
- IC Memory
- Digital Storage Oscillator > 100MHz
- Wire Cutting Machines
- Robots
- NC Controlled Injection Molding
- High SpeedShuttlelessLoom
- Co-Generation Equipment
- Multimedia System*
- B-Carotene**
- Breathable Fabric & Product**

Critical Components

- Fuzzy IC*
- Converter*
- >25" CRT
- Si Wafer
- LCD Display*
- DAT Mechanism*
- DRAM >4M*
- SRAM >1M*
- DSP IC*
- RF IC*
- Thin Film Disk
- CCD*
- LED*
- High Resolution LaserEngineer*
- Lithium Battery*
- 5 1/2 bit A/D Converter
- 32 bit CPU*
- System Software & Tools
- Thermal Print Head
- ISDN Interface IC*
- Micromotor
- Thin film disk head
- Copper sheet for lead frame**
- Broadband Communications IC**
- Laser Diode Chip **
- Micro Fiber
- AsphericalMolded Lens*
- Anti-Vibration Rubber*
- High Pressure Rubber Hose
- Build-in Main Spindle*
- Jet Engine Compressor/Turbine Blade
- Aircraft Parts
- Etching Ai Foil*
- AF Zoom Lens*
- Watch Movement
- Automobile Transmission*
- Transmission/Brake for Bicycle*
- Electronic Control for Auto*
- 4-stroke engine for auto*
- 3-Cyanopyridine
- Si-Electrical Steel Sheet
- Linear Guide
- Automatic Coin Machine
- 4-strokeMotocycleengine
- 7-Aminocyphalosporamicacid
- p-HydroPhenyl Glycine
- CNC Controller*
- Scroll Refrigerant Compressor **

*ITRI planned or on-going development program **New Item (1995)

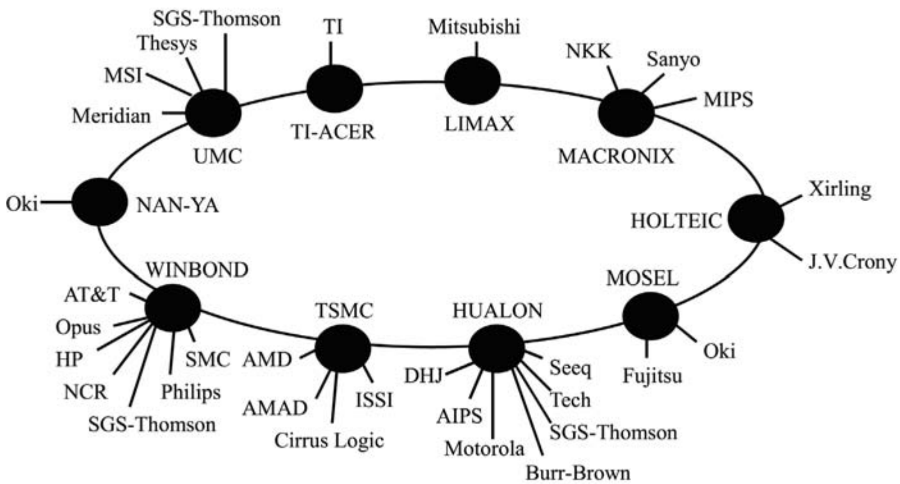
Source: Boulton (1997)

Figure 3. Critical components and products list

development (Boulton, 1997, p. 69). In those industries that lacked needed technologies, the government funded basic research through its national research laboratories. Once basic technologies or component capabilities were developed, Taiwan's government provided direct support to develop applications and prototypes using the results of their research. Once successful prototypes were developed, the government supported industry expansion by providing low-cost loans to aid companies in building facilities and ramping-up output to gain market entry and developing a global position in the market.

To speed the development of its semiconductor industry, Taiwan sought out world leaders to provide technology and partnerships. Within a matter of years, joint ventures were established with virtually every major semiconductor company in the world as shown in Figure 4 (Boulton, 1997, p.79). In just over a decade, Taiwanese semiconductor makers had a 12 percent share of the world's semiconductor market, with two leading firms holding 80 percent of the pure-play foundry market (Boulton, 2001).

China's late entry into Asia's economic development arena required more aggressive strategies. Government leaders traveled the globe to find the most successful economic development strategies. Hong Kong engineering firms helped foreign firms gain access to China's low cost labor and cheap land by establishing manufacturing operations in China. However, to attract foreign direct investment beyond Hong Kong, China had to develop an infrastructure that was acceptable to major global manufacturers. To speed this process, China adopted Singapore's strategy to establish industrial parks that targeted specific types of foreign investment. High-tech industrial zones attracted high-tech enterprises and encouraged the development of high-tech products and



Source: Boulton (1997)

Figure 4.
Taiwan's IC industry ventures

emerging industries. The Beijing "experimental zone for the development of new technology industries", China's first science and technology industrial park, was approved by the State Council in May, 1988. In August 1988, China's "torch program" was established to support the commercialization, industrialization and internationalization of China's high-tech achievements. By 1995, the central government had approved 52 high technology development zones (HTDZ), which integrate research institutions like universities, with start-up incubator facilities (Figure 5). These industrial parks offered maximum tax rates of 15 percent after providing additional incentives at start-up time: two years of 100 percent tax exemptions after profits began and three subsequent years of 50 percent tax exemptions. Firms that export at least 70 percent of their output will never pay more than a 10 percent tax rate. By 1997, China's industrial parks had generated revenues of $24 billion from technology, industry and trade with a gross profit of $3 billion, and completed nearly 2000 projects supported by the national "Torch Program". China's economic development strategies have sustained a growth rate of over seven percent per year in gross national product, with the special economic zones experiencing growth rates over 15 percent per year. The central government is committed to accelerating investment in western parts of the

Source: Ministry of Science and Technology

Figure 5.
China's high-tech industrial parks

country and easing the tensions arising from economic disparity. The Chinese government's current five-year plan includes an additional 20 new industrial zones for western regions to sustain and spread economic development. The government plans to shift capital-intensive industries into coastal areas and move labor-intensive industries west.

China, with its low cost labor and world-class industrial parks, has become the leading destination of capital in Asia. The 6sq.km Shanghai's Caohejing hi-tech development zone has 500 companies of which 150 are funded from overseas. Major multinationals, such as AT&T, GE, 3M, ICI, Philips, Toshiba, and Dupont, have subsidiaries in the zone. Hi-tech firms specialize in micro-electronics, bio-engineering, new materials, automation meters, aviation, and space technology. Firms in the zone are increasing the value added in their products through the application of advanced science and technology. China's success has left other Asian nations scrambling to generate new competitive strategies for the future.

China's rapid development and aggressive development strategies make it increasingly important for developed countries, such as Australia, Japan and the USA, to consider systematic planning for future growth. In this connection, the ACS may provide one tool to aid in establishing classes of alternatives to meet the long-term priorities for future growth.

As mentioned at the outset, Australia has faced the challenges of Asia's NIEs for decades. However, it is becoming imperative for the continent of Australia to continue to watch, learn and successfully cope with the risk-taking, forward looking economic development strategies of Asia's NIEs. In the process, the application of next generation networking capabilities may be critical to sustained growth, not only on the economic dimension but also on the social and cultural dimensions (Ellis and Pecotich, 2001a, b). Although Australia has been enjoying close ties with Singapore, the regional trade and travel hub, China may be the country to watch as it endeavors to emulate Lee Kuan Yew (LKY)'s vision of Singapore by trying to create an honest administration that believes in prudent use of debt and maintains a healthy respect for market forces. It is becoming increasingly clear that Hong Kong, contrary to commonly held expectations, has not turned into a microcosm of China but that the whole of China is trying to rapidly become like Hong Kong, with an LKY touch to boot! Therefore it is China and Hong Kong that Australia will have to deal with without losing sight of the PRC (China)-ROC (Taiwan) political strife. Perhaps, the ACS can be of use to Australian industries and companies in the vein that this article has exhibited.

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Marketing planning, market orientation and business performance

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Keywords *Company performance, Marketing planning, Market orientation, Marketing concept*

Abstract *This study examines the relationships between marketing planning, market orientation and business performance. We explore conceptually how linking the behaviours of marketing planning with the values of market orientation might be expected impact on business performance. Our findings suggest that high quality marketing planning can lead to performance benefits, but as antecedent to a market orientation, rather than as an independent activity.*

Introduction

Although managers have long been exhorted to become close to their customers and adopt the marketing concept, academic marketing has been able to offer relatively little guidance as to the practical steps that might be adopted to transform organisations. The development of measures of market-oriented behaviours and subsequent research in the 1990s has begun to rectify this problem, but researchers are still a long way from providing comprehensive, empirically grounded guidance to assist managers in developing a market orientation in their firms.

This research seeks to contribute to this process by examining the relationship between market orientation and marketing planning processes. Marketing planning is probably one of the most widely used and widely understood technologies in marketing. It is the principle mechanism firms possess for aligning their efforts with the expectations of their customers (McKee *et al.*, 1990), and so understanding the potential relationship between marketing planning and market orientation is of considerable research interest. We suggest that if the process of planning can be used to assist in developing market-oriented behaviours within an organisation it will provide a valuable tool with which managers are already familiar.

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In this paper we develop, and test using the results of a survey, a conceptual framework outlining the nature of the relationship between marketing planning and market orientation. We begin with a brief review of the literature on market orientation and on marketing planning, paying particular attention to their relationship with business performance.

Literature review

Market orientation perspectives

Research into market orientation has been a remarkably fertile area over the past decade. The research output has been substantial, and can be conceptually divided into two streams, depending on its analytical focus.

The first key research stream examines the market orientation-business performance (MO-BP) relationship. From the outset, research conducted in this area has generally supported the proposition that market-oriented organisations achieve better outcomes than do less market-oriented ones (Jaworski and Kohli, 1993; Narver and Slater, 1990; Kumar *et al.*, 1998). This has also been found in an Australian context (Dawes, 2000; Farrell, 2000; Pulendran *et al.*, 2000). A key aspect of this research is that it has examined the strength of this relationship in various environmental conditions (typically varying competitive intensity, technological turbulence and market turbulence) and found some moderating influences (Jaworski and Kohli, 1993; Slater and Narver, 1994; Dawes, 2000).

More recently researchers within this stream have begun to explore the boundary conditions of the MO-BP relationship. Researchers have sought to examine the relationship in economic environments substantially different from the original US-based research (e.g. Subramanian and Gopalakrishna, 2001; Grewal and Tansuhaj, 2001) and in business contexts substantially different from the original commercial setting (e.g. Voss and Voss, 2000). In addition, researchers have sought to examine the MO-BP relationship with more stringent research designs and scaling practices (e.g. Oczkowski and Farrell, 1998; Slater and Narver, 2000), and also to examine relative and interactive effects on the relationship of other firm characteristics that might be considered as performance enhancing, such as entrepreneurship (e.g. Hult and Ketchen, 2001). With the MO-BP relationship being so central to the standard pedagogy of marketing management, this research stream clearly has fundamental value for the discipline.

Whilst the MO-BP relationship has justifiably attracted much attention, a second stream of research has sought to better identify the characteristics that might distinguish market oriented firms from the norm. The initial Jaworski and Kohli (1993) study identified a number of organisational characteristics (top management emphasis, low interdepartmental conflict and high connectedness, and control systems that reward employees for customer-oriented behaviours) that may act as antecedents to a market orientation.

Subsequent studies have extended on this work by examining alternative characteristics that may differentiate firms with a high level of market orientation from the average firm. Research in this stream has examined the distinctiveness of market oriented firms in terms of their sales force management (Siguaw *et al.*, 1994; Langerak, 2001), new product development practices and innovation (Han *et al.*, 1998; Lukas and Ferrell, 2000), channel relationships (Siguaw *et al.*, 1998; Langerak, 2001), human resource management and internal customer orientation (Harris and Ogbonna, 2001; Conduit and Mavondo, 2001), learning orientation (Hurley and Hult, 1998; Farrell, 2000) and organisational culture (Homburg and Pflesser, 2000).

Research that helps understand these differentiating characteristics has the potential to assist top management seeking to initiate organisational change programs directed at building market orientation, and to help identify some of the potential trade-offs involved in building market orientation. This stream therefore has particular relevance for marketing management practice.

In this paper we seek to identify whether firms with a high level of market orientation are distinguished from the average firm in terms of their marketing planning practices. We therefore seek to make a contribution that adds to the latter research stream. However we are also interested in the relative and interactive effects of differing marketing planning practices on the MO-BP relationship. We are therefore also seeking to make a contribution to the former research stream. Finally by examining the relationship between market orientation, business performance and marketing planning, we seek to make a contribution to the literature on marketing planning. This is an area that has received less attention from researchers in recent years, and accordingly we briefly review prior marketing planning research.

Marketing planning perspectives

Marketing planning (and more generally business planning) can be considered as a technology, a set of techniques and activities, that assists an organization in achieving an appropriate alignment of external environment and internal capabilities in order to achieve a desired outcome. The set of techniques and activities are generally well identified and are presented extremely consistently in all major texts in the area (e.g. Jain, 2000; McDonald, 1999; Cravens, 2000).

Marketing planning is a behavioural phenomenon since it consists of the adoption of the technology. Marketing planning advocates have argued that adoption of marketing planning technology provides for decision making that is more comprehensive, rational and objective, and that this leads to more appropriate resource allocations and improved organizational performance.

Empirical research on the marketing planning-business performance (MP-BP relationship suggests that this assertion is difficult to sustain, since research on marketing planning, and more generally on business planning, stretching back over thirty years has produced some extremely mixed findings. Some studies have found a positive relationship (e.g. Wood and La Forge, 1979;

Fredrickson, 1984; Lysonski and Pecotich, 1992; McKee *et al.*, 1990). Other studies have also shown that there is no systematic association between the two constructs (Leontiades and Tezel, 1980; Kulda, 1980; Robinson and Pearce, 1983). Yet other researchers revealed mixed results ranging from negative, positive or no relationship depending on the aspects of the sample studied (e.g. Fredrickson and Mitchell, 1984; Fredrickson and Iaquinto, 1989).

The research approach of all marketing planning studies essentially seeks to measure the extent to which "good" planning behaviours are adopted, and then examines the relationship between adopting these behaviours and performance. As the confusing pattern of results emerged, measurement of planning practices, including marketing planning, moved from dichotomous measures of whether a particular tool or technique is used ("planning technology"), to more elaborate measures describing the extent, degree or manner in which the organisation implements particular activities ("planning style"). The move towards more sophisticated measures was driven in part by the empirical finding that, when measured together, "planning style" facets tended to dominate "planning technology" in their impact (Ramanujam and Venkatraman, 1987; Hickson *et al.*, 1986), and also by the conceptual distinction that was drawn from the advancing conceptual literature on planning typologies (Mintzberg, 1973; Hart, 1992).

Two "ideal types" have been repeatedly identified. Synoptic planning (Fredrickson, 1983) is a formal, linear, rational, comprehensive, top-down model of the planning process. Adaptive planning (Mintzberg, 1973) is a problem solving approach that is more bottom-up, and acknowledges the presence of organisational politics and the potential for emergent strategy. Each ideal type has a different set of strengths and weaknesses, the distinctions between them captured in facets of the planning process such as the degree of formality, comprehensiveness, rationality or politicality, and how much interaction is involved. For each of these facets, relevant conceptual and empirical literature is reviewed below (for a broader overview of this literature, see Schwenk, 1985).

Formalisation. Formalisation is the degree to which the final decision results from a series of logically planned activities that are tightly controlled (Hetherington, 1991). A case can be made for formalisation having both positive and negative effects on planning quality. Positive benefits are increased structure to the planning process, and a framework through which the decision making process can be managed (Pearce *et al.*, 1987). However, excessive formalisation can place adherence to a framework ahead of decision quality by reducing the depth and thought with which decisions are made, and delaying the response of the organisation (Deshpande and Zaltman, 1982).

Comprehensiveness. Comprehensiveness is the degree to which a planning process encourages the maximum level of information utilisation and response options. Comprehensiveness requires an organization fully analyse objectives, alternative strategies, and their consequences. The firm must also ensure that chosen strategies are mutually consistent and implemented through detailed plans.

Empirical evidence on the impact of comprehensiveness on planning quality appears to be moving towards a consensus, despite some mixed early findings. Early research suggested that comprehensiveness in planning has a negative impact on performance in unstable environments (Fredrickson and Mitchell, 1984) and a positive impact in stable ones (Fredrickson, 1984). The argument for contingency was that in unstable environments seeking comprehensiveness imposed costs that yielded no return. This result has not been replicated, with subsequent research has tended to find that the relationship is positive, and not contingent on context (e.g. Bourgeois and Eisenhardt, 1988).

Rationality. Rationality is normally defined in terms of "procedural rationality", and is characterised by pre-set goals, constant surveillance of the market, and the selection of alternatives with a view to optimising results (Dean and Sharfman, 1996). Rationality suggests an analytical and objective approach to decision making. Empirical findings suggest that rationality is positively related to planning quality (Bourgeois and Eisenhardt, 1988; Dean and Sharfman, 1996).

Politicality implies conflicting preferences with the planning process arising from differing perspectives, ambitions and interests (Eisenhardt and Zbaracki, 1992; Hickson *et al.*, 1986). Empirical results suggest that politicality has negative consequences since it causes delays in planning and suboptimal choices (Eisenhardt and Zbaracki, 1992; Bourgeois and Eisenhardt, 1988; Dean and Sharfman, 1996).

Interaction in planning. High levels of interaction between functions, departments and individuals in the planning exercise is thought to improve planning quality, since facilitates the exchange of information and increases the utilisation of information (Deshpande and Zaltman, 1982). Interaction is also likely to encourage employees to work towards the achievement of a single common goal. Hickson *et al.* (1986) found that higher levels of interaction were associated with less formal and more rapid decision making.

As this mixed pattern of findings emerged and as methods advanced researchers increasingly accepted that any relationship between planning style and organisational performance was likely to be highly dependent on context (Hart, 1992). Researchers have increasingly limited their expectations of a positive relationship to particular organisational and environmental contexts and contingencies. Similarly, increasingly sophisticated methodologies have been adopted in researching the planning-performance relationship, in order to better to capture the impact of context (Miller and Cardinal, 1994). Even with these more sophisticated research designs, effects observed tend to be small, and contingent effects remain.

Conceptual framework: market orientation and marketing planning

The difficulty of finding a strong positive impact of marketing planning on performance is paradoxical. The technology of marketing planning, behaviours such as engaging in situation analysis, critically evaluating the environment faced and the organisation's internal capabilities, generating strategies and options, evaluating each potential strategy in terms of their appropriateness for the situation, is intuitively appealing. We should expect a firm approaching its strategic decisions using the best mix of features from synoptic and incremental planning processes to achieve improved performance.

As noted above, many authors have adopted a contingency perspective to reconcile these results. In this paper, we also draw on this concept of contingency, but seek to offer an alternative perspective on the MP-BP relationship.

Marketing planning is a purely behavioural phenomenon. Since it is defined in terms of techniques and activities, any measure of marketing planning seeks to identify the behaviours that an organisation engages in with respect to these techniques and activities. However once marketing planning is identified behaviourally, it is essentially value-neutral. That is it could be used to add value for customers (consistent with a market orientation), or in opportunistic ways to exploit customers. Hence planning is value-neutral until linked to a value-laden strategic construct, such as market orientation. As Kohli and Jaworski (1990, p. 13) observed, "[a] market orientation appears to provide a unifying focus for the efforts and projects of individuals and departments within the organization, thereby leading to superior performance".

Focusing on market orientation as a value-laden strategic construct that serves to give direction and purpose to efforts and projects within the organisation is also consistent with the contemporary view of market orientation as a cultural rather than a behavioural phenomenon (Homburg and Pflesser, 2000). As Narver and Slater (1998, p. 235) state:

> If a market orientation were simply a set of activities completely disassociated from the underlying belief system of an organization, then whatever an organization's culture, a market orientation could easily be implanted by the organization at any time. But such is not what one observes.

In this research we treat market orientation as part of the belief system, and marketing planning as the set of activities.

Summarising, prior literature suggests that the MO-BP relationship is strong, and that the MP-BP relationship is weak. In this paper, we examine the market orientation-marketing planning (MO-MP) relationship. We suggest 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. Adoption of marketing planning technologies can be seen as either assisting in the development of a market orientation, or as enabled by the shared commitment within the firm to achieve a market orientation. An argument can be made for the causality in this relationship flowing in both directions. Regardless of direction, we suggest that there is good evidence to expect the MO-MP relationship is likely to be strong and positive. Figure 1 summarises the basic framework under consideration in this paper. In the following section, we develop this basic framework into formal hypotheses.

Hypotheses

It is hypothesized that MO-MP relationship is positive for the following specific reasons. Firstly, achieving a market orientation requires a firm to engage in information processing activities that are directed towards understanding their customers and their competitors, and in developing a timely, co-ordinated and cross-functional response to these market learnings. These activities form the basis of the acquisition, dissemination and responsiveness dimensions of the MARKOR scale (Kohli *et al.*, 1993). They also are activities that support the customer orientation, competitor orientation and interfunctional co-operation of the MARKTOR scale (Narver and Slater, 1990). A high quality planning system has the potential to lead to better information processing and response generation activities, and so can enhance the achievement of market orientation. We define quality in a planning system in terms of the facets discussed in the previous section. A high-quality planning system has low levels of politics and formality and high levels of rationality, comprehensiveness and interaction:

H1. The higher the quality of the marketing planning system, the higher the level of market orientation.

Planning can be considered as a means to enhance market orientation, which is then proposed to enhance business performance. An alternative conceptualisation of this relationship is that market orientation, because it provides focus and purpose to the organisation's activities, provides a focus

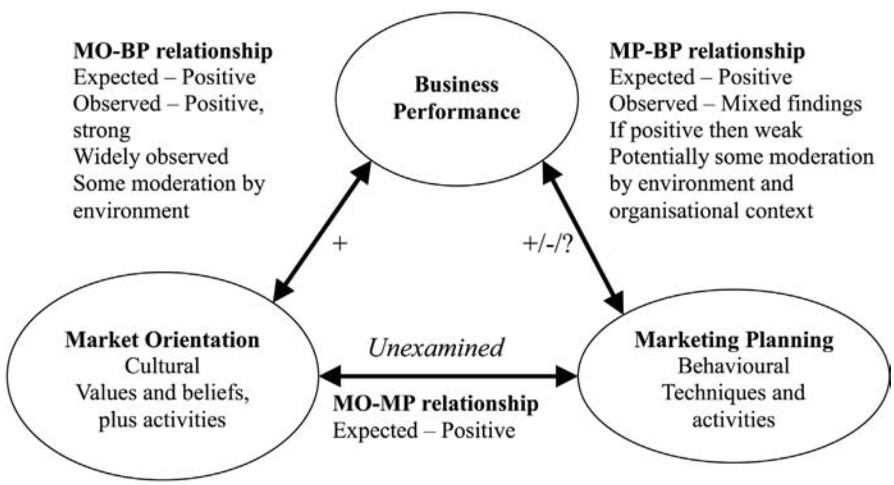

Figure 1.
Conceptual framework

and purpose to marketing planning, and so enables planning quality to improve. Conant and White (1999) have pointed to the importance of "strategic clarity" in the success of marketing planning programmes, and market orientation provides just such clarity of purpose. Hence it is the technologies of marketing planning have a more beneficial outcome if they are directed at acquiring information about customers and competitors, and producing a timely and co-ordinated response to meet the customers needs better than the competition.

In addition we also hypothesise the following relationships consistent with the discussion above:

H2. The higher the overall market orientation the greater the business performance.

H3. The higher the quality of the marketing planning system the greater the business performance.

While we propose planning is positively associated with business performance, our conceptual framework suggests that market orientation has primacy, and the principal impact of marketing planning quality on performance will be an indirect effect through market orientation. We therefore propose the following hypotheses about the combined effects of market orientation and marketing planning on business performance. additionally, since other antecedents to a market orientation have previously been identified, in examining the value of a high quality of marketing planning to achievement of a market orientation and so business performance, it is necessary to establish it as distinctive from previously identified antecedents:

H4. Once the impact of market orientation on business performance is controlled for, the quality of the marketing planning system has no impact on business performance.

H5. Once the quality of the marketing planning system on business performance is controlled for, the level of market orientation has a positive impact on business performance.

Finally, we recognise that environmental contingencies have been found to be significant in the past in marketing planning research and may also be so in this context[1]. There is a long tradition of support in the literature for the notion that environment moderates the effectiveness of organisational characteristics, and this has become a key aspect of both the market orientation (Slater and Narver, 1994) and strategic decision making and planning literatures (Miller and Cardinal, 1994). Consistent with this tradition, we hypothesise the following environmental moderations:

H6a. The marketing planning-market orientation is moderated by competitive intensity.

H6b. The marketing planning-market orientation is moderated by market turbulence.

H6c. The marketing planning-market orientation is moderated by technological turbulence.

Research methodology

Construct development

*Market orientation.*The MARKOR scale, developed by Jaworski and Kohli (1993), and refined by Kohli *et al.* (1993), was used in this study. MARKOR consists of 20 items, of which six items pertain to intelligence generation, five to intelligence dissemination and nine to market responsiveness. We elected to use seven point scales on all intervally-scaled factors to provide a common length of scale to enhance comparability and interpretation.

Performance. Five items measuring performance were based on those used by Jaworski and Kohli (1993). These are subjective, self-assessment measures using a seven point Likert scale.

Marketing planning. Where possible we drew on established measures to examine the facets of a high-quality planning system identified in the literature:

- *Comprehensiveness* was measured using three interval-scaled items from a scale originally developed by Fredrickson (1984).
- *Rationality* was measured using a seven-item scale adapted from one developed by Dean and Sharfman (1993).
- *Politicality* was measured using a four-item scale adapted from one developed by Hickson *et al.* (1986).
- *Interaction* in planning was measured using a four-item scale developed by Hickson *et al.* (1986).
- *Formalisation* was measured using a five-item scale developed for this study, since no suitable measure could be identified. The items seek to capture adherence to norms and rules in the planning process. It was pretested prior to use.

Antecedents and environmental measures. Measures were drawn from Jaworski and Kohli (1993).

Data collection

Data was collected by means of a self-administered mail questionnaire sent to a multi-industry sample of Australian organisations. Key respondent techniques were employed in the collection of data as the survey instrument was specialised. Key respondents were identified using a procedure undertaken by Robertson *et al.* (1995). The manager of the strategic business unit (SBU) was requested to base the information on the SBU in which he or she worked. Pretests were conducted to ensure the specificity and precision of the questionnaire.

The purpose of the sampling plan was to ensure that a large number of companies operating in different industries were included in the sample. Pre-selected industry classifications were used to select companies at random that belonged to one of the following industries: pharmaceuticals, mining, agriculture, meat and game, pottery and glassware, milk and milk products and furniture.

The questionnaires were addressed to each key informant, along with a personalised covering letter informing respondents of the importance of the study and requesting participation. Respondents were assured of their anonymity and a stamped return envelope was provided to all key informants. Respondents were also offered a copy of the aggregate results of the survey. To further enhance the response rate a second copy of the questionnaire and follow-up letter were mailed 21 days after the date of the initial mailing.

The sample frame consisted of 505 companies. A total of 157 questionnaires were returned but 68 were unusable for several reasons. Of these respondents, 37 refused to complete the questionnaire and up to 31 lacked sufficient data. This provided a total useable sample of 89 questionnaires making an effective response rate of 18 per cent which, whilst a little low, is not atypical of surveys using questionnaires of this length. The relatively low number of cases does reduce test power, meaning that the tests are very conservative. We discuss the implications of this in the "Limitations" section.

We compared early respondents with late respondents (first versus fourth quartile) on key variables to determine non-response bias (Armstrong and Overton, 1977). No significant differences were found. Analysis of the geographic distribution of responses to the initial and follow-up mail-outs also showed no significant differences. Accordingly, non-response bias does not appear to be a problem. Respondent demographics indicate that industry coverage reflected the sample proportions, that all Australian states were represented and that 60 per cent of respondents had 400 employees or more.

Measures: reliability and validity

The scales used in this study were subjected to standard reliability and validity checks. Confirmatory factor analysis did not support the internal structure of the MARKOR scale originally reported by Kohli *et al.* (1993). We could find no evidence to indicate discriminant validity between the intelligence generation, intelligence dissemination and market responsiveness dimensions. Problems with this scale have now been reported by several researchers (see Oczkowski and Farrell, 1998; Homburg and Pflesser, 2000). When our experience is added, it appears that the experience using the MARKOR scale is revealing some significant psychometric weaknesses.

With no evidence of discriminant validity between sub-constructs, we examined a single factor model. All items had positive and significant coefficients ($t > 1.8, p < 0.05$) and the consistency of the overall scale was high

($\alpha = 0.87$), indicating a high level of homogeneity among items comprising the scale. We therefore used this one-dimensional conceptualisation of market orientation (the unweighted sum of the three components of generation, dissemination and responsiveness). This is the "overall market orientation" scale from the original Jaworski and Kohli (1993) study. Our approach is the same as that used by Homburg and Pflesser (2000) and is consistent with recommendations by Deshpande and Farley (1998).

We had no expectations about the dimensionality of the planning measures, since the measures were drawn from different sources, and although ostensibly measuring different facets of planning, these facets cover closely related conceptual domains. A factor analysis was performed on all interval-scaled planning items, based on the comprehensiveness, rationality, formality, interaction and politicality facets. Exploratory factor analysis found a high proportion of items loading on to the first factor extracted, and little pattern to the loadings on subsequent factors. Forcing items to load onto separate factors for each facet required an unacceptable number of items to be removed.

Therefore a one-dimensional measure of marketing planning was constructed, termed "marketing planning quality". All 20 items had a factor loading of 0.30 or greater (-0.3 or less for items with a negative coefficient), and all loadings were found to be significant in confirmatory factor analysis ($t > 1.8$). Reliability was also high ($\alpha = 0.83$), indicating a high level of homogeneity among items comprising the scale. The one dimension marketing planning quality measure possesses face validity since it taps into the key domains identified by the literature and provides a reasonable measure of the construct of interest at the overall level. It is positively affected by increases in the level of comprehensiveness, formality, interaction and rationality, and negatively affected by increases in politicality, all of which are consistent with the research findings summarised in the literature review. No problems were found with the scale measuring business performance, which had a reliability coefficient of 0.93.

Diagnostics for the scales used in hypothesis testing are shown in Table I (items are in the Appendix). The correlation matrix is shown in Table II. Following the argument of Gaski and Nevin (1985, p. 136), we note that the discriminant validity of these scales is indicated because in no case is the correlation between any scale and another as high as the alpha coefficient for either scale.

Results

In Table III we report regression analyses investigating the three key relationships laid out in Figure 1. *H1* proposed a positive and significant relationship between marketing planning quality and market orientation, and this is supported. *H2* proposed a positive and significant relationship between market orientation and business performance, and is supported, and *H3*

Construct	Number	Mean (SD)	Factor loading Min.	Factor loading Max.	Item-total correlation Min.	Item-total correlation Max.	Alpha	% var.
Marketing planning quality[a]	20	4.62 (0.71)	0.34	0.84	0.14	0.73	0.83	38
Overall market orientation[b]	16	5.30 (0.87)	0.42	0.73	0.35	0.64	0.86	32
Competitive intensity[b]	5	4.40 (1.10)	0.58	0.80	0.38	0.60	0.70	37
Market turbulence[b]	3	4.29 (1.32)	0.46	0.89	0.20	0.59	0.59	29
Technological turbulence[b]	4	4.38 (1.40)	0.81	0.86	0.66	0.73	0.85	59
Conflict[b]	6	2.77 (1.01)	0.54	0.83	0.38	0.69	0.78	45
Connectedness[b]	6	5.76 (0.93)	0.45	0.87	0.31	0.73	0.76	43
Reward system orientation[b]	5	3.80 (1.16)	0.60	0.83	0.41	0.66	0.76	49
Top management emphasis[b]	4	5.10 (1.16)	0.63	0.89	0.43	0.75	0.80	63

Notes: Full results available from the authors. [a] Items listed in the Appendix. [b] Items drawn from Jaworski and Kohli (1993)

Table I. Summarised scaling information

proposed a positive and significant relationship between marketing planning quality and business performance, and this also is supported.

Since both marketing planning quality and market orientation impact on business performance, we examined whether marketing planning quality impacts on business performance once the level of market orientation has been controlled for. The results are reported in Table IV. Adopting two-step regression analysis, when market orientation was used to predict business performance, the addition of marketing planning quality as a predictor led to no significant change in the model's explanatory power. However when marketing planning quality was used to predict business performance, the addition of market orientation as a predictor resulted in a significant change in the model's explanatory power. *H4* and *H5* are therefore supported.

Since marketing planning quality has no impact on business performance that is not explained by market orientation, but does have a positive relationship with market orientation, it appears that marketing planning quality can best be interpreted as an antecedent of market orientation. We therefore examine whether marketing planning quality can be thought of as a distinct from previously identified antecedents and consequences of market orientation. Table V reports the results of a two step regression analysis with market orientation as the dependent variable. In the first step, four factors that have consistently been found to be either antecedents or consequences of market orientation, interdepartmental conflict, interdepartmental connectedness, reward system orientation and top management emphasis are included as predictors. In the second step, marketing planning quality is added as a predictor.

The results show that the addition of marketing planning quality as a predictor variable led to a significant change in the model's explanatory power. This suggests that the level of marketing planning quality contains

Table II.
Correlation matrix

		Overall MO	Mkt plan. quality	Perform	Inter-dep. Conflict	Inter-dep. connect.	RS orientation	Top man. Emphasis	Market turb.	Tech. turb.
Marketing planning quality	*r*	0.53								
	p	0.00								
	n	91								
Business performance	*r*	0.61	0.38							
	p	0.00	0.00							
	n	104	90							
Inter-departmental conflict	*r*	−0.59	−0.42	−0.35						
	p	0.00	0.00	0.00						
	n	103	89	102						
Inter-departmental connectedness	*r*	0.51	0.24	0.40	−0.53					
	p	0.00	0.02	0.00	0.00					
	n	103	89	102	103					
Reward system orientation	*r*	0.49	0.29	0.24	−0.31	0.30				
	p	0.00	0.00	0.01	0.00	0.00				
	n	104	91	103	102	102				
Top management emphasis	*r*	0.52	0.54	0.38	−0.37	0.42	0.53			
	p	0.00	0.00	0.00	0.00	0.00	0.00			
	n	105	91	104	103	103	104			
Market turbluence	*r*	0.01	0.02	−0.07	−0.02	0.02	0.12	0.08		
	p	0.94	0.86	0.47	0.88	0.83	0.24	0.41		
	n	104	90	103	103	103	103	104		
Technological turbulence	*r*	0.19	0.37	0.03	−0.12	0.22	0.08	0.18	0.29	
	p	0.07	0.00	0.80	0.22	0.03	0.42	0.07	0.00	
	n	100	87	100	99	99	99	100	100	
Competitive intensity	*r*	0.17	0.25	0.11	0.05	0.06	0.17	0.28	0.14	0.17
	p	0.08	0.02	0.25	0.64	0.57	0.08	0.00	0.16	0.09
	n	103	89	103	102	102	102	103	103	100

Dependent variable		Business performance	
Adjusted R^2		0.36	
F		57.51	
Sig.		0.00	
Predictor	β	t	p
Market orientation	0.61	7.68	0.00
Dependent variable		Business performance	
Adjusted R^2		0.13	
F		14.76	
Sig.		0.00	
Predictor	β	t	p
Marketing planning quality	0.38	3.84	0.00
Dependent variable		Market orientation	
Adjusted R^2		0.28	
F		35.50	
Sig.		0.00	
Predictor	β	t	p
Marketing planning quality	0.53	5.96	0.00

Table III. Market orientation, marketing planning quality and business performance

Dependent variable		Business performance	
First step			
Adjusted R^2		0.36	
F		50.03	
Sig.		0.00	
Predictor	β	t	p
Market orientation	0.60	7.07	0.00
Second step			
Adjusted R^2		0.35	
F change		0.57	
Sig. F change		0.45	
Predictor	β	t	p
Market orientation	0.56	5.54	0.00
Marketing planning quality	0.08	0.76	0.45
Dependent variable		Business performance	
First step			
Adjusted R^2		0.13	
F		14.76	
Sig.		0.00	
Predictor	β	t	p
Marketing planning quality	0.38	3.84	0.00
Second step			
Adjusted R^2		0.35	
F change		30.63	
Sig. F change		0.00	
Predictor	β	t	p
Marketing planning quality	0.08	0.76	0.45
Market orientation	0.56	5.54	0.00

Table IV. Market orientation, marketing planning quality and business performance

Table V. Marketing planning quality and antecedents and consequences of market orientation

Dependent variable		Market orientation	
First step			
Adjusted R^2		0.49	
F		22.45	
Sig.		0.00	
Predictor	β	t	p
Inter-departmental conflict	−0.35	−3.86	0.00
Inter-departmental connectedness	0.20	2.20	0.03
Reward system orientation	0.22	2.44	0.02
Top management emphasis	0.19	1.99	0.05
Second step			
Adjusted R^2		0.54	
F change		9.23	
Sig. F change		0.00	
Predictor	β	t	p
Inter-departmental conflict	−0.27	−3.01	0.00
Inter-departmental connectedness	0.23	2.64	0.01
Reward system orientation	0.22	2.54	0.01
Top management emphasis	0.04	0.40	0.69
Marketing planning quality	0.28	3.04	0.00

information about market orientation that is not captured elsewhere in this set of antecedents and consequences. We also note that the addition of marketing planning quality to the model causes "top management emphasis" to lose significance as a predictor and discuss this below.

Finally, we examine whether the MO-MP relationship is moderated by environmental factors. To control for collinearity and avoid confounding the main effects in the moderated regressions, Lance's (1988) residual centering method was used (Bottomley and Holden, 2001). In this approach, the cross product term that is usually included to capture moderation effects is replaced with the residual resulting from the regression of that cross product term on the main effects. The resulting terms are labelled MPQ*MARTURB (res) (interaction between marketing planning quality and market turbulence) and MPQ*TECTURB (res) (interaction between marketing planning quality and technological turbulence) and MPQ*COMPINT (res) (interaction between marketing planning quality and competitive intensity). For all coefficients the Variance Inflation Factor remained below two, compared with the commonly recommended cutoff value of ten (Hair *et al.*, 1992), suggesting that collinearity was not a problem.

Across the three regressions reported in Table VI, two interaction terms are significant. There was a significant positive interaction between marketing planning quality and market turbulence. This suggests that when market turbulence is high, improvements in marketing planning quality have an additional positive impact on market orientation beyond that we would expect from the main effects. *H6b* is accepted. There was also a significant positive

Dependent variable		Market orientation	
Adjusted R^2		0.31	
F		11.72	
Sig.		0.00	
Predictor	β	t	p
Marketing planning quality	0.53	6.02	0.00
Market turbulence	−0.03	−0.31	0.76
MPQ*MARTURB (res)	0.23	2.66	0.01
Dependent variable		Market orientation	
Adjusted R^2		0.25	
F		10.60	
Sig.		0.00	
Predictor	β	t	p
Marketing planning quality	0.48	4.77	0.00
Technological turbulence	0.03	0.28	0.78
MPQ*TECTURB (res)	0.19	2.06	0.04
Dependent variable		Market orientation	
Adjusted R^2		0.28	
F		12.55	
Sig.		0.00	
Predictor	β	t	p
Marketing planning quality	0.51	5.51	0.00
Competitive intensity	0.09	0.91	0.36
MPQ*COMPINT (res)	0.12	1.36	0.18

Table VI. Market orientation and planning: control variables

interaction between marketing planning quality and technological turbulence. This suggests that when technology turbulence is high, improvements in marketing planning quality have an additional positive impact on market orientation beyond that we would expect from the main effects. *H6c* is accepted, and *H6a* is rejected. For completeness, a similar analysis was performed for the MP-BP relationship, but is not reported since no interaction effects were significant.

Discussion

Our results suggest that the quality of marketing planning is associated with a higher level of market orientation. Our research design gives no evidence as to causality, and a case can be made either way. Perhaps better quality planning assists managers seeking to implement a market orientation to achieve their goal, or conversely, market orientation assists planning by providing a clear and unambiguous goal that serves to focus the planning effort. However what our research does strongly suggest is the primacy of market orientation over marketing planning in its effect on business performance.

Whatever the case, our research suggests that marketing planning quality is distinct from previously identified antecedents of market orientation. The implication is that managers should be considering the nature of their planning processes as part of the process of developing and maintaining a market orientation. Our analysis of environmental effects also point to the additional impact of marketing planning quality on market orientation in high market or technology turbulence environments.

Our results also suggest that the impact of marketing planning quality on business performance is indirect rather than direct. This result provides one possible explanation for the frustratingly unclear pattern of results seen in the planning literature over the past thirty years. The quality of the outcome generated by planning techniques is dependent on the purpose towards which the planning system was employed.

We also note that our study replicated several of the Jaworski and Kohli (1993) findings. Reward systems that were based on customer oriented behaviours, connectedness between departments and absence of conflict were shown to be predictors of market-orientation in this study. Additionally, inclusion of planning into our analysis removed the effect of leadership on market orientation that had been present in the first stage. This cannot be taken as evidence that marketing planning quality the same as top management emphasis, either in measurement or operational terms. The finding is perhaps best interpreted as indicating the role that planning may play in relation to market orientation, suggesting that the planning process may provide the communication about organisational values and objectives that is also provided by communication and example from the top management.

In short, our study provides evidence for the benefits of a high quality marketing planning system, but suggests that these benefits flow through the creation of a market orientation, not directly. Marketing planning quality was a significant predictor of market orientation, and should probably be treated as an additional antecedent in future research. Our findings provide further evidence of the significant relationship between market orientation and business performance, and suggest that this should give a strong message to organisations.

For organisations, a case can be made about the particular value of this finding. When market orientation is discussed as a philosophy, a culture, or a manner of thinking that pervades the entire organisation (Webster, 1988) it is difficult for managers to see what actions they can take to enhance or maintain market orientation. Culture is notoriously difficult to manage, but very easy to destroy (see, for example, Bevan, 2001). Marketing planning, thanks to 30 years of management education, consulting and publications, is a far better understood concept. From a manager's point of view, it is more manageable and more actionable, since it is built around the adoption of specific tools and technologies. By linking management behaviours with the existence of a particular culture, we begin to provide managers with a set of activities that can be utilised to support the underlying belief system of an organisation.

Limitations and further research

The limitations of our research should also be considered when interpreting the findings. We have noted the need to revisit the properties of the MARKOR scale in particular and the impact of a modest sample size on test power. Low test power works against our hypotheses increasing our confidence in the findings, however it also reduces our ability to identify more subtle effects, and so replication with a larger sample would be valuable. However the greatest limitation of this study is shared by the vast majority of others in the area. Our study, like so many others, is cross-sectional, and the need to investigate the results of these many studies from a longitudinal perspective is pressing. If academic marketing is to offer better guidance to managers in building market orientation generating a better understanding of causality must be a priority.

Conclusion

We believe our work adds to the literature on both marketing planning and market orientation, and adds another element to the growing set of research findings on the characteristics of market oriented firms. Our research highlights the linkage between a familiar and commonplace marketing behaviour, marketing planning, and a valuable and somewhat rare culture, market orientation. High quality marketing planning is achieved when planning is formal, comprehensive, rational and interactive, and when politics in planning is kept to a minimum. High quality marketing planning can lead to performance benefits, but as antecedent to a market orientation, rather than as an independent activity. The technology of marketing planning can be put to any end, and so there can be no performance guarantees. Applying the technology to achieving market orientation brings technology and purpose together.

Note

1. We thank one of the anonymous reviewers for suggesting these additional hypotheses be included in the study.

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Appendix. Scale items for marketing planning quality measures

Comprehensiveness facet (Fredrickson, 1984)

- Last time you planned, to what extent was information from past years looked over for guidance?
- To what extent did the planning team search for information in the last planning round?
- To what extent did the group or individual involved in planning analyse the relevant information before making a decision?

- Formalisation facet (new items)
- In the previous planning cycle, we had a formal procedure that we had to follow.
- We had strict and formal policies in the previous planning cycle.
- A person involved in planning could make a decision without checking with anyone else (reversed)
- To what extent was a formalised method of planning used?
- To what extent did the planners have to change their approach during the planning process? (reversed – eliminated)

Rationality facet (Dean and Sharfman, 1993)

- To what extent were objectives of the planning cycle explicitly addressed?
- In general, how effective was the planning team or individual at focussing its attention on relevant information and ignoring irrelevant information?
- How important were quantitative analytical techniques in making the final decision in the previous planning cycle?
- How would you describe the process that had most influence on the decision? (mostly analytical – mostly intuitive) (eliminated)
- At the time the decision was made, how confident was the planning team that the correct choice was being made?
- How confident was the planning team that the correct choice was being made?
- How confident was the planning team that the decision made was the best possible outcome given all possible alternatives?

Politics facet (Hickson et al.*, 1986)*

- To what extent did the outcome favour some groups in the oreganisation over others? (eliminated)
- To what extent did the interests at stake split the planning group?
- Were group members primarily concerned with their own goals or with the overall goals of the business unit?
- To what extent was the decision affected by the use of power and influence among group members on the planning team?

Interaction facet (Hickson et al.*, 1986)*

- To what extent did people in different functions who have to work together do their job efficiently without getting in each other's way?
- To what extent were individuals open with each other about their interests and preferences in the decisions?
- To what extent were employees from different functions encouraged to discuss their opinions with each other?
- To what extent was the input of all employees in planning encouraged?

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An evaluation of typologies of marketplace strategic actions

The structure of Australian top management perceptions

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Keywords *Strategic marketing, Executives, Perception, Classification, Australia, Strategy*

Abstract *An evaluation of executive perceptions of strategic typologies is presented in the Australian context. Specifically, four strategic typologies (growth versus retrenchment, the product/market matrix, the grand strategy alternatives, and Porter's generic strategies) were compared using confirmatory factor analysis on a set of data obtained from top mangers in Australia. The results tend to support Porter's formulation of cost leadership, differentiation and focus.*

Introduction

Issues associated with corporate strategic action have been addressed from three general academic perspectives. In marketing, the traditional marketing-management paradigm has dominated the discipline (e.g. Aaker, 2001; Cravens, 1999; Kotler, 1994; Wind and Robertson, 1983) while within business policy and strategic management the concern has tended to be much more with strategy/performance at the top-management corporate and/or industry level (e.g. Glueck and Jauch, 1984; Miles *et al.*, 1974; Miller, 1988). The third view on business strategy emerged from industrial economics where the general position is that a firms performance depends on the characteristics of the industry environment in which it competes – the structure, conduct and performance paradigm (Bain, 1968; Caves, 1980; Mason, 1939; Porter, 1980; Scherer, 1980). While research in these three areas proceeded largely independently, a common classificatory and theory building element was brought indirectly to the attention of marketing and management scholars by Porter (1980, 1981, 1985, 1990, 1991).

Porter (1981, p. 611) working within the industrial organization paradigm developed a formal model for assessing the competitive structure of an industry and described a basis for a classification of corporate generic strategic actions. This model provided a new perspective on the earlier strategic typology work in marketing and management (e.g. Ansoff, 1965; Day, 1984).

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Despite the differences in research traditions, for example, in the unit of analysis (industrial economists emphasise the industry while marketing and management focus is more at the firm level), the industrial organizational perspective was rapidly adopted within both marketing (e.g. Aaker, 2001; Cravens, 1999; Jain, 1999) and strategic management (e.g. Campbell-Hunt, 2000; Glueck and Jauch, 1984; Thompson and Strickland, 1995). In the main this was because this paradigm provided a systematic model for the assessment of the structure of the competition within an industry – a fundamental necessity for strategy formulation in both marketing and management – and a new classification basis for generic corporate-level strategies – the "content" side of strategic management which had dominated empirical research in marketing and business policy with its emphasis on "identifying sets of strategies" necessary for firms to achieve economic success (Aaker, 2001; Day, 1984; Kotha and Vadlami, 1995; Kotler, 1994; Mintzberg, 1988). Surprisingly this acceptance of Porter's (1980) framework and the earlier classificatory work has proceeded largely without empirical evaluation or comparison. It is the purpose of this study to add impetus to research at the top management/marketing strategy level by providing empirical evidence concerning the content of strategic action in Australia, so contributing to knowledge development in the substantive area, as well as to the growing stream of such research in the specific Australian context (e.g. Ellis and Pecotich, 2001; Joseph *et al.*, 2001; Laczniak *et al.*, 1989, 1994; Lysonski and Pecotich, 1992; Pecotich *et al.*, 1992, 1999). More specifically the purpose of this research is: first, to enumerate and operationalise a subset of generic strategic typologies that exist in the literature; and second, to use these operationalizations as a basis for generating a set of items that can be constructed to empirically asses which strategies are pursued in practice and, thus, indirectly evaluate the fit of existing strategic typologies in the Australian top management context.

Conceptual background and theoretical conjectures

Although in marketing management the central concern has been with the development of the marketing mix, and in the management/policy area with higher level issues associated with the corporate mission, competitive advantage and "grand strategies", the central figure in each is the manager or decision maker. Whether the processes emphasised are synoptic or incremental (Frederickson and Mitchell, 1984; Lysonski and Pecotich, 1992), and/or the viewpoint on strategy is situation-specific, universal or contingency, it is the manager, who on the basis of perceptions orchestrates the alignment of environmental opportunities and threats, internal strengths and weaknesses, and strategic action (Aaker, 2001; Cravens, 1999; Hambrick and Lei, 1985; Jain, 1999; Kotha and Vadlami, 1995). A strong case can, therefore, be made that organizational strategic actions are more likely to be consistent with top management perceptions than with objective criteria (Miles *et al.*, 1974).

Strategic action takes place in a social context and while objective conditions and events may influence executive actions, it is perceptions associated with these conditions that are critical. As Mintzberg (1988, p. 22) has stated, "trees that fall in the forest do make noise, in terms of causing vibrations in the atmosphere, but if no one hears it, the noise has no social meaning". The view that executive perception should be the focus of research in marketing, management and industrial organization has been advocated, particularly at the top management, corporate "grand strategy" level (Hambrick and Mason, 1984; Kotha and Vadlami, 1995; Wind and Robertson, 1983).

Classification or enumeration of the strategic alternatives available to executives has been as popular in strategic marketing and management as "drive naming" in psychology. Generally the approach has been normative, that is, scholars, consultants and practitioners have attempted to enumerate a list of strategic alternatives on which management was expected to base their strategic actions (Aaker, 2001; Cravens, 1999; Glueck and Jauch, 1984; Jain, 1999; Mintzberg, 1988). Further, the basis for the category development was often purely conceptual, for example, Chrisman *et al.* (1988) after discussing the nature, objective and attributes of "scientific" classification systems examine the deficiencies of Abell's (1980) and Porter's (1980) systems, and develop a "new" more complex system; similarly Mintzberg (1988) after tracing the historical basis of Porter's (1980) classification develops a "more comprehensive framework". There have been many other attempts to improve or develop typologies from a conceptual basis (e.g. Abell, 1980; Glueck and Jauch, 1984; Hill, 1988; Hofer, 1975; Murray, 1988; Porter, 1980, 1985).

As classification is the beginning of science these developments are to be applauded (Hunt, 1976). Nonetheless, despite pioneering efforts (e.g. Dess and Davis, 1984; Hambrick and Lei, 1985; Herbert and Deresky, 1987; Hitt *et al.*, 1982; Kotha and Vadlami, 1995; Miller, 1988; Pecotich *et al.*, 1985) it is not an exaggeration to deplore the lack of any strong attempt at a development of a taxonomy and/or model comparison on an empirical basis. Hambrick (1984) suggested that there are two general types of classificatory endeavours, those leading to typologies or taxonomies – most classification theorists refer to conceptually derived schemes as typologies and empirically derived schemes as taxonomies (e.g. Sneath and Sokal, 1973). Hambrick (1984) suggests that for a classification to be deemed taxonomic it must be numerically derived. Many of the classifications cited above although based on systematic observation are not numerically derived. Such typologies may provide a useful guide for normative strategic action and important insights into strategic behaviour, but they do not explain such behaviour, nor validate the existence of the postulated classificatory elements. Herbert and Deresky (1987, p. 36) as well as Galbraith and Schendel (1983) emphasize that "an empirical base is necessary to provide a reliable method for understanding and predicting strategic behaviour, and for managing strategically". This need for a systematic, data based search for the structure of executive strategic perceptions becomes particularly apparent when one notes that besides some pioneering work (for a full enumeration, see Campbell-Hunt, 2000; Kotha and Vadlami, 1995) there exists little research that specifically examines the nature of executive perceptions of strategic action. Further, many studies that are concerned with classification and theory testing tend to focus on one particular typology, rather than on a simultaneous model comparison to find the best fit (Campbell-Hunt, 2000).

The focus in this study is on the structure of the strategies at the corporate marketing level. This is not only realistic in the applied strategic decision-making sense but provides a new dimension to the conceptually based typology development literature. Specifically the view of strategic decision making is broad. The term "grand strategy" is used to describe the general strategic thrust or the major planned directions of actions for achieving the long-term (sales and earning) goals for a business (Hitt *et al.*, 1982; Pearce *et al.*, 1987). Herbert and Deresky (1987, p. 135) add a further dimension by suggesting that a generic strategy is "a broad categorization of strategic choice which would apply regardless of industry, organization type or size". It is a perspective on strategy that is consistent with Porter's (1980, 1985) conceptualisation of "generic strategy". The focus at the "grand strategy" level has been advocated by marketing (e.g. Aaker, 2001; Wind and Robertson, 1983) and management scholars (e.g. Glueck and Jauch, 1984; Pearce *et al.*, 1987), and in both cases a critical issue involves the development and evaluation of typologies.

Approaches to strategic classification

After a comprehensive review of the extant literature on generic strategies, Campbell-Hunt (2000, p. 128) declared that "the study of competitive strategy is thus currently stuck in something of a dead-end", a statement that by implication suggests that not much progress has been made since Mintzberg (1988) stated that a more systematic investigation of strategic typologies was warranted. Two major problems have inhibited development towards a validated paradigm of strategic typologies. First, the range of alternative strategies available to the decision maker is overwhelming, there is, therefore, substantial disagreement and there is considerable overlap. Second, theoreticians who generate lists of promising grand strategies often do not specify which strategies go together and which do not. In an attempt to remedy this situation and drawing from Mintzberg's (1988, p. 61) thought provoking conclusion, "Which strategies are pursued where?". It is, therefore necessary to carefully specify the generic strategies to be evaluated. However, prior to enumerating and specifying the typologies to be tested, it is necessary that issues associated with the level of analysis and the classificatory perspective be discussed.

Level and unit of analysis

A problem that may be perceived throughout the strategic marketing and management literature involves the explication of the hierarchy of strategy levels and the unit of analysis (Aaker, 2001; Abell, 1980; Cravens, 1999; Doty and Glick, 1994; Klein *et al.*, 1994; Lenski, 1994; Porter, 1980, 1985). To a large extent there appears to exist confusion because the terms "unit of analysis" and "level of analysis" are often treated as synonymous. Unit of analysis is used to refer to the object, event or other entity whose properties are being investigated and that is of fundamental primary interest to the researcher. The level of the analysis refers to hierarchical position of the object, event or other entity within the particular system of research interest. A hierarchy consists of units that may be grouped at different levels (Doty and Glick, 1994; Goldstein, 1995; Klein *et al.*, 1994; Lenski, 1994) for example, individuals may be grouped in organizations and they in turn in industry or national groupings. Research may be conducted within the same level or across levels. It is of critical importance that researchers clearly specify both the unit and the level whether the purpose is conceptual development and or empirical investigation.

Hofer and Schendel (1978) stress that discrimination is important because specific issues are more or less relevant at the different levels. It follows from these arguments that research intending to explore the content of strategy should, from the outset, define which level of strategy formulation is being considered. In this research we focus on strategies at the business of SBU level for three reasons:

(1) the business level has been the focus of much previous research;
(2) competitive strategies for the marketplace are formulated and implemented at this level (Aaker, 2001; Capon *et al.*, 1987; Cravens, 1999; Day, 1984); and
(3) it allows comparison between a dominant or single business company and the SBU of a highly diversified company (Hofer, 1975).

With regard to the unit of analysis essentially there appear two purposes for the classifications, one to classify firms (or executives of firms?) and the other to classify strategies or types of actions available to business. So, for example, the well-known Miles and Snow (1978) classification of defenders, reactors, analysers, and prospectors appears to be a classification of firms, while Porter's (1980) differentiation, focus and cost leadership may be seen as a classification of strategies at least initially for in later statements, for example, in the discussion of the "stuck in the middle" performers it is clear that he is in fact discussing classification of firms. It is unfortunate that there is considerable confusion in the literature and it is often not clear what is being classified, firm or strategy. The normative measurement prescription (Venkatram and Grant, 1996) is that measurement issues should precede theory testing. In this case the validity of the typologies should be established before substantive issues can be resolved.

The four typologies

In the following section, four typologies of business strategies are presented. It is important to state at the outset that our choice of four, although carefully considered, is somewhat arbitrary. The literature is replete with different formulations with strong advocates for their validity (Campbell-Hunt, 2000). Further, many of the formulations have undergone change and adaptation according to the particular context or the conceptual preferences of the researcher. We have chosen the most prominent typological formulations and wherever possible strictly conformed to the original formulations. We, therefore emphasise that this research is not to be seen as a final definitive evaluation but rather as a preliminary, exploratory assessment. While our typological formulations do not purport to be exhaustive, they will serve as a sufficient basis for generating a set of items that represent the strategic actions available to the managers. Such a set of items will then be operationalized in a questionnaire, the responses to which can be used to examine the validity of these specific typologies with a view to finding the typology of best fit. The four specific typologies to be investigated are respectively:

(1) the strategic alternatives of retrenchment versus growth implicit in much of the strategic marketing and management literature (Aaker, 2001; Cravens, 1999; Glueck and Jauch, 1984; Mintzberg, 1988; Pecotich *et al.*, 1985);

(2) the product/market matrix (Ansoff, 1965; Johnson and Jones, 1957; Mintzberg, 1988);

(3) the four grand strategic alternatives of stability, internal growth, external growth and retrenchment derived from the work of Glueck (1976, 1980) and Glueck and Jauch (1984); and

(4) Porter's (1980) three generic competitive strategies.

Although we do not directly state a hypothesis, our purpose is to develop a basis for a "crucial test", of four rival explanations for the generic structure of strategic action. A "crucial test" involves the development of alternative explanations for a phenomenon and juxtaposing these in an empirical context so as to determine which one provides the better fit to real world conditions. This approach is consistent with "multiple working hypotheses" as proposed by Chamberlin (1897) and Armstrong (1979)"strong inference" as suggested by Platt (1964) and the comparative approach as advocated by Sternthal *et al.* (1987), Our general theoretical proposition is however, that executive strategic perceptions will be structured as proposed by the four typologies but that one of these will prove to provide the best fit to the data. The research purpose is somewhat similar to Spearman's pioneering work on general intellectual ability

(Loehlin, 1987, p. 18). As a first step in this process it is necessary that a conceptual basis for the study be developed.

Typology 1: growth-retrenchment. A very general position suggests that corporations pursue two generic strategies in their principal industries: retrenchment or growth (Pecotich *et al.*, 1985). Retrenchment strategies refer to the reduction or withdrawal of a corporation from a particular strategic position. In contrast growth refers to an increase, expansion or entry of a firm to a particular strategic action or position (Pecotich *et al.*, 1985). Researchers within the portfolio theory framework have consistently placed these two strategic options at the opposite ends of a continuum (Kotler, 1994) and more importantly they implicitly or explicitly constitute a dimension of the more complex models advocated by, for example, Glueck and Jauch (1984), Mintzberg (1988) and Porter (1980, 1985).

Typology 2: the product/market matrix. The second general dimension on which strategies may be classified is the product/market continuum. Johnson and Jones (1957) and Ansoff (1965) have postulated that corporations have two general options for strategic development: they may enter new markets or develop new products. Mintzberg's (1988) elaboration of Ansoff's four component formulation of market penetration, market development, product development and diversification shall be used in this study. Market penetration strategies emanate from a basis of existing products and existing markets. They can be achieved by either straight expansion or through the takeover of existing competitors. Straight expansion is an attempt to "buy" market share. It incorporates such dimensions as increasing the advertising budget, expanding production and/or enlarging the size of purchases. Alternatively, takeover strategies involve acquiring competitors, an action frequently referred to as horizontal acquisition (Thompson and Strickland, 1999).

Market development involves the promotion of existing products in new markets so broadening the scope of a business. Creative market segmentation can isolate new groups of customers. Three particular cases of market development are: product substitution, where new uses for a product are encouraged; the adoption of new channels to reach different customers; and the pursuit of geographic expansion by carrying the existing product offering to new geographical areas.

Product development may involve a simple product extension strategy rather than a more extensive product line proliferation strategy. A product extension strategy amounts to offering new or modified products in the same basic business. Often this means marginal modifications in existing products or variations on the theme of the dominant design. A product line proliferation strategy has as its purpose comprehensive product segmentation or the complete coverage of a given business. Adopting the marketing stance of "something for everybody", this strategy often assumes a dimension of product line fortification; that is, offering a broad product line to pre-empt competitors from making inroads in the territory.

A strategy of diversification amounts to extending the mission of a business into both new markets and new products. Mintzberg (1988, p. 40) defines diversification as “the entry into some business, not in the same chain of operation but nevertheless possibly related to some distinctive competence or asset of the core business itself”. Ansoff (1965) recognised two major types of diversification: related or concentric diversification is based on some common competence or asset, while unrelated or conglomerate diversification is based on no specific strength or competence. The problem in distinguishing related from unrelated diversification is that relatedness can reside in the eyes of the beholder. Indeed, as noted by Porter (1987, p. 54) “If you believe the text of the countless corporate annual reports, just about anything is related to just about anything else! But imagined synergy is much more common than real synergy”. In the context of the present study, then, how can related diversification be discerned from that which is unrelated? Pearce (1982) provides an interesting answer to this question by postulating that, in the case of unrelated diversification, the principal decision criterion of the acquiring firm is the profitability of the venture.

A problem with this typology is that the total emphasis is on growth. Mintzberg (1988) notes that this is in keeping with the proactive orientation of the positioning school. An enlargement of this product/market matrix could involve the consideration of the downside equivalent of each strategy, resulting in eight, not four, cells. This is a more comprehensive and realistic approach to strategic alternative specification as businesses can conceivably choose to retrench from these positions if they so desire. Contraction from each of these four product/market positions involves a different strategy in each instance. The opposite of an expansion or market penetration strategy is a harvesting strategy or an attempt to “sell” market position by trading increased short-term earnings for a diminished market share. This often amounts to cost cutting whereby a business reduces the level of investment or service given. The inverse of market development is market consolidation. This “counter segmentation” strategy involves reducing the number of segments served. With regard to product development, its opposite concerns product rationalisation strategies. Cannon, cited in Mintzberg (1988) identifies three types of withdrawal strategy:

(1) cancellation of long-term licences, closing down joint ventures and eliminating links with other businesses;

(2) abandonment or liquidation of businesses; and

(3) divestment.

Thus the full enumeration of the product/market matrix into eight cells encapsulates the prior dimensions of growth and retrenchment.

Typology 3: grand strategic alternatives derived from Glueck and Jauch (1984). Another approach to the development of generic strategic taxonomies is based on the work of Glueck and Jauch (1984). These authors introduce a complex matrix that involves expansion/retrenchment and stability across products/markets and functions. Using this matrix Hitt *et al.* (1982) and Pearce *et al.* (1987) postulate that there exist four grand strategic alternatives: stability; internal growth; external acquisitive growth; and retrenchment. The stability strategy involves the maintenance of the current business definition but a corporation "may alter its strategy by changing the pace of effort within the stable business definition in order to become more efficient or effective" (Glueck and Jauch, 1984, p. 210). Pearce *et al.* (1987) operationalise the stability strategy along four dimensions:

(1) a business continues to serve customers in the same or similar product/market domain;

(2) it has its main strategic decision focus on incremental improvement of functional performance;

(3) it continues to pursue similar objectives; and

(4) the business adjusts the level of improvement approximately the same percentage each year.

The strategy is an alternative to growth or retrenchment in that goals such as profit or growth are not abandoned. Rather, profits can actually be increased, for example, by improving efficiency.

An internal growth strategy involves the pursuit of growth predominantly through internal development independently from other corporations or businesses. Market penetration, market development and product development are emphasised. If diversification is pursued then it is enacted by what is frequently referred to as a "start-up" business (Vancil and Lorange, 1975). Glueck and Jauch (1984) note that there are a number of terms used for "external expansion". These include acquisitions, mergers (one business loses its identity), consolidations (both businesses lose their identity, and a new business arises) and joint ventures. The distinguishing feature of all external growth strategies, though, is that they involve another company or business.

Pearce *et al.* (1987) operationalise a retrenchment strategy along three dimensions: improvement in performance by scaling down the level and/or scope of product/market objectives; cut back in costs; and reduction of the scale of operations through the divestment of some units or divisions. Glueck and Jauch (1984) also suggest that retrenchment also involves a reduction in functions. Conceivably, Glueck and Jauch's internal and external concepts could also be applied to retrenchment strategies. Internal retrenchment is, in fact, labelled as an "operating turnaround" strategy where the emphasis is on reducing costs, increasing revenues, reducing assets, and reorganising products and/or markets to achieve greater efficiency. External retrenchment constitutes a more serious form of strategic turnaround, including such measures as divestiture and liquidation. Glueck and Jauch's (1984) typology introduces the concepts of stability and external versus internal aspects of growth and retrenchment.

Typology 4: Porter's generic strategies. The final hypothesized strategic typology to be tested is based on the formulation proposed by Porter (1980) who identified at the business level three "generic strategies": differentiation, focus and cost leadership. This formulation has had a major impact on strategic research and application, and despite controversy remains virtually unchanged in "most contemporary textbooks" (Campbell-Hunt, 2000, p. 128). The research evidence has been inconclusive (Campbell-Hunt, 2000) and even contrary to the formulation (Kotha and Vadlami, 1995), and there have been persistent calls "for further empirical validation of competing typologies to revitalize research on generic strategies" (Kotha and Vadlami, 1995, p. 75). Porter (1980, p. 37) stated that differentiation involves "the product or service offering of the firm, creating something that is perceived industry wide as being unique". The concern is with the nature of the product and differentiation is a supply driven concept (Mintzberg, 1988). Focus, on the other hand, is a demand-driven concept and the concern is with a particular market, buyer group or segment. The segment is concerned with how markets are defined and disaggregated and the strategic action is driven by the perceptions of the nature of the market. With overall cost leadership the emphasis is on achieving low cost relative to the competitors. Cost leadership requires a strong strategic attention to efficiency of facilities, tight cost and overhead control and minimisation of such costs and expenses as R&D, sales force and advertising. According to Porter each of these strategic alternatives represent a fundamentally different approach to creating and sustaining a competitive advantage. Fundamentally they are three independent strategic thrusts. Executives must choose which one to implement or their corporations will get "stuck in the middle" and perform poorly. While there is some controversy on this issue and it is possible to pursue, for example, focus and differentiation simultaneously (Miller, 1988; Mintzberg, 1988), it is quite plausible to propose that whatever the corporate strategic groupings within the industry the structure of executive perceptions of strategy should conform to Porter's (1980) tripartite formulation.

Method

Data for this study were collected via a mail survey from senior executives involved in top-level strategic decision making for a variety of businesses. A regionally restricted field sample was selected in order to introduce a measure of control over extraneous, non-industry factors such as regulation, taxation and wage rates (Pearce *et al.*, 1987). The sample was selected from an Australian business directory compiled in association with the Australian Chamber of Commerce. The specific requirements for selection into the sample meant that the executives were expected to be conversant with the overall strategic direction of their business and to have direct input into the strategic decision-making process. Instructions were developed to ensure that the respondents understood the purpose of the study and that they were able to provide answers only in relation to the particular business unit involved. Of 700 questionnaires distributed 255 were returned giving a response rate of 36.43 per cent which was considered satisfactory given previous experience with surveys of a similar nature (Dillman, 2000; Groves, 1989; Kotha and Vadlami, 1995). The sample emanated from a wide variety of industries and thus, industry representation was considered adequate (29 per cent were involved with consumer products, 50 per cent with industrial products, and 21 per cent with services). Furthermore, there was much diversity in the size of the businesses. The mean number of employees was 698 with a standard deviation of 45. The businesses reported average net sales in the vicinity of $111.6 million (range 0 to 2.8 billion) and an average net income of $28.3 million (range from a loss of 80 million to $950 million profit), respectively, in the preceding fiscal year. It was decided that such variety was both necessary and highly desirable in order to be able to generalize the research results across types of industry, business size and corporate performance.

The key informant, or alternatively, self-typing approach was used in this research study. With the key informant approach, data is collected from a senior manager or a group of senior managers on information pertaining to the whole organization (or business unit). It is assumed that such senior managers have the best vantage point for viewing the entire organization and, thus, will provide the most accurate responses. Data on strategy gathered from middle and lower managers have questionable validity because these managers typically do not have access to information about how the total system operates (Kotha and Vadlami, 1995). The job titles given by the respondents in the field study indicated that the sample was in fact made up of senior managers and top decision makers. Specifically, 26 per cent were directors (i.e. president, including managing and executive director), 21 per cent were general managers, 37 per cent were managers of functional or geographic areas, 5 per cent were company executives, 5 per cent were accountants and financial controllers and 6 per cent had other managerial positions (e.g. assistant manager). It can be concluded, therefore, that this was an elite sample consisting of executives who were involved in strategic decisions and had the power to implement their selected options.

Procedure

A list of possible strategic actions to be pursued at the business level was developed based on a literature review of four widely cited strategic typologies. The inductive derivation of the set of strategic actions from the literature represented the first stage in the construction of a measurement instrument for strategic typologies. This information was then used to fulfil the dual objectives of this study:

(1) to determine which strategies, in practice, are pursued together and to therefore provide some empirical support for the existence or non-existence of strategic archetypes as they are delineated in the literature; and

(2) to develop a measurement instrument that can be used to investigate the types and content of strategic actions pursued by a wide variety of businesses.

The second step of the procedure involved the use of experts to purify, clasify and finalize the questionnaire. Chosen for this task were 18 part time MBA students who were involved in strategic decision making in their companies. They were over the age of 35 and employed in a managerial capacity. Their primary task was to complete the questionnaire and critically evaluate its content and classification scheme. On the basis of this evaluation a final instrument consisting of 102 items on which there was substantive agreement for the classification according to the generic strategy of best fit (see appendix for the full enumeration) was developed. In the third stage, the purified measurement instrument was administered to a sample of executives.

The executives were asked to indicate on five point scales (ranging from 1 "no importance" to 5 "very high performance") the extent to which the particular strategic action was "important and central to the operations of your business over the last five years". The procedure used was as follows:

(1) a pre-notification procedure was adopted whereby respondents agreed to participate prior to receiving the questionnaire;

(2) a summary of results was promised to participating companies upon completion of the research study;

(3) anonymity was guaranteed in a cover letter that accompanied the questionnaire; and

(4) follow-up calls were made to those respondents who had not returned a completed questionnaire after an allotted four-week period.

Analyses and results

The approach taken in this study is confirmatory because theoretical development has taken place almost without empirical verification of executive perceptions (see, for an enumeration of exceptions, Campbell-Hunt, 2000; Kotha and Vadlami, 1995). Our purpose is to compare four formulations of strategic typologies. The exploratory approach (e.g. exploratory factor analysis) is, therefore, not appropriate as these generic structures have already been formulated, and such approaches do not allow us to statistically compare the extent of the fit of one typology versus another. We therefore used confirmatory factor analysis as implemented in COSAN (Fraser, 1984) one of the many computer programs for structural equation modelling, the most well known one being LISREL (for a full enumeration see, for example, Bollen, 1989; Kline, 1998). The four typologies to be evaluated have been described but a full enumeration of the items is shown in the Appendix. To assess the adequacy of one typology versus another and to evaluate the extent of fit there exist a large number of fit statistics. The most fundamental is the $N-1$ time the minimum value of the loss function, which can be interpreted as a chi-square with degrees of freedom equal to $0.5 \times p \times (p+1)$ where p is the number of parameters free to be estimated. The fundamental problem with these statistics is that the fit can be improved by, nonsensically, reducing the sample size and with large sample sizes we are more likely to reject meaningful theoretical models. As a consequence, there has been a large number of indices invented and there have been various evaluations of these indices (Bollen, 1989; Hayduk, 1996; Kline, 1998). From these we have chosen the "Chi-square/df ratio, root mean square residual (RMS), goodness of fit (GFI), adjusted goodness of fit (AGFI), Akaike information criterion (AIC), and the Tucker-Lewis index". These appear to have theoretical justification, are not seriously influenced by sample size, perform adequately in simulations, and are widely used (Bollen, 1989; Hayduk, 1996; Kline, 1998; Pecotich *et al.*, 1999). The sampling distributions of these indices, however, are not known, and while rules of thumb abound there is no definite to guide as to what constitutes "good fit" (Hayduk, 1996). All these indicators are used in the subsequent analysis, as they serve to not only provide evidence of the adequacy of the various models but they may assist in the process of the development of a meaningful and accurate theory of strategic structure.

To assess the extent of fit of each of the hypothesized typologies a confirmatory factor analysis with correlated latent variables was conducted for each case. Fundamentally this is equivalent to the first step (measurement validation) in the two-step process advocated by Gerbing and Anderson (1988). The results of the analyses are shown in Table I[1]. The first finding of note is that the fit statistics, with the exception of the Tucker-Lewis index, are marginal at best. While this is a finding of consequence it is important to remember that we are seeking meaningful results or a model that best explains this particular set of data. The second point to note is that with the exception of typology 1 the rank order of the indices is not consistent. Nonetheless, we are able to draw some important conclusions. We can conclude that typology 1, the broad growth-retrenchment formulation does not fit comparatively as well as the other models. It is the least well fitting formulation on all indices (ranked 4 on all) and, for example, the AGFI of 0.752 is an indication of poor fit. The evaluation of the other three models is problematical as although the rankings

Table I. A statistical evaluation of the typologies

Fit statistics	Typology 1 Statistic	Typology 1 Rank	Typology 2 Statistic	Typology 2 Rank	Typology 3 Statistic	Typology 3 Rank	Typology 4 Statistic	Typology 4 Rank
Chi- square/df ratio	2.320	4	2.120	3	2.100	2	2.080	1
Root mean square residual	0.075	4	0.074	2	0.074	3	0.069	1
Goodness of fit (GFI)	0.768	4	0.871	1	0.803	3	0.837	2
Adjusted goodness of fit (AGFI)	0.752	4	0.850	1	0.788	3	0.822	2
Akaike information criterion (AIC)	17.100	4	6.130	1	15.100	3	9.980	2
Tucker-Lewis index	0.946	4	0.968	1	0.955	2	0.951	3

Notes: Typology 1: growth-retrenchment; typology 2: the product/market matrix; typology 3: grand strategic alternatives derived from Glueck and Jauch (1984); typology 4: Porter's (1980) generic strategies are different, the indices of fit are fairly close and in some cases difficult to separate. It is therefore necessary to carefully examine the loadings, the modification indices, and the correlations between the latent factors (Pecotich *et al.*, 1999).

On the basis of the fit indices (see Table I) the second classification (the product/market continuum) as advocated by Johnson and Jones (1957), Ansoff (1965) and Mintzberg (1988) appears to have the best fit. However, although there are no large modification indices, and only two factor loadings are not significant and of the required size the correlation matrix of the latent variables is problematical. Eight correlation coefficients are above 0.750 and the range is 0.750 to 0.972. This suggests the existence of higher order factors or possibilities for combining the postulated typologies. It is therefore concluded that the Mintzgberg (1988) formulation of typology 2 is comparatively not appropriate. This finding is contrary to Kotha and Vadlami (1995).

Of the two remaining strategic typologies (typology 3: grand strategic alternatives derived from Glueck and Jauch (1984); and typology 4: Porter's generic strategies) the fit statistics clearly favour Porter's formulation. In both case the correlations between the factors were not large enough (highest for typology 3 being 0.58 and for typology 4 being 0.51) to suggest higher order factors. The modification indices were not of substantive size to suggest significant improvements in fit but three factor loadings in the Porter formulation (typology 3) were not significant indicating that they could be dropped from the model. Our general conclusion is, therefore, that in this set of data the evidence favours typology 4 or Porter's generic strategy formulation. This conclusion is necessarily tentative, however, it provides a promising basis for further investigation.

Further analyses – predictive validity

The above findings although tentative suggest that it may be appropriate to proceed to asses the measurement properties of Porter's three generic strategies and the extent of predictive validity of the theory. The descriptive statistics and the measurement properties of Porter's generic strategies are shown in Table II. The scale means are close to the mid point of the scale (cost – leadership = 2.9, differentiation = 3.0 and focus = 2.7) but the scale ranges (all greater then 1.3 to 4.3 on a five point scale) suggest that for this Australian sample there is

Table II.
Descriptive statistics and the measurement properties of Porter's (1980) generic strategies

Genric strategy	Mean	SD	Minimum	Maximum	Final number of items	Coeficient alpha
Cost-leadership	2.9	0.61	1.3	4.3	20	0.82
Differentiation	3.0	0.57	1.0	4.2	31	0.77
Focus	2.7	0.74	1.0	4.4	8	0.72

sufficient variability in the pursued strategies. An examination of the plots, and the kurtosis and skewness statistics supported this contention, and revealed no serious deviation from normality. An examination of the measurement properties indicated that the scale met reliability criteria – all coefficient alphas were above 0.7 as suggested by Nunnally and Bernstein (1994).

Of critical relevance for the development of a basis for predictive validity is Porter's (1980, 1985) assertion that firms may be grouped according to their respective strategic postures. There are two vitally important elements of Porter's initial formulation that form a basis for a preliminary assessment of predictive validity: the assertion that corporations will pursue the three generic strategies to a differential extent and that those corporations that do not pursue a single strategic thrust "will be stuck in the middle" and perform poorly (Porter, 1980, 1985). At a very broad level, a strong foundation for prediction emanates from the common practice in strategic management and marketing to partition the environment according to the consumer, industry or service sectors (e.g. Aaker, 2001; Kotler, 1994; Kotler *et al.*, 1998; Nayyar, 1993; Pecotich *et al.*, 1992, 1999; Webster, 1979). The consumer market is characterised by a large number of buyers and it is a tenet of modern marketing that to serve such a market adequately is impossible, and that in a well developed nation such as Australia one must focus on a niche to be successful. In the industrial sector the number of buyers is smaller while the level of the complexity of the buying process and the extent of the interdependence is greater (Webster, 1979). It is therefore predicted that the cost leadership strategy should be of greater importance to corporations in this sector. The intangibility and the simultaneity with which services are produced and consumed complicates the choice decision for buyers (Nayyar, 1993, p. 29), and decreases their power in relation to the sellers. The service consumer finds quality evaluation difficult, not only because of the complexity of the service, but also because of the information asymmetry where the service provider possesses unique expertise which is not easily understood by the buyer (e.g. medical services). The fact that services are consumed as they are delivered and the difficulty of quality evaluation means that they are neither reversible nor returnable (Nayyar, 1993). This leads to the most important postulated difference between the service sector and the others – the differentiation strategy is expected to be the most important. To summarize our general predictive hypothesis is that in the well-developed Australian context there should exist significant differences between the application of generic strategies with focus being most important in the consumer sector, cost leadership in the industrial sector and the differentiation strategy in the service sector.

To test this hypothesis multivariate analysis of variance was carried out followed by univariate ANOVA to clarify the nature of the relationships (Neter *et al.*, 1990). The overall omnibus multivariate test indicated the existence of significant differences between the means of the three types of businesses

(Multivariate $F = 2.22$, df $= 6,502$; $p < 0.05$). However, there was only one significant univariate main effect (see Table III). There existed a significant difference in the importance of the usage of the differentiation strategy ($F_{(2,252)} = 4.28$, $p < 0.05$). The consumer and service sectors were perceived to have the highest usage of the differentiation strategy when compared to the industrial sector. These results although not as expected do provide an indication that the instrument may provide a promising basis for substantive application. The conclusion is that Australian executive perceptions of generic strategise may be organized and appear to correspond to Porter's original framework, and that different groupings of the strategic action exist.

To evaluate Porter's proposition that corporations that do not implement a unique generic strategy but follow a combination of strategies are liable to get "stuck in the middle" data transformation was necessary. To develop an index of the extent to which corporate strategy is "stuck in the middle" Euclidean distance was computed between a firm's orientation on each of the generic strategies and the maximum possible score on that strategy[2]. The minimum distance for each strategic vector is therefore an indication of how close each firm is to pursuing a single strategic thrust. If Porter's proposition is correct we would expect a negative relationship between this minimum distance and corporate performance. Corporate performance was measured using a three-item subjective performance index adapted from Pearce *et al.* (1987) who asked executive to state the extent to which their corporate return on total assets, total sales and overall business performance was poor – excellent on a five-point scale. The coefficient alpha for this instrument was 0.79 and when a simple regression analysis was performed the relationship was significant ($F_{(2,253)} = 8.01$, $p < 0.01$) with a R^2 of 0.18. The Beta value (-0.18, $p < 0.01$) was significant and in the appropriate direction so supporting Porter's position of a negative relationship.

Discussion conclusions and directions for future research

The purpose of this study was to examine four prominent strategic typologies, operationalise and evaluate their empirical validity in the Australian context. Unlike previous studies the focus was not on objective criteria but rather on top management executive perceptions. The study was based on the assumption that executive perceptions matter and provide fundamental basis for

Table III. Analysis of variance results for Porter's (1980) generic strategies across industry sectors

	Consumer		Industrial		Service			
Generic strategy	Mean	Std error	Mean	Std error	Mean	Std error	df	F
Cost-leadership	3.0	0.07	2.9	0.5	2.8	0.08	2,252	1.51
Differentiation	3.2	0.05	2.9	0.5	3.1	0.08	2,252	4.28*
Focus	2.8	0.08	2.8	0.7	2.7	0.10	2,252	0.93

Note: * $p < 0.05$

evaluating the veracity of the various conceptually derived typologies. In doing the study we hoped, first, to provide executives with a comprehensive and convenient list of strategic action statements with which to communicate and measure business strategy and, second, to take a preliminary step of establishing the comparative validity of some conceptually attractive strategic typologies in the field of strategic marketing and management. It was also anticipated that, moving towards achieving these objectives, we would provide a basis and a challenge for further research on these important issues.

While the argument could be presented that none of the typologies met stringent test fit criteria (e.g. Schumacker and Lomax, 1996), nonetheless, the fit for the two best models may be considered adequate and provides a promising basis for further research. Porter's (1980, 1985) formulation of three generic strategies received the strongest confirmation and a strong implication of our results is that the original formulation may indeed form the soundest basis for future research endeavours. Our findings differ from those of Kotha and Vadlami (1995) whose findings favoured the Mintzberg (1988) formulation. The findings favour the more parsimonious formulation of Porter and while this may in part be explained by different operationalizations, contexts and methods of analysis, it remains an issue that can only be resolved by further research. Further, in the rush to investigate relationships pertaining to strategy, structure and performance, theoreticians are often guilty of adopting inappropriate measures of strategy and of implicitly assuming the existence of conceptually neat, mutually exclusive, internally homogeneous and collectively exhaustive generic strategies. For example, the lack of support found in this study for Glueck's (1976) typology calls into question the results reported by Jauch *et al.* (1977, 1980). They used the four grand strategies postulated by Glueck (1976) as a basis for enumerating a set of strategic decision variables to examine the interrelationships of environmental change, strategy and short-term success. The establishment of the validity of the postulated typology is clearly necessary before conducting more elaborate tests concerning the theoretical relationships between strategy, structure and performance.

The preliminary assessment of the predictive validity of our operationalisation of the generic strategic structure as developed by Porter (1980, 1985) in the Australian context provides a promising basis for future research. We have found that Australian top management perceptions of strategic actions pursued by their corporations tends to support Porter's formulation, and that there exist significant variability in their strategic actions. The indications are that Australian corporations may be implementing different strategic thrusts in different industrial sector contexts. In particular it appears that the consumer and service sectors may be more likely to pursue the differentiation strategy. Perhaps the most important finding is the support for Porter's low performance hypothesis for those who do not implement a focussed strategic thrust (the "stuck in the middles"). While we do not wish to overstate the strength of this finding, and clearly further research is needed, this finding does form basis for a normative prescription for Australian executives to implement one strong strategic thrust when deciding new strategic directions.

As all studies, this study has limitations that should cause us to view the conclusions with a degree of caution. The sample consisted of Australian executives and it is therefore quite possible that the results cannot be generalized out of that context. This drawback is quite normal and wherever the study was done it would be necessary that further studies be completed elsewhere before some degree of general consensus can be achieved. On the positive side top management response to questionnaires is not easy to obtain. Whatever the sampling defects therefore this study provides an important insight into strategic perceptions and of top management in Australia. There is also the possibility that the meaning of generic strategies as postulated by their original authors may have been blurred in the translation in this study. While care was exercised to ensure that this was not so it is a defect which can only be remedied by further research and to assist in this a full enumeration of the items is provided in the Appendix. Finally, it is possible that a different analytical approach may have led to slightly different results; however, whatever the defects the present study provides a point of departure for future work.

As enumerated by Campbell-Hunt (2000) there are numerous opportunities for further research in theory development, measurement and theoretical evaluation. Indeed as stated by these authors the "17 studies in their meta-analysis form a tiny pool of empirical work" (Campbell-Hunt, 2000, p. 150). The area of specific linkages of strategic action to corporate performance still needs strong theoretical development. To achieve this further research into the structure of generic grand strategies is necessary and in this regards this study has indicated that Porter's formulation may form a promising starting point. Once the validity of the structure has been adequately established then the issue of "stuck in the middle" poor performing corporations may be resolved. Indeed this is the logical next step of a research program designed to evaluate the strategy, structure and conduct paradigm at the top executive perception level (Pecotich *et al.*, 1985, 1992, 1999).

Notes

1. Due to space limitations, the full results are not presented but are available, on request, from the authors.
2. This method for capturing the degree to which a corporation is "stuck in the middle" was developed by Dr Timothy Bock of the University of Sydney, New South Wales, Australia to whom we express my sincere appreciation.

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Appendix

	Strategic action	Typology 1. Growth-retrenchment	Typology 2. The product/market matrix	Typology 3. Grand strategic alternatives derived from Glueck and Jauch (1984)	Typology 4. Porter's (1980) generic strategies
1.	Marketing of existing products to existing customers	–	MP	S	–
2.	Concentration on a narrow buyer group carefully selected from the total market	–	–	–	F
3.	Conscious effort to increase the level of accounts receivable	G	–	IG	–
4.	Entry of new markets with new products	G	D	IG	–
5.	Emphasis on flexibility in production scheduling	–	–	–	D
6.	Reduction of the overall level of investment or service given to existing customers and existing products	R	H	R	–
7.	Concentration on serving a limited geographical area	–	–	–	F
8.	Conscious and deliberate effort to raise prices	–	–	–	D
9.	Major attempt to cut back sales and promotional expenditure	R	–	R	–
10.	Emphasis on efficiency and standardised production scheduling	–	–	–	CL
11.	Concentration on offering a narrow range of products	–	–	–	F
12.	Emphasis on after-sales service and customer support	–	–	–	D
13.	Control of the channels of distribution (i.e. strong influence on outlets that distribute the product/s of the business)	–	–	–	D

(*continued*)

Table AI. Business level strategic actions

	Strategic action	Typology 1. Growth-retrenchment	Typology 2. The product/market matrix	Typology 3. Grand strategic alternatives derived from Glueck and Jauch (1984)	Typology 4. Porter's (1980) generic strategies
14.	Avoidance or elimination of marginal customer accounts	–	–	Pr	CL
15.	Change in top management positions	–	–	–	–
16.	Use of joint ventures as an integral part of the overall strategy	G	–	EAG	–
17.	Introduction of new products	G	PD	IG	D
18.	Concentration on a specific consumer segment	–	–	–	F
19.	Emphasis on asset reduction	R	–	R	–
20.	Rationalization of distribution within existing products and markets	R	H	R	–
21.	Emphasis on product R&D	G	PD	IG	D
22.	Forward integration (i.e. attempt to acquire or develop wholesalers and/or retailers so that they form a part of the existing business)	G	–	–	D
23.	Backward integration (i.e. attempt to acquire or develop suppliers of raw materials and/or semi-finished products so that they form part of the existing business)	G	–	–	–
24.	Quasi-integration (i.e. arrangement of stable, long term contracts with wholesalers, retailers and/or suppliers	G	–	–	–
25.	Encouragement of product obsolescence	G	MP	IG	D

Table AI.

(*continued*)

	Strategic action	Typology 1. Growth-retrenchment	Typology 2. The product/market matrix	Typology 3. Grand strategic alternatives derived from Glueck and Jauch (1984)	Typology 4. Porter's (1980) generic strategies
26.	Emphasis on process R&D	G	–	IG	CL
27.	Conscious attempt to reduce the level of accounts receivables	–	–	–	CL
28.	"Farm out" many elements of the production process so that they are manufactured outside of the business (i.e. low level of vertical integration	–	–	–	–
29.	Pursuit of constant and high capacity utilisation	–	–	S	CL
30.	Use of high distributor margins	–	–	–	D
31.	Use of low distributor margins	–	–	–	CL
32.	Reduction of operating costs to bare bones level through stringent cost cutting programmes	R	–	R	–
33.	Limitation of capital expenditure to only essential replacements (e.g. government mandated safety and pollution control equipment)	R	–	R	–
34.	Use of differential commission rates to emphasize high profit items	–	–	–	–
35.	Offer low prices continuously to attract customers (i.e. use of competitive pricing)	G	–	IG	CL
36.	Build substantial capacity ahead of consumer demand	G	–	IG	
37.	Attempt to increase overall sales volume	G	–	–	–

(*continued*)

Table AI.

	Strategic action	Typology 1. Growth-retrenchment	Typology 2. The product/market matrix	Typology 3. Grand strategic alternatives derived from Glueck and Jauch (1984)	Typology 4. Porter's (1980) generic strategies
38.	Attempt to improve overall profitability	G	–	–	–
39.	Maintenance of a large supply of goods and/or work in progress	–	–	–	D
40.	Maintenance of a small supply of goods and/or work in progress	–	–	–	CL
41.	Emphasis on product quality	–	–	–	D
42.	Entry of new and different markets with existing products	G	MD	IG	–
43.	Penetration of existing markets with existing products	G	MP	S	–
44.	Penetration of existing markets with new products	G	PD	IG	–
45.	Emphasis on advertising expenditure and promotional effort	G	–	IG	D
46.	Pursuit of economies of scale wherever possible	–	–	–	CL
47.	Addition of new products related to existing lines to attract new customers	G	D	IG	–
48.	Addition of new products not related to existing lines to attract new customers	G	D	IG	–
49.	Emphasis on cost cutting and internal efficiency programs	R	R	–	CL
50.	Pursuit of new technology or other knowledge via mergers and acquisitions	G	EAG	–	–
51.	Pursuit of new technology or other knowledge via internal start-up businesses	G	–	IG	–

Table AI.

(*continued*)

	Strategic action	Typology 1. Growth-retrenchment	Typology 2. The product/market matrix	Typology 3. Grand strategic alternatives derived from Glueck and Jauch (1984)	Typology 4. Porter's (1980) generic strategies
52.	Adoption of procedures to encourage high utilization of assets	–	–	–	CL
53.	Use of an innovative "first to market" strategy with regard to new products	G	–	IG	D
54.	Acquisition and/or merger with related businesses	G	–	EAG	–
55.	"Start-up" related busnisses internally	G	–	IG	–
56.	Acquisition and/or merger with unrelated businesses	G	–	EAG	–
57.	"Start-up" unrelated businesses internally	G	–	IG	–
58.	Avoidance of diseconomies of scale whenever possible	–	–	–	CL
59.	Tie up 75 per cent or more of sales to one or two buyers	R	MC	R	–
60.	Emphasis on internal efficiency and cost cutting with a view to the overall growth of the business	G	–	IG	CL
61.	Emphasis on internal efficiency and cost cutting with a view to harvesting some or all of the business	R	–	R	–
62.	Use of an "imitative" strategy with regard to new product development (i.e. follow competitors)	–	PR	–	CL
63.	Horizontal acquisition and/or merger with competitors	G	MP	EAG	–
64.	Sell products together in bundles (e.g. six packs)	G	MP	IG	–
65.	Chief executive strongly influences the operations of the business	–	–	–	F

(continued)

Table AI.

	Strategic action	Typology 1. Growth-retrenchment	Typology 2. The product/market matrix	Typology 3. Grand strategic alternatives derived from Glueck and Jauch (1984)	Typology 4. Porter's (1980) generic strategies
66.	Encouragement of new uses for an existing product (i.e. product substitution)	G	MD	IG	–
67.	Engage in product line fortification (i.e. offer a wide range of products)	G	PD	IG	D
68.	Emphasis on the manufacture of specialty products	–	–	–	F
69.	Attempt to keep knowledge within the business to pre vent it from "spilling over" to other firms in the industry	–	–	–	CL.
70.	Use of different channels to reach new customers	G	MD	IG	–
71.	Liquidation of part of the business (i.e. sell parts of the business for their tangible asset value and not as going concerns)	R	W	R	–
72.	Institution of major cutbacks in both process and product R&D	R	PR	R	–
73.	Emphasis on new process technology	G	–	IG	CL
74.	Engage in product line simplification (i.e. streamline major product types)	R	PR	R	–
75.	Divestment of part of the business (i.e. sell a major component of the business as a going concern)	R	W	R	–
76.	Elimination of links with other businesses	R	W	R	–
77.	Shrink or withdraw from activities that involve both new products and new markets	R	W	R	–

Table AI.

(*continued*)

	Strategic action	Typology 1. Growth-retrenchment	Typology 2. The product/market matrix	Typology 3. Grand strategic alternatives derived from Glueck and Jauch (1984)	Typology 4. Porter's (1980) generic strategies
78.	Service new and different geographical areas with existing products	G	MD	IG	–
79.	Increase the overall number of market segments served	G	MD	IG	–
80.	Decrease the overall number of market segments served	R	MC	R	–
81.	Divestment of all of the business (i.e. the "marketing for sale" of the whole business)	R	W	R	–
82.	Direction of promotional effort towards the competitors customers	G	MP	IG	–
83.	Attempt to locate where existing logistical costs, taxes and raw materials are comparatively inexpensive	–	–	–	CL
84.	Drastically prune major product types (i.e. product elimination)	R	PR	R	–
85.	Use of new technology to provide new products to consumers	G	PD	IG	D
86.	Increase the overall number of product lines offered	G	PD	IG	–
87.	Decrease the overall number of product lines offered	R	PR	R	–
88.	Introduction of minor modifications to existing products	–	PD	S	D
89.	Attempt to closely co-ordinate all business activities in order to achieve permanent cost advantages	–	–	–	CL

(*continued*)

Table AI.

	Strategic action	Typology 1. Growth-retrenchment	Typology 2. The product/market matrix	Typology 3. Grand strategic alternatives derived from Glueck and Jauch (1984)	Typology 4. Porter's (1980) generic strategies
90.	Deliberately reduce the number of market segments served with existing products (i.e. market consolidation or counter segmentation)	R	MC	R	–
91.	Offer a limited mix and variety of products to a wide range of customers	–	–	–	CL
92.	Operate within a market niche or specialized segment, notably different from the overall market	–	–	–	F
93.	Attempt to create an image associated with a special and distinct customer group	–	–	–	F
94.	Improvement of profitability and Sales volume objectives by roughly the same percentage each year	–	–	S	–
95.	Engage in a low level of backward integration (i.e. there is no attempt to integrate suppliers of raw materials and/or semi-finished products within the existing business framework)	–	–	–	F
96.	Acquisition of one or more businesses that operate at the same stage of the production/marketing chain	G	MP	EAG	–
97.	Complete liquidation of the whole business	R	W	R	–
98.	Emphasis on the enhancement of product image and business reputation	–	–	–	D

Table AI. (*continued*)

	Strategic action	Typology 1. Growth-retrenchment	Typology 2. The product/market matrix	Typology 3. Grand strategic alternatives derived from Glueck and Jauch (1984)	Typology 4. Porter's (1980) generic strategies
99.	Produce and market "no-frills" products	–	–	–	CL
100.	Deliberately limit sales volume goals	–	–	–	F
101.	Concentration on a particular distribution channel type to reach buyers	–	–	–	F
102.	Emphasis on obtaining superior access to low cost raw materials and components	–	–	–	CL

Note: G = growth; R = retrenchment; MP = market penetration; MD = market development; PD = product development; D = diversification; H = harvesting from existing products and markets; MC = market consolidation; PR = product rationalisation; W = withdrawal from diversification; S = stability; IG = internal growth; EAG = external acquisitive growth; R = retrenchment; CL = cost leadership; D = differentiation; F = focus

Table AI.

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The effects of market orientation on trust and commitment

The case of the sponsorship business-to-business relationship

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Keywords *Sponsorship, Market orientation, Trust, Commitment, Australia*

Abstract *There is little empirical research that examines the effects of marketing orientation on the two most important relationship marketing concepts, namely trust and commitment. In this paper, the sponsorship relationship is the focus of an empirical investigation aimed at uncovering the potential effect of market orientation, exhibited by both parties of the sponsorship dyad, upon trust and commitment. By selecting the leading sponsorship property in Australia, the Australian Football League, the majority of key Australian sponsors were included in this study, allowing the authors to draw managerial implications of direct relevance to other sponsors and properties aiming to secure long lasting sponsorship relationships.*

Introduction

Despite an increasing academic interest in the area of relationship marketing on the one hand and Sponsorship on the other, there have been very few attempts to consider sponsorship from this emerging perspective. Notable exceptions include papers by Cousens and Slack (1996) and Cousens *et al.* (2001), who used the relationship marketing framework to examine particular relationships deemed important in the sports industry, including those linking professional sports properties with broadcasters, sponsors, and merchandising and licensing firms. Sports properties are organisations, events or athletes in which sponsors may invest as part of their marketing strategies (e.g. Manchester United, the Olympic Games or Tiger Woods).

The alliance between sponsors and sponsored properties clearly reflects the type of long-term business-to-business relationship from which the relationship-marketing paradigm has evolved. Meenaghan (1998), Hoek

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(1998), Amis *et al.* (1999) and Mason (1999) have drawn conclusions about the need for, and importance of, "partnerships" and cooperation between the parties to the sponsorship relationship. Others have noted that smooth working relationships have a strong impact on the decision to renew (Aguilar-Manjarrez *et al.*, 1997). Conceptual research by Farrelly *et al.* (1998) and Olkkonen (2001) articulated the broader network of relationships that can impact the sponsorship alliance. Calls for research examining sponsorship from a relational perspective have been made by Cousens and Slack (1996), McDonald and Milne (1997) and, more recently, Olkkonen (2001).

In the case of sponsorship, there is very little that can be described as a single, discrete exchange. Rather, the sponsorship association involves a series of interactions and inter-relationships. Once the sponsorship fee passes from the sponsor to the sponsored firm, the "exchange" becomes far less easily defined. It encapsulates many exchange processes that can happen simultaneously, or can only be performed over time. It involves value generation in many forms, including that associated with achieving the types of objectives typically associated with sponsorship. It may even involve less apparent benefits including the sharing of commercial wisdom, experience, creativity, and skills. To use a celebrated analogy, such a relationship is akin to "dancing" with each partner adapting its strategy according to the other's, in the pursuit of a combination of self and collective interest (Wilkinson and Young, 1994).

The examination of sponsorship from a relationship marketing perspective may therefore shed some light on the sponsorship association and its success factors. In particular, the way in which sponsors and properties perceive the relationship, including those aspects deemed most important in the development and evaluation of commitment and trust, deserves closer examination according to the relationship marketing perspective.

Surprisingly, however, little or no research of this kind has been reported in the eight years between special editions dedicated to sponsorship by the *European Journal of Marketing* (1991 and 1999). While many important sponsorship management issues have been examined in these special editions (e.g. implementation and evaluation processes undertaken by sponsors), no studies have been specifically undertaken with the view of identifying conclusively some important business-to-business relationship concepts such as the sponsor or property's level of market orientation, commitment and trust. Following an international review of sponsorship which concluded that future research should analyse sponsorship as a platform to developing trust and commitment, and alliances more generally (Cornwell and Maignan, 1998), the study reported here is, to the authors' knowledge, the first attempt to undertake an empirical examination of these important concepts that also examines the sponsorship relationship from a dyadic perspective.

The paper begins with a brief review of those concepts identified in the literature as being critical to the success of an inter-firm relationship, namely market orientation, communication, trust and commitment, and relates these to the specific case of the sponsorship relationship. Derived from this review, a model of key drivers of the sponsorship relationship is developed along with related hypotheses. Importantly, we include in our investigation the effect that properties' market orientation may have on their sponsors' view of the relationship. The methodology implemented for the purpose of gathering the empirical data for testing the model and hypotheses is then described, before the final sections detail results and conclusions.

Market orientation and sponsorship

A firm develops a market orientation to build relevance into the products and services it offers its customers. In this pursuit, a market orientation serves as the prerequisite to the formulation of effective competitive strategies, innovation and response. Effective competitive response typically results from the generation and internal dissemination of pertinent market information, and innovation requires substantial consumer knowledge as well as a thorough appreciation of company resources and capabilities (Varadarajan, 1999). A firm generally seeks to develop its own market orientation to ensure the continuous needs assessment of its customers (Deshpandé and Farley, 1998), the early detection of shifts in the marketplace, and to prompt internal review and realignment of marketing strategies and activities where required.

Research in the area of marketing orientation continues to be very prolific. Table I summarises the empirical findings of several recent studies directly relevant to market orientation and its effect on the other constructs central to the sponsorship context. One such study was conducted by Atuahene-Gima (1996) who found a positive relationship between market orientation, new product development, and associated project performance. Project performance was assessed according to proficiency in pre-planning, launch activity, service quality, marketing synergy, and teamwork, all of which are highly relevant to the sponsorship relationship. That market orientation was found to have a greater impact on new product performance when the "newness" of the product was incremental rather than radical is both relevant and important as this situation shares some similarities with the sort of brand re-positioning strategies often associated with sponsorship (Meenaghan, 1991).

The definition of market orientation adopted in this study is that put forward by Cadogan and Diamantopoulos (1995, p. 11), according to whom "... market orientation is indicated by intelligence generation, intelligence dissemination and responsiveness activities, characterised by a customer and competitor orientation, and guided by a coordinating mechanism which ensures that these activities are carried out effectively and efficiently". This

Study	Key findings
Ruekert (1992)	Evidence of a strong, favourable link between market orientation and job satisfaction, intentions to leave, and trust in management
Jaworski and Kohli (1993)	The adoption of a market orientation enhances organisational commitment
Cole *et al.* (1993)	Found market orientation to have a positive influence on customer service levels
Siguaw *et al.* (1994)	Market orientation affects salespeople's customer orientation, and organisational commitment
Shamdasani and Sheth (1995)	Found competence of an alliance partner to be a key predictor of relationship continuity in alliances
Atuahene-Gima (1996)	Identified a positive relationship between market orientation and new product success when "newness" was incremental, was at the early stages of the product life-cycle, and under conditions of high market intensity
Balakrishnan (1996)	Market orientation has a favourable impact on customer retention rates
Han *et al.* (1998)	Effect of customer orientation is highly significant for organisational innovativeness
Siguaw *et al.* (1998)[a]	Found that supplier market orientation had a significant effect on distributor market orientation and distributor commitment. Distributor market orientation was found to have a significant effect on distributor trust and cooperative norms
Chang *et al.* (1999)	The study clearly showed a positive effect of market orientation on operating effectiveness of service providers
Dooley and Fryxell (1999)	Perceptions of within-team competence strengthened the relationship between dissent and decision commitment
Baker *et al.* (1999)[a]	Perceptions of a resellers market orientation had a positive effect on the suppliers trust and commitment
Pelendran *et al.* (2000)	Studied the effects of a market orientation in Australian companies covering a diverse range of industries, locations and firm sizes. Conclude that developing a market orientation is likely to enhance business profitability
Langerak (2001)[a]	Found the customer orientation of a manufacturers salespersons and purchasers (as perceived by the supplier and customer) to have a positive effect on the cooperative behaviours of the customer and supplier

Note: [a] Studies that examined the perspective of both parties in dyad

Table I. Major findings of relevant market orientation studies definition was favoured because of its emphasis on market-oriented behaviours, and its reference to a "coordinating mechanism" that could account for exchange dynamics unique to business-to-business relationships. While coordinating mechanisms typically refer to internal coordination, it is apparent that in a relationship context, such mechanisms might also include processes put in place for facilitating inter-firm coordination. Indeed, from a network perspective, the parties to the dyad are in effect building a distinct entity which becomes defined by its own internal (ie. inter-party) coordination mechanisms (Medlin and Quester, 2001), and these mechanisms can shape what Deshpandé (1999, p. 268) refers to as a "mutually held market orientation".

As shown in Table I, there is a distinct lack of dyadic research investigating the effects of market orientation in business-to-business relationships. An extensive review of the literature uncovered only three studies (two are interrelated and from same authors) have explored market orientation and its impact on business-to-business exchange from the perspective of both parties. Siguaw *et al.* (1998) and Baker *et al.* (1999) examined the impact of market orientation, including its effect on commitment, trust and satisfaction amongst commercial equipment suppliers and distributors. These authors found that suppliers' market orientation positively influenced distributors' commitment and that distributors' market orientation had a significant and positive effect on suppliers' trust and commitment.

The discrepancy of perceptions between business partners' respective degrees of market orientation has also become an issue in the recent literature. For example, Steinman *et al.* (2000) conducted research on the effects of a perceived market orientation gap between leading Japanese and North American firms, and their customers. In finding the existence of a market orientation gap where suppliers (particularly the North American respondents) rate their level of market orientation higher than what it is perceived to be by their customers, they highlight a need to understand how to close the market orientation gap, and question whether new organisational mechanisms that bring "the voice of the customer into the firm" (Steinman *et al.*, 2000, p. 119) may be a means of reducing this gap. Finally, Langerak (2001) examined the influence of a manufacturer's market orientation on the behaviours of its salespersons and purchasers, and the impact of these behaviours on relationships with its customers and suppliers and provided empirical evidence of strong and positive effects.

That no research has explored specifically the impact of market orientation on sponsorship management and performance is surprising, given its demonstrated positive effects on performance across a range of other relationship contexts, and given the increasing use of sponsorship as a platform for brand (or corporate) positioning (Cornwell, 1995).

Commitment, trust and sponsorship

Commitment has served as the dependent variable in several relationship marketing models including those describing buyer-seller relationships, e.g. (Han, 1992) and channel behaviour (Kumar *et al.*, 1995). Commitment is a good indicator of long-term relationships (Morgan and Hunt, 1994; Shamdasani and Sheth, 1995) and is thought to represent the peak in relational bonding (Dwyer *et al.*, 1987). Commitment is important to the study of relationships because it not only signals enduring stability at the conceptual level, but also serves as a reliable surrogate measure of long-term relationships at the operational and empirical level (Han, 1992; Mavondo and Rodrigo, 2001).

In this research, the focus is on commitment-related behaviours (consistent with the interpretation of market orientation), since it is those commitment behaviours and associated outcomes that ultimately sustain the relationship. Anderson and Weitz (1992) conceptualised commitment as a preparedness to act (ie. sacrifice through investment in relationship specific resources) to generate positive commercial return over the long term. In this study, therefore, commitment is defined as "a willingness by the parties involved in the sponsorship dyad to make short-term investments with the expectation of realising long-term benefits from the relationship". The "desire to develop a stable relationship", and the "confidence in the stability of the relationship", both issues emphasised by Anderson and Weitz (1992), are implicit in the "expectation of realising long term benefits".

In the sponsorship context, commitment takes the form of additional investments, primarily of the type described as "leveraging activities". These typically involve the allocation of additional resources (over and above the initial rights fees) in order to promote the brand association and comprise advertising campaigns or in-store promotions based on the sponsorship. Companies must "leverage" a sponsorship to achieve any real degree of success and the positive effects leveraging has on sponsorship performance have been demonstrated empirically (e.g. Quester and Thompson, 2001; Cornwell *et al.*, 2001). In the case of sponsorship, such leveraging activities are the key to a mutually beneficial promotion of the association between sponsor and property. Indeed, the property stands to win as much (if not more) from having its own "brand" promoted by the sponsor, as does the sponsor itself. Furthermore, leveraging activities are undertaken with the view that a longer term association will exist, since both parties are agreeing to a tie their distinct identities, not opportunistically but as part of a strategic alignment, as evidenced by the length of most sponsorship contracts (three to five years renewable).

Another central relationship construct, Trust has been referred to as "the cornerstone of the strategic partnership" (Spekman, 1988, p. 79). It has been measured as a dependent variable in channel relationships (Langerak, 2001), and its positive moderating effects on relationship planning, investment, satisfaction and performance, have been reported in numerous business-to-business relationship studies (e.g. Anderson and Narus, 1990; Moorman *et al.*, 1992; Morgan and Hunt, 1994; Selnes, 1998; Zaheer and Venkatraman, 1995). Rousseau *et al.* (1998) carried out an extensive review of the trust concept and the definition adopted in this study is a minor adaptation of what they put forward. In this study, trust is defined as "a psychological orientation comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of the other party in a sponsorship dyad".

Trust and commitment are often jointly examined in relationship marketing research. The literature suggests that trust precedes commitment in channel relationships (Morgan and Hunt, 1994). If this is so, then sponsors' commitment, measured by their preparedness to invest further resources to leverage the sponsorship relationship, may also be contingent on the level of trust that develops between the sponsor and property.

Communication in the sponsorship relationship

Communication is an indispensable attribute in successful alliances and has thus been described as a core competence in alliance building (Rule and Keown, 1998). Hutt *et al.* (2000) note that communication among boundary-spanning personnel produces a shared interpretation of expectations and goals, and a common understanding of the processes and responsibilities necessary to achieve those goals.

Like market orientation, "collaborative communication" in business-to-business markets can be a highly effective capability. Collaborative communication, as conceptualised by Mohr *et al.* (1996), comprises a combination of relationship building communication attributes. These include communication frequency, bi-directionality, formality, and influence activities. By highlighting shared interests and common goals, collaborative communication can generate volitional compliance between partners and thus bolster relationship performance (Mohr *et al.*, 1996). Such communication is crucial to the sponsorship relationship: the sponsor and the property must communicate openly and effectively in order to establish the desired image they seek from the sponsorship (Amis *et al.*, 1999). From a resource-based view perspective, communication represents one essential resource for the relationship (Amis *et al.*, 1997). For example, communication is required to establish the goal congruence including the dimensions of brand image complementarity between the two partners, and to define the role and responsibility each party should adopt to foster the relationship.

Furthermore, from a dyadic perspective, collaborative communication is one mechanism that determines the perceptions which one party holds about its partner. As such, collaborative communication may well act as a mediating variable that filters, fosters or hinders, as the case may be, the understanding that sponsor and property have of each other.

Hypotheses and model for this study

Consistent with several authors who emphasised the importance of assessing the impact of actual and perceived behaviours of parties in the dyadic relationship in previous research (Anderson and Weitz, 1992; Baker *et al.*, 1999; Mohr *et al.*, 1996), this study examines sponsors' market orientation as well as their perceptions of their properties' market orientation as important antecedents of trust and commitment. The literature suggests that the market orientation of both parties in the sponsorship dyad could potentially affect the viability of the relationship, either directly or via the perception of the sponsor.

Based on the empirical evidence provided by Siguaw *et al.*'s (1998) results, properties' actual market orientation would be expected to influence their sponsors' perceptions. However, anecdotal industry evidence suggests that collaborative communication may be critical for a sponsor to develop a favourable impression of a property's market orientation (Farrelly, 1999). This situation may exist for two reasons. First, the respective organisational cultures of focal partners may be markedly different (e.g. a large financial institution and a football club), requiring concerted communication efforts to establish marketing capabilities and opportunities, or to identify the type of processes required to exploit these. Second, properties have often tended to remain passive in the relationship (Farrelly, 1999), and their marketing expertise with respect to core business activities (i.e. marketing to fans, members, spectators etc) has often not carried over to the sponsorship relationship (Burbury, 2001). Consequently, collaborative communication may be crucial to ensure that the degree of market orientation of a property be accurately perceived by its sponsor.

With this in mind, the following two hypotheses can be stated:

H1. Sponsors' perception of properties' market orientation is influenced by the actual (ie self-reported) properties' market orientation.

H2. Collaborative communication between properties and sponsors acts as a mediating variable between property's actual market orientation and the sponsors' perception of properties' market orientation.

Market orientation comprises a number of market-orientated activities, including the implementation of market research as a precursor to the development of market sensitive strategies; an allocation of resources to generate customer value in target markets, including the offer of relevant products and services; and the design of communication programmes that reflect the needs of customers. Mohr and Spekman (1994) suggest that a partner's intent (which would be signalled by these market-orientated behaviours in a relationship) may be interpreted as an overt manifestation of more subtle phenomena such as commitment to the relationship.

Since market orientation is a pervasive organisational cultural characteristic, a sponsor exhibiting market orientation in its usual way of carrying out its business would be expected to also exhibit market-orientated behaviours when engaging in a sponsorship alliance. Siguaw *et al.* (1998) note that market orientation in distributors is associated with cooperative norms and commitment. When selecting potential properties, for example, the sponsors' choice would be informed by their understanding of the market's perceptions of the property, and an assessment of the potential image contribution to be gained from such association. In other words, sponsors, having undertaken the necessary market research and selected the property most suited to their marketing objectives, would include in their marketing plan the activities deemed necessary to derive the desired benefits from the relationship and would include in their marketing budget any related expenditures deemed necessary to fully implement these marketing activities. Hence, the following hypothesis can be formulated:

> *H3a.* Sponsor's market orientation is positively associated with the sponsor's commitment to the relationship (sponsors' MO → sponsors' commitment).

Siguaw *et al.* (1998) also found that suppliers' market orientation influenced positively their distributors' commitment. In the case of the sponsorship relationship, it seems likely that sponsors may seek reassurance that the property is able to listen to their concerns, and to effectively design and implement strategies aimed at delivering the results they seek from the relationship. Sponsors' perception of the properties' market orientation, therefore, would reinforce their own intention to commit further to the relationship. Hence, the more market-oriented the property is perceived to be by its sponsors, the more encouraged the sponsors will be to engage further in developing the relationship, particularly in terms of leverage investments. As a result, the following hypothesis can be stated:

> *H3b.* Sponsor's perception of the property's market orientation is positively associated with the sponsor's commitment to the relationship (sponsors' perceived property MO → sponsors' commitment).

In the sponsorship relationship as in other relationships, trust is essential because it preconditions the exchange of sensitive information central to the formulation of sponsorship objectives. Furthermore, critical sponsorship resources are likely to span firm boundaries and to be embedded in inter-firm relationships and routines (Fahy *et al.*, 2000). Such relationships and routines are likely to be most effective if and where there is a high level of trust. If both parties are working to serve each other's best interest, such an atmosphere should foster positive work relations and facilitate synergistic activity.

Importantly, the sponsors' market orientation would provide them with an improved ability to determine an adequate match between theirs and the property's target audience, image and so on. As a result, sponsors would be more likely to establish the credentials of the property's proposal independently. This could result in an enhanced property credibility in the eyes of the sponsor, and this in turn would lead to greater levels of trust (Ganesan, 1994), including an expectation that the properties' word or written statement can be relied upon. This would then provide the necessary conditions for sponsors to place trust in the relationship. As a result, a further hypothesis can be stated, such that:

H4a. Market-orientated sponsors exhibit higher levels of trust in the relationship (sponsors MO $\rightarrow$ sponsors' trust).

Baker *et al.* (1999) found that resellers' market orientation could positively influence the level of supplier trust and commitment. Similarly, a sponsor's trust would also be fostered by the belief that the property is market-oriented since this would lead sponsors to believe that the property can articulate its own objectives and discuss these openly with them in order to ensure mutually beneficial outcomes. Hence, a market-oriented sponsor would be more inclined to trust a property that it perceives as like-minded and able to relate to the strategic and tactical issues of the relationship in a manner similar to its own. Hence, another hypothesis can be stated as follows:

H4b. Sponsors who perceived their properties to exhibit higher levels of market orientation also exhibit higher levels of trust in the relationship (sponsors' perception of properties' MO $\rightarrow$ sponsors' trust).

Finally, the preparedness by sponsors to invest additional resources critical to leveraging the relationship must be contingent on the level of trust between the sponsor and property. This reflects (in the sponsorship context) the sequential relationship between trust and commitment established by Morgan and Hunt (1994). Hence a final hypothesis can be formulated such that:

H5. Sponsors' trust in the relationship conditions their commitment.

It is now possible to develop an overall model summarising the hypotheses listed above. The model shown in Figure 1 reflects a causal ordering derived

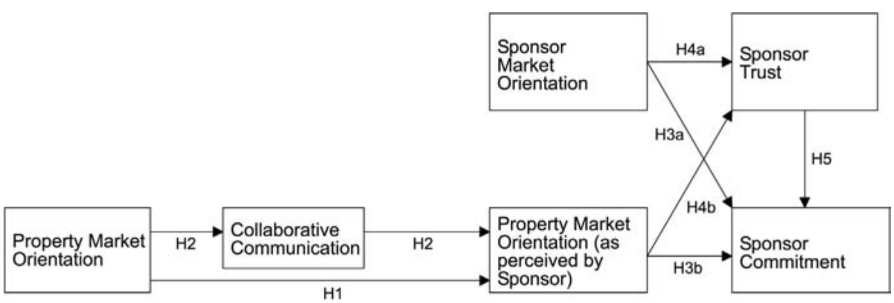

Figure 1. Proposed model and related hypotheses

from the literature reviewed above and an understanding of sponsorship practice.

Methodology

The context selected for the empirical test of the model and the above hypotheses is the Australian Football League (AFL) and all its protected sponsors. Protected sponsors are the largest sponsors of the AFL and pay a substantial fee for the right to be "protected" as the only sponsor in a particular industry to sponsor the property. Protected sponsorships were selected as the focus for this study for a number of reasons. They involve a large budget and, as such, are more likely to be initiated to achieve strategic rather than tactical ends. As a result, they are also usually managed at a more senior level of management (Farrelly *et al.*, 1997). Each local club of the AFL has a number of sponsors and the national administration body (the League hereafter) also has a number of specific sponsors.

Total sponsorship investments in Australia reached AUD$907 million in 2000 (CEASA, 2001), and the AFL is the most prominent property in the Australian marketplace based on major indicators (ie. attendance, TV audience, media attention, members, fan loyalty, and broad socio-economic impact) used by sponsors when assessing a sponsorship prospect (Street Ryan Research, 1998). Testimony to its size and commercial magnitude was the recent AUD$500 million television rights deal (from 2002-2007), which was the largest sports programming deal in Australian broadcast history (Marriner, 2001). Moreover, excluding the Olympic Games, the AFL attracted 60 percent of all sponsor revenue spent on both rights fees and sponsorship leveraging for 2000 (Burbury, 2001).

Sponsors of the AFL represent a broad cross-section of industries including brewing, telecommunications, sports apparel, financial services, motor vehicle manufacture, government utilities, airlines, and a range of FMCG companies. Importantly, AFL sponsors include a large proportion of all major sports sponsors in Australia (Cummins, 2001). For example, protected sponsors include major sponsors of Australian sport such as Coca Cola, Nike, Carlton & United Breweries, and Vodafone. As such, our results and the implications drawn from them, while not entirely representative of the overall population, can serve as an informed indication to other properties and sponsors. For example, the study reported here examines more specifically key sponsorship issues from a dyadic perspective, which is significant as it may enable a better understanding of the mechanics of the sponsorship relationship generally, including the level of synergistic interplay between the sponsor and the property.

The data were collected using a structured questionnaire developed after an extensive qualitative stage involving more than 20 in-depth interviews with leading sport sponsors (the findings of which are to appear elsewhere). A pilot study was then conducted to ensure that appropriate meanings were ascribed to the items included in the questionnaire and that the constructs effectively captured the desired concepts. This pre-test involved 20 of the largest sponsors of sports properties in Australia whose managers where known and accessible to the authors. Each of these companies has been involved in sponsorship for at least three years, and each sponsor had arrangements with a number of different sports properties. The relationships considered in the pre-test were all deemed to be major investments in sponsorship in Australia, involving deals in excess of AUD$1 million (Farrelly, 1999). As a result of the pre-test, twelve scale items were modified and nine items were deleted.

The final questionnaire was then completed by respondents from both sides of all identified protected sponsorships, either during an interview (for sponsors or clubs involved in more than one relationship) or by self-administration by clubs and sponsors for via a mail survey. Interviews were also conducted with a league representative, and with league sponsors (which are different from club sponsors). As 14 dyads completed their questionnaire during an interview compared to thirty two dyads that self-completed, an investigation was conducted to see whether there were any significant differences in the results between the two data collection modes. Whilst five of the 23 grouped questions examined for both the sponsor and property were found to have significantly different average responses at the 0.05 per cent significance level, the average difference in mean in each case was less than 1 per cent suggesting that the effect was minimal.

All constructs in this study (ie. market orientation, collaborative communication, commitment, and trust) were measured using multi-item Likert-type scales adapted from prior research previously validated in other contexts. For example, the Appendix summarises the items used for measuring market orientation as well as the sources from which they were derived. The total number of items was kept to a minimum as the questionnaire had to be completed several times by seven of the sponsors, and by all of the club respondents, as they had responsibility for multiple relationships (for example, a major apparel organisation sponsored five clubs with four of the five relationships the responsibility of one individual). Wording was also adapted to suit the sponsorship context.

Market orientation items covered intelligence gathering, dissemination and responsiveness (refer to the Appendix for items measuring the market orientation construct). In the sponsorship context, for example, internal dissemination of relevant sponsorship information has been found to rely on senior management's involvement in sponsorship-related decision-making (see Farrelly *et al.*, 1997) The five items used to measure behavioural commitment were adapted from those originally developed by Anderson and Weitz (1992). Ganesan (1994) argues that trust appears to consist of at least two important dimensions: credibility and benevolence. In this study, seven items were used to measure these two dimensions. Items for the collaborative communication construct were adapted from Mohr *et al.* (1996).

Altogether, the AFL (clubs and league) comprises a total of 54 protected sponsor relationships. In order to ensure greater internal validity, only relationships with a history of more than 12 months were included in the sample. Of these 54, 46 matched sets were captured (with 92 completed questionnaires), representing a total response rate of 86 per cent. This response rate is very high relative to comparable studies and suggests a strong internal validity for the results presented in the next section.

In general, managers responsible for the relationship both from the sponsoring firms and from the AFL, exhibited considerable overall sponsorship experience, and had enjoyed sufficient time to nurture productive AFL sponsorship relationships. On average, respondents from the sponsoring firms had over 11 years experience managing sponsorship relationships, and over four years managing relationships with the AFL. Their counterparts managing the AFL properties (league and clubs) had less overall sponsorship experience (an average of six years) with an average of three years experience managing particular AFL relationships. The current sponsorship contracts with the AFL had, on average, been in existence for over three years and average contract duration is four years, which according to Burbury (2001) is the minimum time required to generate meaningful sponsorship outcomes.

Results

The model shown in Figure 1 was examined and tested using AMOS.4. A correlation matrix of the variables in the model was constituted, as shown in Table II, suggesting several highly significant correlations between the variables included in the conceptual model. In Table II, the Cronbach alphas demonstrating the reliability of the scale used for measuring the constructs are shown in bold on the diagonal. As can be seen in Table II, these Cronbach alphas indicate that the scales used in the questionnaire satisfactorily measured the constructs. Evidence of convergent validity was provided by the fact that all measurement items loaded on the appropriate constructs.

Table II. Correlation matrix of variables in the model and Cronbach alphas

	1	2	3	4	5	6
Market orientation	*0.7844*					
Communication	0.212	*0.8193*				
Commitment	0.515***	0.531***	*0.8448*			
Trust	0.378**	0.409***	0.552***	*0.7559*		
Property's market orientation (reported by sponsor)	0.280*	0.335**	0.334**	0.674***	*0.8082*	
Property's market orientation (self reported)	0.071	− 0.036	− 0.028	− 0.003	0.115	*0.8304*

Notes: * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

Discriminant validity refers to the principle that the indicators for different constructs should not be so highly correlated as to indicate they are measuring the same thing. Correlations were run between the items of several constructs used in this study. For example, the items used to measure sponsor market orientation were correlated against those items used to measure the trust construct, and for items in the collaborative communication construct and the commitment construct. In all instances the item correlations satisfied the $r = 0.85$ cut-off often used by researchers for this assessment (Garson, 2001), thus suggesting the model demonstrated good discriminant validity.

The analysis then proceeded to examine the causal relationships between these variables explaining the levels of trust and commitment in the relationship reported by the sponsors. The model presented in Figure 1 was tested and provided good indicators of fit (Chi $= 8.774$, $p = 0.187$), with an adjusted GFI of 0.822 and an RMSEA of 0.094. These figures suggest that the model provides between "good" and "very good" fit. In order to make the model more parsimonious, non-significant paths were eliminated, resulting in a revised model presented in Figure 2.

As depicted in the model, four of our seven hypotheses are supported by the data. The results concerning the testing of hypotheses are summarised in Table III, where some unexpected results can be found. For example, only one single positive relationship outcome was found, on sponsors' trust, as a result of the property's level of market orientation. Moreover, no process of communication, formal or otherwise, appears to act as a mediating variable between how a sponsor rates a property to be in relation to market orientation, and how the property rates itself.

Discussion

The ability of alliance partners to realise the benefits from complementary strategic resources is conditioned on roughly comparable levels of competence, and compatibility in decision processes, control systems, culture, and means of communication (Kanter, 1994). However, an assumption often made is that the two parties are able (or willing) to communicate effectively, and at sufficient depth, to understand where compatibilities may exist. The evidence from this research is that a lack of effective communication can result in sponsors not

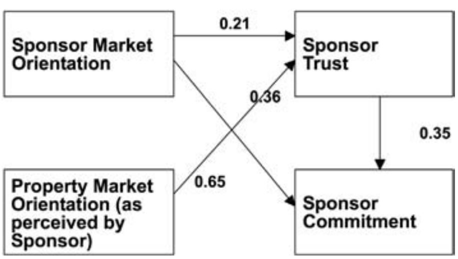

Figure 2. Revised model showing only significant relationships

Table III.
Summary of results for hypotheses testing

Hypotheses	Expected sign	Standardised regression	t-value	Support (yes/no)
H1. Property's MO → sponsor's perception of property's MO	+	0.127	0.987	No
H2. Property's MO → communication → sponsor's perception of property's MO	+	−0.0104	−0.133	No
H3a. Sponsor's MO → sponsor's commitment	+	0.360	3.359**	Yes
H3b. Sponsor's perception of property's MO → sponsor's commitment	+	−0.099	−0.699	No
H4a. Sponsor's perceptions of property's MO → sponsor's trust	+	0.213	2.083*	Yes
H4b. Property's MO → sponsor's trust	+	0.640	6.246**	Yes
H5. Sponsors' trust → sponsors' commitment	+	0.353	2.530*	Yes

Notes: * $p < 0.05$; ** $p < 0.001$

perceiving accurately their properties' market orientation, and consequently, not engaging in joint marketing activities with the property.

That collaborative communication (communication frequency, formality, feedback and influence efforts) was not significant in explaining sponsors' perceptions of the level of market orientation of the League and/or clubs, while somewhat unexpected, is not unexplainable. It shows that properties are not currently providing the type of information that could potentially influence their sponsors' marketing decision making. The channels literature can shed some light on the result. Unlike trust, a high level of communication may not be optimal in the sponsorship alliance. What characterises optimal communication in an alliance is communication that drives informed and effective decision-making. Just as a distributor is motivated to commit to a relationship where there is "sufficient" sharing of quality information (Anderson and Weitz, 1992; Mohr *et al.*, 1996), a sponsor will form positive impressions about a property's market orientation only if the information provided is both pertinent and purposeful (as distinct from frequent or voluminous).

It is possible that the information sharing norms such as those discussed by Eisenberg and Goodall (1993) and Pelham and Wilson (1996), may simply not be developed well enough in the sponsorship relationships investigated here. AFL sponsorship relationships (and possibly sponsorship relationships in general) are still in their infancy with regards to collaborative partnering.

Indeed, there is ample evidence from industry that properties have often not been proactive in advancing the sponsorship relationship, and that sponsors have acted largely independently when making leveraging decisions and investments. A likely outcome of this type of autonomous working relationship is that the cooperative norms critical to joint marketing decisions and action may take longer to evolve. According to Galaskiewicz and Wasserman (1989) and Haunschild (1993), organisations that come into contact with others engage in some form of vicarious learning and the degree to which this process of imitation or mimicry takes place will be commensurate with the degree of exposure and involvement the organisations share within a network. Repeated interactions between sponsors and properties, taking place over time, should therefore be conducive to the building of cooperative norms favourable to the relationship. Similarly, Amis *et al.* (1999) have conceptualised sport sponsorship as a distinctive competence, built over time between committed partners.

Our results also indicate that properties' actions are not directly influencing sponsor's commitment to the relationship. While Baker *et al.* (1999) found that the perception of a reseller's market orientation had a positive effect on the supplier's commitment, the reverse is observed here, where the reseller represents the sponsor, and the supplier (of sponsorship rights) is the property. The result in the Baker *et al.* (1999) study can be explained by the direct and substantial pay-off a supplier can expect if the effects of its market orientation is magnified through the efforts of a reseller it perceives to be market-oriented. Such tangible benefits may not be so immediately apparent to the sponsors in our study. This may stem from the fact that the type of alliance that exist between sponsors and properties is more akin to horizontal relationships than to vertical ones such as supplier-reseller relationship. That each organisation operates in such contrasted environments and with such diverse objectives in mind may contribute to a situation where commitment is hindered by the lack of obvious means of determining the other party's behaviour and performance. Our finding may also reflect the fact that low levels of market orientations in the property forces sponsors to greater levels of commitment, or alternatively, that the sponsors' greater commitment may lead them to underestimate their partner's effort. This would be consistent with Wilkinson and Kipnis' (1978) views that strong tactics of influence may result in people devaluing the performance of targets because they perceived themselves as responsible for the others' behaviour.

Furthermore, commitment-related (leverage) investments proposed by AFL properties to their sponsors may not compare favourably with other non-sponsorship related promotion options available to them, nor with sponsorship promotions the sponsor may devise unilaterally. Additionally, sponsors may be less inclined to engage into market-oriented activities suggested by a property if they believe that the property should invest resources (to leverage the relationship) commensurate with the benefits they stand to accrue from the relationship. In addition to gaining revenue from the sponsor as part of the initial sponsorship rights fees, a property may gain considerable brand exposure from their sponsors' leveraging activities. Based on the notion of equity and fair distribution of resources relative to outcomes (Adams, 1965), the sponsor may expect the property to do more to match its own leverage investments. If the property does not reciprocate (which appears to be the case for our sample), the sponsor may be disinclined to act on their properties' recommendations, or may even chose to ignore the property in related decision-making. Consistent with this idea, Kamath and Liker (1994) note that a party in an inter-firm relationship "earns" more decision-making responsibility by volunteering greater asset specificity.

Our results contrast that of Langerak (2001) who found that the customer orientation of a manufacturer's salesperson (as perceived by customer) had a positive effect on the cooperative behaviours of the customer. However, while this examines the same directional causality as in this study, there is a clear distinction between cooperative behaviours (complimentary coordinated activities) and commitment as measured here, the latter entailing far greater risk because it comprises direct investment of substantial financial resources.

Despite the difficulties it might entail (given the lack of impact of properties' market orientation upon their sponsors' perception), fostering trust may be a crucial challenge for properties because of the influence this construct has on in the sponsorship relationship. If, over time, trust in the relationship does not generate more favourable perceptions, by sponsors, of their properties' market orientation, or if it fails to result in joint leverage activities, then sponsors may perceive that the relationship has underachieved and may question the significance of conferring trust in the relationship. Many researchers have noted that trust grows as it is used more and more, and that without increasing responsibility, and constant use and expansion in a relationship, it will dissipate (e.g. Dasgupta, 1989). This is consistent with the findings of Steinman *et al.* (2000) who found that the normative gap between partners in a dyad closes over time, which further highlights the need to nurture trust to advance the relationship.

Implications, limitations and directions for future research

This research represents an important first step in testing and understanding the dynamics of the sponsorship relationship. As such it contributes to the limited dyadic research exploring the impact of market orientation.

The managerial implications of our results are quite clear. A particular challenge faced by properties is to ensure that their sponsors accurately perceive their level of market orientation, as well as to identify ways to favourably influence this perception. This may be a difficult task in the light of our results, which show that communication as the AFL currently undertakes it, fails to adequately translate properties' market orientation for sponsors.

According to our results, sponsors' perceptions of their properties' market orientation do not influence their commitment to the relationship. Future research should examine whether this merely stems from the properties' inability to date to accurately project and communicate their degree of market orientation or whether, as discussed, sponsors' commitment may indeed develop as a response to their perception that their properties lack market orientation. If this were found to be the case, it would become critical for properties to engage their sponsor in some form of dialogue in order to establish what market-oriented activities they would value. The property could then develop appropriate systems and processes to communicate accurately its market-orientation to its sponsors. However, such systems may need to be customised for each sponsor as different sponsors may require different levels of information or feedback to form a clear picture of their properties' market orientation. Under appropriately set up conditions, the judicious display of market-oriented behaviours by the property should reinforce their sponsors' trust in the relationship and, in doing so, may also encourage further investments by the sponsor in the relationship. Once they have established effective communication processes, properties should also strive to raise their level of market orientation in order to foster sponsors' trust and commitment.

If, on the other hand, sponsors' perceptions are based on a disregard for the properties' market orientation, or if indeed sponsors' perceptions are distorted by their own greater commitment as per Wilkinson and Kipnis' (1978) understanding of inter-firm power, then whether the sponsorship relationship is indeed an mutually beneficial alliance becomes questionable and much will need to be done by properties to convince their sponsors that the sponsorship relationship should be considered and managed as an alliance, rather than as a more exploitative arrangement where sponsors make decision without consideration for their properties' objectives. In either case, it appears that clearer and more purposeful communication processes should prevail between the two parties.

Our results also show that properties would also do well to identify the degree to which their sponsors are market-oriented before formalising further any proposed agreement. To the extent that sponsors' own market orientation influences both their trust and commitment to the relationship, a considerable benefit would be gained if the selection of sponsors were based on such preliminary investigations.

Anderson and Weitz (1992) noted that a commitment imbalance between partners will cause dissension, and may eventually lead to a weakening of the association. For example, parties may come to question the worth of their commitment if a degree of "fairness" is lacking in the relationship. If such imbalance continues for a period, the more committed partner will often divert its commitment to an alternate relationship where a balance is more likely. Consequently, it would seem very important for any property to determine as early as possible whether a sponsor perceives, rightly or wrongly, such an imbalance. If this is the case, the property may need to assign more resources to leveraging the relationship jointly with the sponsor. Initially, financial resources aimed directly at co-leveraging activities may have the most immediate effect, but other complimentary resources may also be identified. One such resource may be creativity. Marketers (and performers) of sport rely continuously on their creative talents and this may be highly valued by sponsors as part of their branding building or communications planning. The over-reliance on cognitive business models referred to in the literature for many years (e.g. Robinson *et al.*, 1967; Williamson, 2001) suggests that such a resource could be highly valued.

It would also be important for the property to maximise any investment in the relationship by using it as a platform to develop a collaborative atmosphere, and to instil a more bilateral approach to governance of the relationship. Credible commitment inputs by the property should have a strong, positive effect on the development of relational social norms in the sponsorship relationship (Gundlach *et al.*, 1995).

Some of the limitations of this study may stem from the many unique characteristics of the AFL. As such, whilst the very high response rate provides strong support for claiming an accurate understanding of that particular empirical context, our results may not be so easily generalisable to other sports or sponsorship properties (e.g. arts). However, in Australia, the AFL is a leading sports property and many of its sponsors are leaders in their respective industries in terms of sponsorship. What we observe when examining AFL sponsorship relationships, therefore, is probably indicative of what will happen next in most other sponsorship contexts in the medium to long term. Clearly, however, a study such as this one needs to be replicated in other contexts in Australia, as well as in similar and other contexts overseas.

Other limitations may stem from the method of analysis used in this study. For example, it is often important to consider the possibility of reverse causation when using structural equation modelling. For instance, while extant literature suggests that the line of causality investigated here is the most appropriate, future research may usefully assess the effect of the sponsor's perception of the property's market orientation on sponsor preparedness to enter into collaborative communication with the property, as well as examine in turn, how this may influence the property's actual market orientation.

Finally, this study also highlights that the key issue in future research should not be to determine to what extent sponsors and properties apply various marketing techniques (a dominant focus in the literature to date) but, rather, to establish how central marketing is to the sponsorship activity, how critical sponsorship has become to the guiding philosophy of the organisation, and the impact this may have on key sponsorship exchange determinants.

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Appendix

Construct	Original measure	Final measure
Intelligence generation		
Jaworski and Kohli (1993)	In this organisation we do a lot of in-house market research	We actively utilise market research with our customers as the focus for the purpose of advancing our relationship with X (name of property or sponsor)
Conduit and Mavondo (2000)	We undertake market research to measure customer satisfaction	We actively utilise market research with our competitors as the focus for the purpose of advancing our relationship with X (name of property or sponsor)
Information dissemination		
Narver and Slater (1990)	Management involves employees in planning and decision making	Our senior management is involved in decision making regarding the sponsorship with X (name of property or sponsor)
		Our senior management perceives the sponsorship with X (name of property or sponsor) to be part of our overall corporate strategy
Market responsiveness		
Dawes (2000)	The organisation responds quickly to changing customer requirements	Based on our research, we respond quickly to changing customer requirements as they relate to our sponsorship relationship with X (name of property or sponsor)
Dawes (1998)	The firm successfully plans ahead to satisfy customers in the future	We plan ahead in order to differentiate our sponsorship offering with X (name of property or sponsor) and satisfy consumers in the future
Dawes (2000)	A high priority is placed on implementing changes to increase future customer satisfaction	We place a high priority on implementing changes to increase customer satisfaction where it relates to our sponsorship relationship with X (name of property or sponsor)
Narver and Slater (1990)	We target customer and customer groups where we have, or can have, a competitive advantage	We effectively prioritise market opportunities as they relate to our sponsorship dealings with X (name of property or sponsor) in line with firm resources and capabilities

Table AI. Items for market orientation

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Australian marketing managers' perceptions of the Internet

A quasi-longitudinal perspective

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Abstract *The Internet is playing an increasingly important role in the marketing activities of organisations across a wide range of industries. While the opportunities afforded by this phenomenon seem readily apparent, there is still much debate and speculation on exactly what impact it will have on marketing. To shed some light on this uncertainty, the present study examines managers' perceptions of the impact of the Internet on key marketing activities. It employs a quasi-longitudinal research design involving mail surveys to Australian marketing decision makers. Findings suggest that expectations in 1999 may have been unrealistically optimistic and exaggerated. It would appear that the so-called "dot.com crash" has led to more realistic and pragmatic expectations among practicing managers in 2001. The study then focuses on differences in perceptions between industries. As expected, divergent views emerge, particularly from within the services sector. Managerial implications are then considered, conclusions drawn and future research directions outlined.*

Introduction

Current business sentiment towards the Internet is justifiably more sceptical than what it was two years ago (Lyons, 2001). The "pre-April-2000 euphoria" has been replaced by a more pragmatic and cautious sense of optimism. Today, investors are doing what they should have done all along, and that is objectively questioning the commercial viability of online business models. As a recent IBM print advertisement quips, "Bad Ideas Don't Get Better Online!" By the same token, however, there is a danger that business sentiment has swung too sharply from hype to gloom. The long-term viability of commercial Internet applications is in fact considerably more significant now than it was before the so-called "dot.com crash". Internet technologies have revolutionized communication and interaction within companies (via Intranets), between businesses (B2B), between businesses and consumers (B2C) and *vice versa* (C2B), between consumers (C2C), and between peers (P2P) (Kiani, 1998).

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In this study, we offer uniquely Australian pre- and post-”dot.com crash” insights into the perceived impact of the Internet on various aspects of marketing philosophy and practice. While our intention in designing the study was always to provide a longitudinal, rather than a cross-sectional overview, fate was kind to us with respect to the timing of the fieldwork *vis-à-vis* the market correction. As a consequence, our findings provide rich insights into some affects of the crash on Australian business sentiment. In a sense, the crash has injected a much-needed sense of realism into the market. It has modified expectations to the point that we would argue that the “future expectations” (2001-2003) section of our quasi-longitudinal data offers perhaps the most accurate representation of managers’ perceptions of the Internet.

We proceed as follows. First, we consider the areas where the Internet has the potential to significantly influence marketing activities. This we do to lend credence to our focal area of interest: marketing decision makers’ perceptions and expectations regarding the Internet’s impact on marketing practice. Next, we discuss the usage and penetration of the Internet in Australia. We then proceed to describe the research design and objectives, the data collection procedures and the findings of the study. We conclude by considering the managerial and theory-building implications of the results, note the limitations of our approach and highlight areas worthy of further study.

Marketing and the Internet

The last decade of the twentieth century will be remembered as a watershed for global communication and commerce. The Internet entered the lexicon of daily conversation and, almost overnight, became a dominating and ubiquitous presence on the business landscape. Companies such as Amazon and eBay became household brand names. In its seemingly myriad manifestations, the Internet began to transform domestic and global markets by shaping and reshaping relationships in the supply chain, and by creating systemic changes in the way consumers shop, organizations buy, prospects are reached, transactions are completed, customers are serviced, and business is conducted (Joseph *et al.*, 2001). Indeed, “conventional” ways of doing business are being radically transformed. It is now hard to imagine any establishment that has not been affected.

With the implosion of the dot-com sector, progressive companies have begun to view e-commerce as a *modus operandi* for enhancing their businesses, rather than thinking of online firms as discrete entities (Shanklin, 2002). Traditional bricks-and-mortar firms, such as Barnes & Noble, have been using the Internet as an additional distribution outlet for its products and services. For others, such as Dell Computers, the Internet has become the focal point for their B2B and B2C marketing, encompassing not only distribution but also decisions on target groups, product, price, and promotion. Rapid and continuing advances in the field of Internet-related technologies are expected to result in the birth of numerous new marketing strategies, as well as the substantial modification of many existing ones (Blattberg and Deighton, 1991; Day and Montgomery, 1999). Interactive, two-way, and real-time communication, the ability of computers to "remember' customers" preferences and global access are just a few of the unique capabilities of the new medium that are challenging the doctrines of mass marketing.

The potential changes to key marketing practices include the Internet's impact on segmentation, targeting, the 4Ps, customer service, and value creation (Morris *et al.*, 1997). According to Shama (2001), e-commerce has evolved through three stages. In the first stage, Web sites published the same information to all customers, who received material by clicking on links. In the second stage, firms and consumers began using the Net as an outlet to actually buy and sell products and services. In the third stage, which is still evolving, e-commerce is becoming the ultimate manifestation of the marketing concept through customization and personalization of products and services to satisfy individual customer needs. Before implementing an e-commerce strategy, a firm needs to articulate clear objectives and expectations to prescribe that course of action. Sadly, as Straub and Klein (2001) lament, many organizations have entered this medium in a haphazard way because senior management never made a conscious decision to move in this direction.

Internet penetration and usage in Australia

Australia, along with the rest of the world, has experienced phenomenal growth in Internet usage rates in recent years. At the turn of the century, 56 percent of all Australian homes had computers – up from 47 percent just two years previously, and 37 percent had home Internet access. More than 50 percent of all Australian adults have accessed the Internet in the past 12 months (Australian Bureau of Statistics, 2001a). KPMG Consulting expects this figure to grow to 71 percent in three to four years (Sophocleous, 2000). Around 10 percent of Australian adults have already made private purchases online, up from 6 percent a year ago (Australian Bureau of Statistics, 2001a). All indicators are for the Internet to become an increasingly mainstream marketing medium.

Australian firms have been equally enthusiastic in adopting Internet technology, which not only affords them an opportunity to reach their (increasingly "wired") target audience(s), but also enables them to achieve internal efficiencies and cost reductions. The Australian Bureau of Statistics (2001b) reports that more than three quarters of Australian firms have computers. Firms with Internet access almost doubled (29 percent to 56 percent) between 1997/1998 and 1999/2000. Of all firms, 16 percent have also set up Web sites or home pages, compared to only 6 percent two years ago (Australian Bureau of Statistics, 2001a). In fact, a recent study by the US-based Economist Intelligence Unit (EIU) ranks Australia second in the world on "e-business readiness" (National Office for the Information Economy, 2001, p. 31).

The study

Research aims

Supported by an ever-increasing body of literature, it is clear that the Internet has the potential to have a profound effect on marketing (Stewart and Ward, 1994; Morris *et al.*, 1997; Shanklin, 2002). However, there is a lack of empirical evidence in terms of what managers are actually thinking, and more importantly, doing in response. While we may speculate on the numerous advantages that Internet technologies can have on marketing functions such as product development, and promotion, we need to know if and how companies are utilizing the Internet to improve marketing practice and performance. Specifically, we should determine whether the Internet and the World Wide Web have affected the way organizations conduct their marketing activities. In this article we therefore seek to assess the perceived impact of Internet technologies on the core elements of marketing:

- segmentation;
- targeting;
- the marketing mix (product, price, place and promotion); and
- customer service.

Similar attempts have been made in the past to determine the impact of the Internet on marketing strategy, but these are now reasonably dated (at least in Internet terms) and typically cross-sectional. For example, Morris *et al.* (1997) conducted a study in South Africa to examine these issues five years ago, but have not conducted follow-up research.

The research questions addressed in this study pertain to Australian marketing managers' perceptions in relation to:

- the extent of change to the firm's marketing activities as a result of Internet technologies (past (1999), present (2001), and future (2003));
- the extent to which differences exist between industries in relation to the impact of the Internet on marketing activities, market definition and value creation.

Research method

The potential impact of the Internet technologies on marketing is a common topic of discussion in the academic and professional marketing and management literature (Blattberg and Deighton, 1991; Stewart and Ward, 1994; McKenna, 1995; Hoffman and Novak, 1996; Gates, 1999; Day and Montgomery, 1999). What, if any, are the expected changes to marketing? To address these issues, Morris *et al.*'s (1997) questionnaire was replicated in this study. The items in the questionnaire were constructed to measure the marketing managers' perceptions of the impact of the Internet on fundamental elements of marketing strategy – the marketing mix (product, price, place, and promotion); market definition; and value creation. Suggestions that the new technologies would transform the marketing mix (Downes and Mui, 1998; Pine, 1993; Bailey and Bakos, 1997), redefine markets (Rayport and Sviokla, 1994), and change the value creation process (Rayport and Sviokla, 1995; Hagel and Armstrong, 1997; Allen *et al.*, 1998) were considered worthy of exploration. Items in the questionnaire on the conceptualization of marketing were verified in the marketing literature (Kotler and Armstrong, 1997; Pride and Ferrell, 2000; McCarthy *et al.*, 1997).

Responses to a series of 31 statements on the impact of Internet/World Wide Web on marketing activities were measured on five-point Likert-type scales, anchored on "1 = to a very little extent" through "5 = to a very great extent". Rather than factor analysed the 31 items, the items were maintained as per the measurement scale used in an earlier study (Morris *et al.*, 1997), which employed the same three non-factorially defined dimensions. The reliability (Cronbach, 1951) of the 11 items on "changes in the conceptualization of marketing activities", eight items on "changes in market definition", and 12 items on "create greater value for customers" all exceeded 0.87 (alpha coefficient) in both the 1999 and 2001 studies, and are thus acceptable (Nunnally, 1978). By comparison, Morris *et al.* (1997) report reliability coefficients exceeding 0.88 (Cronbach, 1951).

The survey was conducted over two time periods, spaced exactly one year on either side of the so-called "dot.com" crash, i.e. April 1999 and again in April 2001. To eliminate instrumentation effects, the same questionnaire used in 1999 was used in 2001. A Dun and Bradstreet commercial database (of 12,000 companies in Australia) served as the sampling frame. To minimize selection bias effects, both the 1999 and 2001 samples of 1,000 firms were randomly drawn. Letters were personally addressed to the person fulfilling the senior marketing role within each company. To facilitate response, a reply paid envelope was supplied. Five days after the initial mailing, a reminder postcard followed to help boost response rate. While we sampled from the same frame in 2001 as in 1999, we did not contact the same respondents, hence the design is at best quasi-longitudinal.

A total of 170 firms provided usable responses to the 1999 survey (18.6 percent effective response rate). In the 2001 survey, 181 firms provided usable responses, with 52 of the questionnaires returned undelivered. The effective response rate was 19.1 percent, marginally better than 1999. Over the years, there has been a general decline in Australian response rates (cf Baim, 1991). In fact, Dowling (1989) notes that judgments concerning the adequacy of response rates to mail surveys are inevitably relative assessments. Thus, the response obtained in these surveys is in line with those obtained in similar mail surveys.

Results

The perceptions of marketers were measured on items relating to the potential changes in their marketing strategy as a result of the Internet and Internet related technologies. Three sets of measurements were taken:

(1) *prediction 1999-2001* – in 1999, respondents were required to indicate their perceptions of the Internet's impact on marketing in the next two years;
(2) *actual 1999-2001* – in 2001, respondents were required to indicate their perceptions of the Internet's impact on marketing over the past two years (i.e. looking back to 1999); and
(3) *prediction 2001-2003* – again in 2001, respondents were required to indicate their perceptions of the Internet's impact on marketing over the next two years.

In other words, three two-year time frames were studied: two looking "forward" on either side of one looking "back". In simple terms, the issues that we were interested in at this stage of the analysis were the extent to which marketers in 1999 felt that the Internet would impact on marketing; whether the respondents of 2001 felt that these expectations had materialized; and, the extent to which marketers in 2001 perceived that the Internet would impact on these same issues in the future.

An analysis of the 1999 and 2001 sample composition revealed that the samples were fairly typical of Australian companies (see, for example, Poon and Swatman, 1997). A check on the title and functional specialization of the respondents also confirmed that, as per database selection instructions, the personnel responsible for marketing (mainly marketing manager/director/assistant) answered the questionnaire. Occasionally, the chief executive officer or managing director took on the task of responding to the questionnaire (< 12 percent of the cases in both samples). Interestingly, the 2001 sample spotted an emerging category of respondents – e-marketing or e-business specialists (2.8 percent).

Table I summarizes the characteristics of the 1999 and 2001 samples by broad industry categories. Both samples appear to reflect the overall national industry breakdowns in most categories. There is notably a higher

	1999 ($n = 170$)		2001 ($n = 181$)		ANSIC
	n	%	*n*	%	(%)
Agriculture, forestry, fishing, mining, and construction (AMC)	24	14	19	11	14
Manufacturing (Manuf)	60	35	44	24	13
Transportation, communications, and utilities (TCU)	16	9	20	11	12
Wholesale and retail trade (WR)	41	24	31	17	11
Finance, insurance, real estate, and other services (SERV)	28	16	51	28	30
Others and no response	1	0.6	16	9	19

Table I. Sample characteristics by industry categories representation of manufacturing in the 1999 sample and in contrast, a higher representation on finance, insurance, real estate, and other services (SERV) in the 2001 sample. This difference will be taken into consideration when interpreting results, and an analysis by industry is also conducted on the comparative differences in industry perceptions with regards to the potential impact of the Internet on various aspects of marketing.

After examining the data to ensure a normal, not markedly skewed distribution, *t*-tests were selected as a suitable method of analysis, more so than nonparametric tests (Howell, 1997). Additionally, as we are essentially comparing two groups (the 1999 sample and the 2001 sample), the *t*-test is an appropriate technique to find out whether the mean scores of two groups on the items of interest are significantly different from each other (Sekaran, 1992, p. 267). Paired *t*-tests were then used on the 2001 sample as we wanted to gauge the respondents' perception of the potential impact of the Internet on marketing over the next two years as compared to that of the past two years. The results of this analysis are shown in Table II.

Two simple but important conclusions can be drawn from Table II. First, Australian marketers had high expectations of the Internet's impact on marketing that were never realized. Second, this has not disheartened them, and they have increased, albeit more sober, expectations of its impact in the future. It can be seen that there has been a statistically significant decline in mean scores on all items in "actual 1999-2001" compared to "prediction 1999-2001". This can be contrasted with a statistically significant increase of "prediction 2001-2003" mean scores over that of "actual 1999-2001". A new level of sobriety is indicated by the fact that most "prediction 2001-2003" mean scores remain below the "prediction 1999-2001" level – only ten mean values are marginally above those of "prediction 1999-2001", and none of the increases are significant. Noticeably, four items remain significantly below those of the "prediction 1999-2001" level ($p < 0.001$), namely:

(1) compete more effectively globally;
(2) influence the way products are priced;
(3) target customers globally; and
(4) permit a reduced need for middlemen.

It is interesting to speculate that Australian marketers may be doing what Bill Gates charges us all with: Overestimating technology's short-term effects, while underestimating its long-term impact?

Changes in the conceptualisation of marketing activities

The unique capabilities of the Internet are expected to change the way some marketing activities are conducted. In order to explore this issue, 11 items were included in the questionnaire to gauge marketers' perceptions of the degree to which marketing activities might change in the next two years. The means and

	Prediction 1999-2001 ($n = 170$)	Mean Actual 1999-2001 ($n = 181$)	Prediction 2001-2003 ($n = 181$)	Prediction 2001-2003 v. prediction 1999-2001 (t-value)
Marketing activities				
Change the way in which products/services are marketed	3.58	2.56	3.84	1.09
Permit online payment	3.36	1.86	3.08	−1.85
Enable two-way interactive relationships with customers	3.88	2.34	3.67	−1.67
An effective channel for communicating product/service information	4.29	2.91	4.18	−1.20
An effective vehicle for improved market segmentation	3.43	2.07	3.13	−2.27*
Permit a reduced need for middlemen	3.12	1.83	2.55	−3.90**
Provide an enhanced capability to bring new products to the market	3.48	2.00	3.15	−2.39*
Influence the way in which products are priced	2.79	1.62	2.16	−4.73**
Influence promotional strategies	3.53	2.24	3.54	0.20
Permit involvement with customers earlier in the buying process	3.29	1.94	2.98	−2.22*
Do a better job of selling	3.12	1.96	2.97	−1.18
Marketing definition				
Target new customers in currently served market segments	3.09	2.03	3.17	0.65
Target new customers in totally new market segments	3.36	1.87	3.11	−1.84
Target customers globally	3.59	2.07	2.91	−4.41**
Compete more effectively globally	3.21	1.84	2.64	−4.90**
Define markets more precisely	2.73	1.82	2.65	−0.57
Add new market segments	3.12	1.78	2.85	−2.11*
Expand the size of a targeted market	3.18	1.96	3.19	0.11
Eliminate less profitable segments	2.38	1.53	2.29	−0.68
Value creation				
Better identify unmet customer needs	2.96	1.79	2.88	−0.50
Develop new products faster	2.56	1.59	2.47	−0.67
Serve customers more quickly	3.56	2.19	3.61	0.44
Informed buying decisions	3.64	2.24	3.61	−0.26
Make it easier for customers to buy	3.51	2.00	3.23	−2.06*
Better understand buying process	2.73	1.75	2.77	0.36
Lower marketing cost	2.83	1.79	2.72	−0.70

(*continued*)

Table II.
Perceived impact of the Internet on marketing activities, market definition, and value creation

Table II.

	Prediction 1999-2001 ($n = 170$)	Mean Actual 1999-2001 ($n = 181$)	Prediction 2001-2003 ($n = 181$)	Prediction 2001-2003 v. prediction 1999-2001 (t-value)
Improve new product development	2.47	1.72	2.48	0.20
Improve the ability to keep customers informed	4.09	2.71	4.11	0.16
Better research on customer needs	3.08	2.03	3.31	1.85
Price more accurately	2.61	1.66	2.50	−0.74
Better customisation of products and services	2.81	1.74	2.84	0.37

Notes: All differences between "prediction 1999-2001" and "actual 1999-2001" are significant at $p < 0.001$ by independent sample t-test. All differences between "actual 1999-2001" and "prediction 2001-2003" are significant at $p < 0.001$ by paired sample t-test. * Refers to a significant difference between "prediction 2001-2003" and "prediction 1999-2001" at $p < 0.05$; ** refers to a significant difference between "prediction 2001-2003" and "prediction 1999-2001" at $p < 0.001$

standard deviations for the perceived changes in marketing activities as a result of the Internet and Internet related technologies are shown in Table III. These items pertain to "prediction 2001-2003" data, i.e. perceptions of the Internet's impact on marketing over the next two years. The 11 items have been ranked from highest mean to lowest. There are large disparities in marketers' perceptions of how the Internet will impact on marketing activities. The perceived impact of the Internet is felt to be modest in terms of overall changes to marketing activities (mean = 3.57 on a five-point scale). The mean is adversely affected by what marketers believe is unlikely to be impacted on by the Internet, namely, pricing, distribution channels, and selling. Based on the marketers' perceptions, marketing activities that are likely to change dramatically as a result of the Internet are:

- communication of product and service information;
- the way in which products/services are marketed;
- two-way interactive relationships with customers; and
- promotional strategies.

Changes in market definition

We were also interested in whether the Internet and related technologies have caused marketers to think differently about their markets and how they define them. From Table III, it appears as if managers do not think that the Internet will have any real impact on how markets are defined, at least not in the near

	Rank	Mean	SD
Items on changes in the conceptualisation of marketing activities			
An effective channel for communicating product/service information	1	4.18	0.85
Change the way in which products/services are marketed	2	3.84	3.03
Enable two-way interactive relationships with customers	3	3.67	1.10
Influence promotional strategies	4	3.54	1.06
An enhanced capability to bring new products to the market	5	3.15	1.27
An effective vehicle for improved market segmentation	6	3.13	1.26
Permit online payment	7	3.08	1.39
Permit involvement with customers earlier in the buying process	8	2.98	1.27
Do a better job of selling	9	2.97	1.18
Permit a reduced need for middlemen	10	2.55	1.30
Influence the way in which products are priced	11	2.16	1.14
Items on changes in market definition			
Expand the size of a targeted market	1	3.19	1.31
Target new customers in currently served market segments	2	3.17	1.17
Target new customers in totally new market segments	3	3.11	1.22
Target customers globally	4	2.91	1.45
Add new segments to targeted markets	5	2.85	1.18
Define markets more precisely	6	2.65	1.18
Compete more effectively globally	7	2.64	1.27
Eliminate less profitable customers or market segments	8	2.29	1.31
Items on value creation			
Improve the ability to keep customers informed	1	4.11	0.93
Serve customers more quickly	2	3.61	1.32
Enable customers to make more informed buying decisions	3	3.61	1.12
Do a better job researching customer needs	4	3.31	1.33
Make it easier for customers to buy	5	3.23	1.28
Better identify unmet customer needs	6	2.88	1.16
Better customization of products and services	7	2.84	1.23
Better understand the customer's buying process	8	2.77	1.41
Lower marketing cost	9	2.72	1.31
Price more accurately	10	2.50	1.19
Improve new product development	11	2.48	1.21
Develop new products faster	12	2.47	1.20

Note: Five-point scale where 1 = to a very little extent, 5 = to a very great extent

Table III. Changes in the conceptualization of marketing activities, market definition, and value creation (2001-2003) in rank order

future. The highest mean score is a modest 3.19. Only three items scored slightly above three on the five-point scale:

(1) expand the size of a target market;

(2) target new customers in currently served market segments; and

(3) target new customers in totally new market segments.

Create greater value for customers

Another issue of interest was whether marketers perceived the Internet to afford opportunities for offering greater value to customers. Responses to the 12 items on value creation are also shown in Table III. Marketers' overall perception of the Internet's ability to create greater value for customers is modest. Five of the other 12 items exceeded the 3.0 mean score, notable among these are the Internet's "ability to keep customers informed" (mean = 4.11), the Internet's "ability to serve customers more quickly" (mean = 3.61) and the Internet's facility to "enable customers to make informed buying decisions" (mean = 3.61). On the other hand, the use of the Internet to "develop new products faster" (mean = 2.47) appears unlikely in the near future. Pricing products or services to reflect market demand also received a low score (mean = 2.50). Moreover, despite acclaimed reduction in costs when firms adopt the Internet, "lower marketing cost" are not perceived to be a reality (mean = 2.72).

Analysis by industry categories

As industries are likely to differ in how they perceive the impact of the Internet on marketing, we proceeded with an analysis by industry. To ensure that the sub-samples are not too small, the ten major industry groups are collapsed into five industry categories to facilitate comparison. A one-way ANOVA is performed on each of the 31 item scores to determine if the five industry categories differed in their perceptions of the impact of the Internet on various aspects of marketing. The results confirmed that the industry categories do differ in their perceptions on ten items:

(1) effective channel for communicating product information ($F(4,159)$ 2.55, $p < 0.05$);

(2) influence the way in which products are priced, ($F(4,157)$ 3.16, $p < 0.05$);

(3) do a better job of selling, ($F(4, 158)$ 2.52, $p < 0.05$);

(4) add new segments to targeted markets, ($F(4, 160)$ 4.00, $p < 0.01$);

(5) expand targeted market, ($F(4, 160)$ 3.29, $p < 0.05$);

(6) serve customers more quickly, ($F(4, 160)$ 4.40, $p < 0.01$);

(7) improve new product development, ($F(4, 158)$ 2.97, $p < 0.05$);

(8) improve the ability to keep customers informed, ($F(4, 159)$ 5.33, $p < 0.001$);

(9) better research on customer needs, ($F(4, 160)$ 4.56, $p < 0.01$); and

(10) better customisation of products and services, ($F(4,159)$ 7.52, $p < 0.001$).

As the group sample sizes are quite different, for the post hoc tests, Hochberg's GT2 is employed (Field, 2000). Mean differences on six items yielded significant results ($p < 0.05$, $p < 0.01$ and $p < 0.001$) for 11 of the pairwise comparisons (see Table IV). Consistently, all the significant differences

Table IV. Changes in marketing activities, market definition, and value creation by industry categories (prediction 2001-2003 data)

	Mean						
	AMC ($n = 19$)	Manuf ($n = 43$)	TCU ($n = 20$)	WR ($n = 31$)	SERV ($n = 51$)	F-values	Sig. diff.
Marketing activities							
Do a better job of selling	2.42	2.90	2.95	2.81	3.33	2.518	1&5*
Market definition							
Add new segments to targeted markets	2.47	2.55	2.65	2.58	3.31	3.999	2&5* 4&5*
Value creation							
Serve customers more quickly	3.05	3.64	3.60	3.00	4.10	4.401	1&5* 4&5**
Improve the ability to keep customers informed	3.95	3.77	4.15	3.87	4.53	5.328	2&5*** 4&5*
Price more accurately	2.16	2.32	2.85	2.13	2.90	3.407	4&5*
Better customisation of products and services	2.32	2.42	3.10	2.48	3.51	7.519	1&5* 2&5*** 4&5**

Notes: AMC = agriculture, forestry, fishing, mining, construction; Manuf = manufacturing; TCU = transport, communications, and utilities; WR = wholesale and retail trade; SERV = finance, insurance, real estate, and other services. * Refers to significant difference at $p < 0.05$; ** refers to significant difference at $p < 0.01$; *** refers to significant difference at $p < 0.001$

involved a pairing with the services sector (SERV: finance, insurance, real estate, and other services). The SERV sector came out significantly more positive than AMC (agriculture, forestry, fishing, mining, construction), Manuf (manufacturing), TCU (transport, communications, and utilities), WR (wholesale and retail trade) on six items:

(1) do a better job of selling (v. AMC, $p < 0.05$);
(2) add new segments to targeted markets (v. Manuf and v. WR, $p < 0.05$);
(3) serve customers more quickly (v. AMC, $p < 0.05$, WR, $p < 0.01$);
(4) improve the ability to keep customers informed (v. Manuf, $p < 0.001$, WR, $p < 0.05$);
(5) price more accurately (v. WR, $p < 0.05$); and
(6) better customization of products and services (v. AMC and WR, $p < 0.01$, v. Manuf, $p < 0.001$).

Discussion

The benefits of hindsight suggest that, before the "crash", Australian marketers' expectations of the Internet may have been unrealistically high. The Internet was perceived to offer what appeared to be unlimited possibilities to improve marketing performance, and predicted changes to marketing strategy and practice showed extreme optimism. Respondents in the 2001 survey appear to have reflected on the past two years and felt a sense of disappointment with the Internet and its impact on marketing in their organizations. All mean scores on perceptions of the Internet's impact on marketing for "actual 1999-2001" dropped significantly versus "prediction 1999-2001" ($p < 0.001$). A general sense of pessimism seems to have set in, but the pessimism is itself moderated when we look ahead two years.

Overall perceptions of the Internet's impact on marketing ("prediction 2001-2003") improved significantly. Marketers are nonetheless cautious, and nowhere are the mean scores near the heady optimism of 1999. While the means of 10 items are marginally above those of the "prediction 1999-2001" levels, none of these increases are significant ($p > 0.05$). The remaining 21 items still register a decline, and four of these are significant over "prediction 1999-2001" ($p < 0.001$). Marketers are no longer as optimistic concerning the use of the Internet to "target customers globally" or "compete more effectively globally" ($p < 0.001$) compared to 1999. The opportunities may be there, but marketers may have realised in a two-year space that it is expensive to target and compete globally – far more so than simply utilizing the Internet for online promotions.

Conceptualisation of changes in marketing activities

The "prediction 2001-2003" data show a significant disparity in the mean scores on marketers' conceptualization of changes in marketing activities. Marketers perceive that the Internet is unlikely to significantly change pricing, distribution channels, and selling, or to facilitate new product development, market segmentation, online payment, and the involvement of customers earlier in the buying process. However, according to the perceptions of the Australian marketers surveyed, the Internet will impact on "communication of product and service information", "the way in which products/services are marketed"; "two-way interactive relationships with customers" and "promotional strategies". This is not altogether unexpected. Internet applications such as e-mail and interactive Web sites are certainly capable of enhancing "communication of product and service information" and developing "two-way interactive relationships with customers". Web sites, unlike other media, can make considerable information available on products, services, and the company itself. These expected changes in "communication of product and service information" and the development of "two-way interactive relationships with customers" are likely to impact on "the way in which products/services are marketed" and "promotional strategies" in the future.

The more difficult perceptions to explain relate to pricing, distribution channels, and selling. Certainly in the case of the first two issues, it is possible that respondents are a little out of touch with some fundamental changes that are occurring in international commerce. For example, it has been demonstrated that the Internet is having some profound effects on pricing strategy (Baker *et al.*, 2001; Pitt *et al.*, 2001). Similarly, some authors have argued, providing compelling evidence, that the Internet will change distribution channels and channel strategy more than it will impact on activities such as marketing communication (Pitt *et al.*, 1999a). The case of sales is less clear – little research has been done on this issue, and what has been written tends to be anecdotal. For example, Dell Computer believe that the role of personal selling has been accentuated by their online marketing efforts, for highly skilled salespeople can now sell, rather than engage in mundane activities such as order taking, which can be accomplished by the Web (Magretta, 1998).

Changes in market definition

While the Internet has been claimed to facilitate the acquisition of new customers, even beyond local or national boundaries, marketers are more sceptical that their firms will use the Internet in that way, as well as its ability to allow them to compete more effectively against leading global competitors. All scores are low, with only three mean scores slightly above the 3.0 average (on a five-point scale). Indications are that the Internet will not, at least for the time being, be used aggressively for expanding target markets. Target market definition for offline markets will be, in all likelihood, applied similarly online.

Value creation

The Internet's ability to "keep customers informed" is ranked the highest in terms of creating value for customers (mean = 4.11). Well-known examples have included keeping customers informed about their reward or frequent flyer points; their bank balances or transactions; latest product releases and augmented services. The Internet is also felt to have impacted on the firms' "ability to serve customers more quickly" (mean = 3.61) and "enable customers to make more informed buying decisions" (mean = 3.61). Based on the findings, the Internet is not used to any great extent for researching the customer. Therefore, items relating to the use of the Internet for new product development and customisation are ranked low – "develop new products faster" (mean = 2.47), "improve the ability to develop new products" (mean = 2.48), "better customise products/services to reflect customer requirements" (mean = 2.84). Most firms do not foresee using the Internet to any real extent to improve the new product development process. Marketers also appear to be dubious about the Internet's ability to "lower marketing costs" (mean = 2.72).

Industry analysis

Our findings confirm that services marketers (e.g. finance, insurance) are considerably more optimistic about the potential impact of the Internet than respondents in the other four industry categories. In particular, they rated significantly more positively than the other industries on the Internet's ability to "do a better job of selling"; enable marketers to "add new segments to targeted markets", "serve customers more quickly", "improve their ability to keep customers informed", "price products/services to more accurately reflect the market"; and permit "better customization of products/services to reflect customer requirements".

It is 25 years since Shostack's (1977) seminal article first elaborated on the differences between goods and services and instigated the discussion on how services should be marketed. Today, in most developed economies, services account for a far greater proportion of GNP than manufactured goods. Moreover, empirical research in Australia suggests that manufacturing is somewhat under-represented on the Web, while services are correspondingly over-represented (Poon and Swatman, 1997). It should therefore come as no great surprise that we found marked differences in perceptions between services organizations and the other firms in our samples.

Why are service marketers generally more optimistic in their attitudes and advanced in their actions, when compared with their physical good counterparts? Quite simply, the Internet has the ability to neutralize many of the "problems" service marketers have had to manage in bricks and mortar environments. Specifically, as Pitt *et al.* (1999b) put it, "cyberservice" overcomes many traditional problems of services marketing by giving the marketer undreamed of control over the capricious characteristics of services. In terms of managing intangibility, the Internet allows firms to provide evidence, tangibilize the intangible, sample in cyberspace and multiply memories. With regards to managing simultaneity, firms can use the Web to customise their offerings, manage customers as part-time employees (or what others have called, "co-creation marketing") and reduce customer errors. In response to the challenges of managing heterogeneity, the Internet allows firms to standardize services, electronically eavesdrop on customers' conversations and assess service quality, often in real time. Finally, service firms can turn to the Web to help them manage perishability, by managing supply and directing demand on their Web sites.

Managerial implications

There is always a danger in a busy world that busy managers, in search of quick and easy solutions to awkward problems can become over-fascinated by fads, while at the same time ignoring fundamental long-term trends and forces The implications of this study for practicing managers are that they guard against becoming too fascinated, too quickly by what appear to be "simple" truths. Some of the Internet marketing strategies that managers considered less important in this study may in fact be critical. Managers should endeavor to keep abreast of the rapid developments in the applications of the Internet in marketing. Should they fall behind in this knowledge, their global and local competitiveness can be affected. Astute mangers should also attempt to benchmark and learn from their peers – find out what they think, and very importantly, read about what they are doing (Bandura's (1977) idea of "vicarious" learning). Managers not only need to react, but they also need to be proactive and lead in the application of digital and other new technologies. To reiterate, they (and all of us for that matter) should always heed Bill Gates' warning about overestimating technology's short-term effects and underestimating the long-term impact.

Limitations and future research

This research has a number of limitations. We use particular conceptualizations of marketing that may not be sufficiently inclusive. Furthermore, while our response rates are respectable, our actual sample sizes are modest. Perhaps the most salient limitation is the possible introduction of a method bias in that the data collected and analysed is based on self-report measures. Moreover, the study is at best quasi-longitudinal, in that we have taken two readings (1999, 2001) to cover three time periods ("pediction 1999-2001", "actual 2001-2003", and "prediction 2001-2003"). A pure longitudinal approach would of course have been more desirable. While testing for non-response bias has been undertaken, the existence of this error cannot be completely ruled out. It is also to be pointed out that the samples utilised were extracted from a commercial database of large Australian firms. Although this appears fairly diverse, generalization of findings to other countries must be done with caution (if at all).

Future research should re-visit the longitudinal method. There is also scope for further cross-cultural comparisons, ideally including North America. A Delphi study could be undertaken to see whether managers' views can impact on one another, and get some idea of ranking or salience of the issues.

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Beyond market orientation

Knowledge management and the innovativeness of New Zealand firms

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Abstract *Knowledge is seen as a critical resource, with both tangible and intangible attributes. Effective knowledge management is emerging as an important concept that enables all the resources of firms, including knowledge, to be used effectively. A knowledge-management orientation is positioned in this paper as a distinctive capability that supports the creation of sustainable competitive advantages such as innovation. Using an instrument to measure a knowledge-management orientation, which is grounded in Kohli, Jaworski and Kumar's work on a market orientation, this paper identifies four clusters of firms based on knowledge-management practices that exist within the New Zealand business environment. The clusters are then described according to their innovation and financial performance profiles. The study finds that firms with a knowledge-management orientation outperformed those classified as market-oriented. The study also shows a market orientation to be a subset of a knowledge-management orientation.*

Introduction

Knowledge is increasingly recognised within marketing management as a critical resource that can be managed to enhance the competitive position and financial performance of a firm. Acquiring knowledge about customers and competitors and sharing this information between functional areas within a firm are key dimensions of a market orientation (Kohli and Jaworski, 1990; Narver and Slater, 1990). Resource theory, a significant influence on marketing management theory, also postulates a key role for knowledge (Fahey and Smithee, 1999). Thus, knowledge management is important not only to ensure that knowledge is effectively managed but also to ensure that benefits from other resources are appropriated (Nelson and Winter, 1982; Penrose, 1959; Wernerfelt, 1984). Interest in the effective management of knowledge to achieve goals such as innovation is reflected in a rapidly growing literature (e.g. Brand,

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1998; Carneiro, 2000; Madhavan and Grover, 1998). Yet, few studies report empirical tests of this link, the exception being those relating a market orientation to the innovativeness of a firm (e.g. Atuahene-Gima, 1996; Han *et al.*, 1998; Homburg and Pflesser, 2000; Hurley and Hult, 1998).

The research reported in this paper addresses this gap by categorising a sample of firms according to their use of knowledge-management practices and then profiling the groups of firms in terms of their innovativeness and financial performance. Knowledge-management practices are conceptualised as organisational routines (Nelson and Winter, 1982). Firms with better developed knowledge-management routines are said to have a distinctive capability in knowledge management or a knowledge-management orientation. A knowledge-management orientation is analogous to a market orientation, and the scale used to measure a knowledge-management orientation is grounded in Kohli *et al.*'s (1993) MARKOR scale. However, a knowledge-management orientation is a broader concept, encompassing both market-based information and information about non-market factors such as technology and internal financial information (Darroch and McNaughton, 2001). The results show that firms in the group adopting more knowledge-management practices were more innovative and had superior financial performance. Indeed, knowledge-management-oriented firms performed better than those identified as market-oriented. These outcomes contribute to our understanding of both the antecedents of innovation, and the limitations of an orientation toward the market alone.

In the next section the knowledge-management construct is explained in detail and is positioned within the broader strategic framework offered by the resource-based view of the firm. The rationale for hypotheses linking a knowledge-management orientation to innovative and financial performance is then developed. Next, the research design is discussed, including the knowledge-management-orientation scale (Darroch, 2001). Firms are then clustered according to their adoption of knowledge-management practices. Associated innovativeness and performance profiles are then reported. Finally, the paper concludes with a discussion of the findings in terms of implications for both theory and managers. An indication of the limits of the research and opportunities for further research are also discussed.

Theoretical foundations

The resource-based view of the firm

The resource-based view of the firm, although attributed to Penrose (1959), gained popularity through the work of Wernerfelt (1984) and Hamel and Prahalad (1989, 1991) because it provided a satisfactory answer to an emerging problem: why was it that firms competing in the same industry and facing the same forces could produce different financial results? Similarly, why was it that all firms competing or wishing to compete in an industry did not pursue the same product and positioning opportunities? It seemed that simply taking a static snapshot of an industry by using tools such as Porter's five forces (Porter, 1980) or identifying gaps in a product-market space using marketing tools such as perceptual maps (e.g. Day, 1994) was inadequate.

The resource-based view provided an alternative explanation by taking an inside-out approach to strategy development rather than the accepted outside-in approach. Central to the resource-based view is the classification of resources into either tangible or intangible resources and the notion that these resources provide the basis for capabilities. Examples of tangible resources include financial resources, types of capital equipment and the qualification profile of employees. Intangible resource examples include the skills and experiences of employees, the strength of brands, the reputation of the firm and employees' networks.

This paper considers a capability to be based on the resources owned by a firm and the routines performed by employees (Nelson and Winter, 1982; Penrose, 1959). However, simply having resources and recipes to perform routines does not guarantee the development of capabilities (Nelson and Winter, 1982; Rivkin, 2000). To develop capabilities, a firm also needs co-ordination mechanisms in place to ensure that people not only know their own jobs but are also able to interpret and respond to information that flows into the organisation (Nelson and Winter, 1982). Such co-ordination mechanisms would enable good quality services to be extracted from resources (Penrose, 1959). Therefore, although a firm needs access to resources, including the knowledge, skills and experiences of employees, it also needs to have effective knowledge-management practices in place to ensure that the maximum level of service is extracted from all tangible and intangible resources. Thus, the presence of efficient knowledge-management practices enables the development of routines and capabilities that are based on knowledge and other resources.

Knowledge management

Effective knowledge-management practices are, in themselves, organisational routines that are oriented toward the management of knowledge. As mentioned previously, 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 (Nelson and Winter, 1982). 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).

While the need to effectively manage knowledge is generally accepted, knowledge management is still an elusive concept and much of the literature continues to explore issues of definition. Until a definition is widely accepted, measuring knowledge management and identifying its effect on outcomes such as innovation and firm performance will be difficult to determine.

In an attempt to move the discipline forward, and after a thorough review of literature and discussions with managers, Darroch and McNaughton (2001) suggested that knowledge comprises data, information and tacit knowledge and that knowledge management is:

> . . . the process that creates or locates knowledge and manages the sharing, dissemination and use of knowledge within the organisation. When knowledge is used, learning takes place, which, in turn, improves the stock of knowledge available to the firm.

The placement of learning is important in this paper because learning, in itself, is not considered part of the knowledge-management routine. It is however, considered a consequence of practicing the routine (Nelson, 1991).

A firm that exhibits a greater number of knowledge-management behaviours and practices is likely to have a distinctive capability in knowledge management, that is, a knowledge-management orientation (this point will be discussed again shortly). There are strong parallels between a knowledge-management orientation and a market orientation. For example, in Kohli and Jaworski's (1990) seminal work, a market orientation was defined as the organisation-wide generation, dissemination and responsiveness to market intelligence pertaining to the current and future needs of customers. Narver and Slater (1990) suggest that a firm with a market orientation gathers information about customers and competitors and demonstrates strong inter-functional co-ordination. This inter-functional co-ordination is clearly an important part of the knowledge dissemination component. While there are small differences between the many definitions of a market orientation, the intention of the definitions is to capture behaviours of firms oriented towards the market place (Jaworski *et al.*, 2000). An orientation towards the market place makes sense because without it, a firm would be internally oriented (Day, 1994).

What is not clear from the above discussion is the exact relationship between a market orientation and a knowledge-management orientation. A knowledge-management-orientated firm could collect knowledge about market and non-market factors such as knowledge about some new technology for which it has no use in the markets it currently serves, knowledge from employees about their attitudes toward the organisational culture, or knowledge about internal financial issues. In this case, a market orientation is a sub-set of a knowledge-management orientation. However, the constructs could be slightly overlapping in which case a firm could be knowledge-management-oriented but not emphasise the management of knowledge about the market. Alternatively, a firm could be market-oriented and not emphasise the management of knowledge about non-market factors. Therefore, in determining the exact relationship between the two constructs one must look to the types of knowledge managed by those within the firm.

Knowledge management, innovation and performance

Knowledge management comprises three components: knowledge acquisition, knowledge dissemination and responsiveness to knowledge. As Table I shows,

Table I. Knowledge management and innovation

Antecedents of knowledge management linked to innovation	Empirical study	Result
Knowledge acquisition		
Acquiring market knowledge	Cooper (1979) and Li and Calantone (1998)	Positive
Acquiring knowledge from employees	Lynn *et al.* (2000) and Tang (1999)	Positive
Spending money on RandD to generate new product ideas	Capon *et al.* (1992)	Positive
Acquiring firms as a source of new ideas	Capon *et al.* (1992)	Not significant
Knowledge dissemination		
Knowledge dissemination in general	Tang (1999)	Positive
Work group behaviour: supports creativity, has diverse backgrounds, friendly, participative decision making, mutual openness, constructively challenges, and cooperation to get things done	Abbey (1983), Amabile *et al.* (1996), Anderson and West (1996), Capon *et al.* (1992), Hurley and Hult (1998) and Kitchell (1995)	Mixed results, some results statistically significant and some not
Inter-functional co-ordination	Abbey (1983), Ittner and Larcker (1997), Li and Calantone (1998), Sethi (2000), Song and Parry (1997) and Tang (1999)	Positive
Human resources practices	Mavondo (1999)	Positive
Codifying or making knowledge explicit. Having an organisational memory. Keeping databases	Abbey (1983), Moorman and Miner (1997) and Tang (1999)	Generally not significant although Tang found that a factor called innovation and communication, which included having a database, positively affects innovation
Having time to explore ideas, not having an excessive workload, taking the time to debrief at the end of the project	Amabile *et al.* (1996) and Tang (1999)	Mixed results – either positive or statistically insignificant
Having a scientific focus either through discussions on scientific inventions or the recruitment of scientific personnel will enhance innovation	Capon *et al.* (1992)	Positive. However, Atuahene-Gima and Evangelista (2000) found that R&D did not influence product innovativeness
Responsiveness to knowledge	Kitchell (1995)	Positive

very few studies have explicitly considered the link between knowledge management and innovation. Categorising knowledge-management practices as antecedents of innovation was done as preparation for this paper; generally such categorisations are not explicit in the studies reported in Table I.

Table I provides convincing empirical evidence that knowledge acquisition and dissemination will positively affect innovation but mixed evidence of a link between responsiveness to knowledge and innovation. However, as previously stated, there were not a large number of studies explicitly examining a link between knowledge management and innovation.

Conceptually, the effect of knowledge acquisition on innovation is unclear since knowledge has both tangible and intangible characteristics. On the one hand, knowledge is tangible in that it can be bought and sold and, theoretically, all firms have access to similar pools of knowledge (Spender, 1996). However, knowledge also has an intangible component with some knowledge acquired because of, for example, networks with customers, the reputation the firm has with customers, customer databases and the profile of people employed by the firm (Fahey and Smithee, 1999). When knowledge is characterised as an intangible resource it is both ambiguous to competitors and a little more difficult for competitors' to imitate, thereby providing a potential source of competitive advantage to the innovating firm (Fahey and Smithee, 1999).

However, any knowledge acquired may not exhibit a direct link to advantages such as innovation but might function in a supporting role and so improve overall financial performance. For example, a firm with a well-developed financial system is sensitive to the ways in which various activities are inter-related. The firm can also assess the costs and benefits associated with specific assets, routines and investments. Thus, in the context of this paper, financial data can be used to identify the need for the innovation, to identify which innovations are more likely to be successful, or to support a decision as to whether or not to invest in a new innovation at all. Similarly, firms pay salaries to employees to reflect the value of individuals' intellectual capital. Thus, extracting the stock of intellectual capital from employees and sharing that knowledge around the organisation is a critical function of management and an important antecedent of innovation. Lastly, acquiring knowledge about the market is well established as a precursor for developing innovations that best suit customer requirements.

With the exception of buying technology to facilitate knowledge dissemination (which theoretically all firms can do) both knowledge dissemination and responsiveness to knowledge represent the greatest potential for creating sustainable competitive advantages to the innovating firm since, in order to disseminate and respond to knowledge, the firm relies on its own peculiar mixture of path dependence, formal structures, informal relationships, skills and experiences of individuals. Thus knowledge dissemination and responsiveness to knowledge behaviours are unique to the organisation and difficult to imitate. Because of these characteristics, both knowledge dissemination and responsiveness to knowledge are likely to have a direct relationship with innovation and superior financial performance.

This paper moves beyond looking for a relationship between knowledge management and innovation to examine different types of innovation, for example, radical vs. incremental innovations, thus further enhancing the usefulness of the findings (Ali, 1994). The need to identify different types of innovation in research is important since each type of innovation probably requires different resources, routines and capabilities. Similarly, different innovations are likely to exhibit different consequences for the innovating organisation. For example, incremental innovations are likely to be capability enhancing and may not require changes to existing routines. By contrast, radical (or discontinuous) innovations are more likely to incorporate a large degree of new knowledge and organisational complexity and so will require greater depth of knowledge (Dewar and Dutton, 1986; Nelson and Winter, 1982). Therefore, radical innovations are more likely to destroy existing skills, knowledge, routines and capabilities (Tushman and Anderson, 1986).

Along with the view that radical innovations incorporate more knowledge, a firm with a knowledge-management orientation is in a stronger position to embed knowledge into all products, both radical and incremental. These knowledge embedded products are likely to better target consumers' needs and are harder for competitors to imitate. Thus, such products are likely to attract premium prices. Thus, along with generating superior revenue streams for the innovating firm due to price effects, knowledge embedded products are also likely to result in faster adoption and trial rates than those of competing products. Therefore, a knowledge-management-oriented firm is likely to outperform firms that do not have a distinctive capability in knowledge management.

Based on the preceding discussion, our research propositions are presented as follows:

P1. Firms in New Zealand differ according to the extent to which knowledge-management practices have been adopted.

P2. Different knowledge-management practices are associated with different levels of innovation.

P3. Different knowledge-management practices are associated with different levels of performance.

Research design

Data

The data were obtained from a sample of New Zealand organisations with 50 or more employees. This screening criterion was established on the basis that larger organisations would require the existence of some processes to facilitate knowledge management. The most senior person within each organisation was identified to complete the survey assuming that he or she would be in a position to comment on the flow of knowledge around the entire organisation, rather than the flow of knowledge within one or a few departments.

The administration of the survey proceeded in three stages. After identifying a total of 1,743 organisations with 50 or more employees (see www.Kompass.com for a description of the database), a pre-notification letter was sent to potential respondents explaining the purpose of the research and announcing the imminent arrival of the survey. Respondents were also promised a report-card summary of the knowledge-management profile of their organisation as an incentive to complete the survey. Two weeks later, a copy of the questionnaire was mailed to potential respondents, along with a cover letter and a stamped addressed return envelope. The useable sample size was 443 and the effective response rate (after adjustments) was 27.8 per cent. To check for non-response bias, a random sample of 150 organisations, with whom there had been no response, was selected and sent a brief questionnaire for completion. Of this group, 44 (29.3 per cent) completed the brief questionnaire. Next, data was categorised into one of four waves. Results of ANOVA tests showed no significant differences between mean responses from early, late or non-respondents and therefore no significant difference between each category of respondents.

Sample description

A profile of the organisations included in the study questionnaire is given in Tables II and III. The sample profile is also compared with demographics from the Kompass database and/or Statistics New Zealand data (www.stats.govt.nz/).

	Respondents (frequency (%))	Kompass database (frequency (%))	Statistics New Zealand[a] (frequency (%))
<50	57 (11.5)	–	
50-99	146 (33.2)	784 (37.5)	2,097 (61.3)
100-149	74 (18.8)	766 (36.6)	599 (17.5)
150-199	38 (8.6)	Included in category above	257 (7.5)
200-299	51 (11.6)	321 (15.4)	243 (7.1)
300-499	51 (11.6)	Included in category above	124 (3.6)
500-999	42 (9.5)	121 (5.8)	70 (2.1)
1,000+	38 (8.6)	99 (4.7)	30 (0.9)
Total	440[b]	2,091	3,420

Notes: [a] Taken from Statistic New Zealand's (2000) *New Zealand Business Demographic Statistics*, February. [b] Any differences between the total frequencies shown in any table and the total number of responses are due to missing values.

Table II. Firm size (number of full-time employees)

Table III.
Primary industry in which organisation operates

	Respondents (frequency (%))	Statistics New Zealand (frequency (%))
Agriculture, mining, quarrying, manufacturing	155 (35.9)	703 (20.5)
Electricity, gas, water supply, services	18 (4.2)	26 (0.8)
Building, mechanic trade, services	33 (7.6)	128 (3.7)
Wholesale	16 (3.7)	226 (6.6)
Retail	12 (2.8)	276 (8.1)
Cafes, restaurants	2 (0.5)	121 (3.5)
Tourism, accommodation	17 (3.9)	Included above
Transport, storage	37 (8.6)	162 (4.7)
Communication services	22 (5.1)	19 (5.5)
Finance, insurance	19 (4.4)	81 (2.4)
Property, business services (including consulting)	47 (10.9)	301 (8.8)
Government administration, defence	16 (3.7)	114 (3.3)
Education	24 (5.6)	291 (8.5)
Health, community services	13 (3.0)	204 (6.0)
Cultural, recreation services	1 (0.2)	53 (1.5)
Personal, other services	0	45 (1.3)
Total	432	3,427

Compared with the Kompass database, from which the sample was drawn, the sample used in this study significantly over-represented firms with 500 or more employees ($\alpha < 0.05$). Compared with the profile of New Zealand firms provided by Statistics New Zealand, the study significantly under-represented firms with 50-99 employees and over-represented firms with 200 or more employees.

Compared with Statistics New Zealand census data, the sample significantly over-represented firms in the agriculture, mining, quarrying, manufacturing, electricity, gas, water supply and related services, building, mechanical trades and related services, and transportation and storage sectors. However, it significantly under-represented firms in wholesale and retail. Sampling discrepancies will be discussed at the end of the paper as a limitation.

Definition of variables

Knowledge-management orientation. Using the Kohli-Jaworski instrument as a starting point, but drawing heavily on the knowledge-management literature, Darroch (2001) developed a scale to measure a knowledge-management orientation. The scale is summarised in Table IV and shows three components and 16 factors representing a total of 59 variables.

Table IV identifies factors that explain knowledge acquisition:

- valuing employees attitudes and opinions and encouraging employees to up-skill;
- having a well-developed financial reporting system;

	No. of items	Mean score	SD	Coeff. alpha	Item to total correlation
Knowledge acquisition					
KAF1: organisation values employees' attitudes and opinions	6	3.60	0.59	0.80	0.67*
KAF2: organisation has well developed financial reporting systems	4	3.85	0.76	0.76	0.58*
KAF3: organisation is sensitive to information about changes in the market place	4	3.46	0.80	0.68	0.62*
KAF4: science and technology human capital profile	2	2.73	1.23	0.83	0.47*
KAF5: organisation works in partnership with international customers	2	3.18	0.98	0.40	0.57*
KAF6: organisation gets information from market surveys	2	3.12	1.02	0.59	0.66*
Total	20	3.32	0.55	0.63	1.00
Knowledge dissemination					
KDF1: market information is freely disseminated	6	3.36	0.80	0.80	0.76*
KDF2: knowledge is disseminated on-the-job	3	3.61	0.74	0.70	0.72*
KDF3: use of specific techniques to disseminate knowledge.	3	2.83	0.83	0.61	0.75*
KDF4: organisation uses technology to disseminate knowledge.	3	2.27	1.00	0.63	0.60*
KDF5: organisation prefers written communication	3	3.45	0.82	0.57	0.74*
Total	18	3.09	0.59	0.74	1.00
Responsiveness to knowledge					
KRF1: responds to customers	5	3.94	0.63	0.81	0.72*
KRF2: well-developed marketing function	4	3.37	0.79	0.79	0.77*
KRF3: responds to technology	4	3.56	0.69	0.73	0.54*
KRF4: responds to competitors	4	3.59	0.85	0.78	0.85*
KRF5: organisation is flexible and opportunistic	4	2.89	0.71	0.69	0.57*
Total	21	3.47	0.53	0.77	1.00

Note: * $\alpha < 0.01$

Table IV. The knowledge-management scale

- being market-focused by actively obtaining customer and industry information;
- being sensitive to information about changes in the marketplace;
- employing and retaining a large number of people trained in science, engineering or maths;
- working in partnership with international customers; and
- getting information from market surveys.

Similarly, five factors describe the knowledge dissemination construct:

(1) readily disseminating market information around the organisation;
(2) disseminating knowledge on-the-job;
(3) using techniques such as quality circles, case notes, mentoring and coaching to disseminate knowledge;
(4) using technology (such as teleconferencing, videoconferencing and Groupware) to facilitate communication; and
(5) preferring written communication to disseminate knowledge.

Finally, responsiveness to knowledge is described by the following factors:

- responding to knowledge about customers, competitors and technology;
- being flexible and opportunistic by readily changing products, processes and strategies; and
- having a well-developed marketing function.

Innovation. Innovation is confined to goods and services and precludes processes and organisational forms. This study uses the well-recognised Booz, Allen and Hamilton (1982) typology. The typology categorises innovations as either new to the world, new products to the firm, additions to an existing product line, improvements or revisions to existing product lines, cost reductions to existing products, or repositioning existing products. Both new to the world and new to the firm innovations are classified as radical while the other four categories are seen as incremental innovations.

Performance. This study uses comparative performance measures, for example, "Compared with the industry average, our company is more profitable" and internally reflective performance measures, for example, "We are more profitable than we were five years ago" (the measures used are based on those found in Alvontis and Gournaris, 1999; Deshpandé *et al.*, 1993; Jaworski and Kohli, 1993; Vázquez *et al.*, 2001). The performance measures used capture both financial measures (in this case profit) and non-financial measures (e.g. market share and sales growth).

Results

Hierarchical clustering, using Wards method, was undertaken using SPSS. The knowledge-management factors, as identified by Darroch (2001) and presented in Table IV, were used to group companies. Several cluster solutions were obtained showing three, four and five clusters. All were validated using one-way ANOVA and discriminant analysis. The four-cluster solution was selected based on face validity and after conducting subsequent analyses to profile each cluster (Hair *et al.*, 1995).

The results of the four-cluster solution are provided in Table V. The highest mean scores are shown in bold while the lowest mean scores are italicised.

Cluster membership was validated using both one-way ANOVA and discriminant analysis. The ANOVA results showed that all means were significantly different at $\alpha < 0.01$ (these results are also indicated in Table V). In order to undertake discriminant analysis, the sample was randomly split into two halves. In both cases the discriminant model adequately predicted cluster membership (88.7 per cent and 90.1 per cent respectively).

Table V identifies that the most important knowledge-management practices in New Zealand are responding to customer knowledge (3.94), having financial information (3.85), disseminating knowledge on-the-job (3.61), valuing employees' attitudes and opinions (3.60) and responding to knowledge about competitors (3.59) or technology (3.56). New Zealand firms are less likely to use technology to facilitate communication (2.27), employ people with a science, maths or engineering background (2.73), use techniques such as quality circles, case notes or mentoring and coaching to disseminate knowledge (2.83) or be flexible and opportunistic in the way they respond to knowledge (2.89).

Four clusters are identified in the data set. Cluster profiles, as shown in Table V, are described below:

- *Cluster 1 – scientific-oriented*. This group can be characterised as being the most active in acquiring scientific information and in using technology to facilitate communication. Interestingly, this cluster does not appear responsive to knowledge about the market.
- *Cluster 2 – fully embraces a knowledge-management orientation (the embracers)*. Compared with other clusters, this group of companies is strong across all knowledge-management factors and so is considered to have a distinctive capability in knowledge management and therefore, a knowledge-management orientation
- *Cluster 3 – responds to knowledge (the responders)*. Cluster 3 is so named because the firms in this group respond to knowledge but are more or less second to cluster two firms in terms of acquiring and disseminating knowledge. Thus, responders have generally accepted the need to have a knowledge-management orientation but this orientation is probably not the dominant type of organisational culture driving the strategic direction of the business.
- *Cluster 4 – the non-adopters*. This cluster exhibits the lowest mean scores across each of the knowledge-management factors suggesting that the firms in this group do not have a knowledge-management orientation. Obviously this research does not explain why a knowledge-management orientation is not adopted: managers might simply be unaware of the concept and its benefits or they might be aware but have dismissed a knowledge-management orientation as either unimportant or inappropriate.

Table V.
Cluster profiles

	Overall Mean	Cluster 1 (13 per cent)	Cluster 2 (34 per cent)	Cluster 3 (37 per cent)	Cluster 4 (16 per cent)	*F*-value	Sig
Knowledge acquisition							
KAF1: Organisation values employees' attitudes and opinions	3.57	3.43	**3.97**	3.54	*2.92*	50.88	0.00
KAF2: Organisation has well developed financial reporting systems	3.86	*3.37*	**4.12**	4.05	*3.30*	35.37	0.00
KAF3: Organisation is sensitive to information about changes in the market place	3.50	*2.88*	**3.90**	3.65	*2.84*	65.04	0.00
KAF4: Science and technology human capital profile	2.77	**3.87**	**3.74**	*1.77*	*2.09*	196.70	0.00
KAF5: Organisation works in partnership with international customers	3.22	2.88	**3.59**	**3.40**	*2.31*	38.25	0.00
KAF6: Organisation gets information from market surveys	3.09	2.95	**3.55**	3.22	*1.94*	59.54	0.00
Knowledge dissemination							
KDF1: Market information is freely disseminated	3.41	2.83	**3.82**	3.62	*2.55*	101.27	0.00
KDF2: Knowledge is disseminated on-the-job	3.62	3.29	**3.98**	3.69	*2.98*	48.05	0.00

(*continued*)

Table V.

	Overall Mean	Cluster 1 (13 per cent)	Cluster 2 (34 per cent)	Cluster 3 (37 per cent)	Cluster 4 (16 per cent)	*F*-value	Sig
KDF3: Use of specific techniques to disseminate knowledge.	2.85	2.46	**3.33**	2.94	*1.95*	68.24	0.00
KDF4: Organisation uses technology to disseminate knowledge.	2.28	**2.60**	**2.80**	1.98	*1.60*	40.97	0.00
KDF5: Organisation prefers written communication	3.33	3.20	**3.74**	3.33	*2.58*	49.45	0.00
Responsiveness to knowledge							
KRF1: Responds to customers	3.99	*3.37*	**4.19**	**4.20**	3.61	56.02	0.00
KRF2: Well-developed marketing function	3.38	*2.79*	**3.62**	**3.67**	*2.70*	58.56	0.00
KRF3: Responds to technology	3.57	3.45	**4.06**	3.50	*2.82*	91.02	0.00
KRF4: Responds to competitors	3.64	*2.85*	**3.94**	**3.89**	*3.06*	55.73	0.00
KRF5: Organisation is flexible and opportunistic	2.88	*2.64*	**3.05**	**3.04**	*2.35*	24.27	0.00

Notes: Bold numbers indicate the highest mean score; italicised numbers the lowest. Where there are two numbers in one row either emboldened or italicised they have been tested and found to be statistically equivalent ($\alpha < 0.05$)

The existence of the four clusters based on knowledge-management practices, provides evidence to support P1; that is, New Zealand firms do differ according to the extent to which they have adopted knowledge-management practices. Having identified and profiled the four clusters, the second research proposition asks whether there is a relationship between a knowledge-management orientation and innovation or firm financial performance.

Table VI considers the second research proposition by linking the four clusters to types of innovation. As expected, firms with the strongest knowledge-management orientation (cluster 2) are more likely to develop all types of innovative products while firms who have not adopted a knowledge-management orientation (cluster 4) are not.

Furthermore, the results show that different types of innovation profiles also require different knowledge-management practices. For example, firms with a scientific orientation (cluster 1) focus on developing new to the world innovations but are less likely to develop new to the firm innovations, improve or revise existing products, change products to reduce costs and reposition existing products. The responders (cluster 3), who are fairly strong knowledge managers, provide an interesting innovation profile in that they achieve the highest mean scores for developing new to the firm products, adding products to existing ranges, innovating to reduce costs and repositioning products but a low mean score for developing new to the world products. A possible explanation for the innovation profile of cluster 3 firms is that while they are fairly innovative, the innovations are mostly developed in response to known market needs. Thus, cluster 3 firms are reluctant to develop new to the world products for which a market might be ill defined. These firms are best characterised as market-oriented and have developed a distinctive capability in market sensing and responding to market signals. At the same time, they are also fairly knowledge-management-oriented. This finding suggests that having a market orientation is a necessary but not sufficient condition of a knowledge-management orientation; that is, a market orientation can be described as a

	Overall mean	Cluster 1	Cluster 2	Cluster 3	Cluster 4
New to the world	2.98	**3.34**	**3.54**	2.71	*2.11*
New to the firm	3.12	*2.84*	**3.44**	**3.20**	*2.49*
Add products to existing product ranges	3.42	*3.10*	**3.72**	**3.56**	*2.73*
Improve or revise existing products	3.69	3.43	**4.01**	**3.86**	*2.87*
Change products to reduce costs	3.31	*3.12*	**3.50**	**3.42**	*2.79*
Reposition existing products	2.98	*2.76*	**3.29**	**3.04**	*2.37*

Notes: Bold numbers indicate the highest mean score; italicised numbers the lowest. Where there are two numbers in one row either emboldened or italicised they have been tested and found to be statistically equivalent ($\alpha < 0.05$)

Table VI.
Innovation profile

sub-set of a knowledge-management orientation. Reconsidering Table V shows that a market-orientation firm (cluster 3) and a knowledge-management-oriented firm (cluster 2) are similar in their responsiveness profiles. Further, the differences between cluster 2 and cluster 3 firms regarding knowledge acquisition and knowledge dissemination factors appear to be more a matter of degree. These results support proposition two since different knowledge-management profiles were found to be associated with different types of innovation.

Table VII profiles the clusters against firm performance. The evidence suggests that firms with a strong knowledge-management orientation (cluster 2) perform best across all measures while the scientific-oriented cluster (cluster 1) and the non-adopters (cluster 4) perform worst. Cluster 3 firms, which have since been labelled market-oriented, achieve better profits and market share than the industry average. Interestingly, market-oriented firms do not outperform the knowledge-management-oriented firms when considering short and long-term internally reflective measures. The results provide support for proposition three which links different types of knowledge-management practices with firm performance.

Conclusions

Theoretical implications

This paper makes two important contributions to existing theory. The first contribution is to the theory of the resource-based view of the firm, which positions knowledge as an important intangible resource upon which a firm depends. In this paper, the management of knowledge is presented as an

	Overall mean	Cluster 1	Cluster 2	Cluster 3	Cluster 4
Compared with industry average					
More profitable	3.64	*3.07*	**3.93**	**3.71**	*3.33*
Greater market share	3.63	*3.30*	**3.81**	**3.76**	*3.19*
Growing more rapidly	3.42	*2.86*	**3.77**	3.52	*2.93*
Internal comparisons					
Performing better than 12 months ago	4.02	3.91	4.08	4.02	3.97
Performing better than five years ago	4.20	4.00	**4.42**	4.14	4.01
Met performance objectives over past 12 months	3.91	*3.66*	**4.29**	3.96	*3.60*
Met performance objectives over past five years	3.69	*3.28*	**3.99**	3.63	*3.32*

Notes: Bold numbers indicate the highest mean score; italicised numbers the lowest. Where there are two numbers in one row either emboldened or italicised they have been tested and found to be statistically equivalent ($\alpha < 0.05$).

Table VII.
Performance profile

organisational routine. Higher levels of development for these routines represent a distinctive capability in knowledge management, that is, a knowledge-management orientation. The research reported in this paper showed that firms with a knowledge-management orientation were more likely to develop a broad spectrum of innovations and perform better across a range of financial performance measures than firms without such a capability. Differences appeared by cluster. More specifically, scientific-oriented firms (cluster 1) did, as expected, develop new to the world innovations but unfortunately did not perform well. This could be explained as indicating the risks involved in charting territory not well understood by those within the business.

An interesting cluster (cluster 3) emerged that upon first inspection, was characterised as being responsive to knowledge but upon reflection is probably better described as market-oriented. This cluster represents firms that are more likely to develop innovations in response to identifiable market needs. The cluster also performed better than the industry average. However, the financial performance profile of the cluster was not as strong as that of knowledge-management-oriented firms (cluster 2). Furthermore, because market-oriented firms were unwilling to develop new to the world products, they run the risk of losing market position should a competitor develop a radical innovation that changes market boundaries and alter consumers' behaviour. This might explain why market-orientated firms had not performed as well as knowledge-management-oriented firms over time. Thus, our research suggests that a market orientation on its own is not the ideal dominant organisation strategy.

The second contribution of this paper is to the theory of market orientation. A market orientation is narrower in scope than the knowledge-management orientation scale presented in this paper. The results reported in this paper show a market orientation to be a sub-set of a knowledge-management-orientation. More specifically, knowledge-management-oriented firms excelled in all 16 knowledge-management practices while market-oriented firms excelled particularly well in their responsiveness profile. Additionally, a stronger link was found between a knowledge-management orientation and financial performance than between a market orientation and financial performance. While not an objective of this study, the finding is extremely important as it helps to further enhance our understanding of a market orientation compared with other strategic orientations. One of the faults with early market-orientation instruments was the limited range of types of knowledge covered. In addition, earlier market orientation instruments were brief in their coverage of behaviours that reflect knowledge dissemination practices even though there has always been an abundance of relevant literature on this in disciplines such as organisational behaviour or communication. In spite of these criticisms, seminal market-orientation instruments have been unreservedly accepted and used to test for the antecedents and consequences of a market orientation while very little research has attempted to refine the many market-orientation instruments (Hart and Rolender, 1999). The knowledge-management-orientation instrument used in this paper is deeper and wider in its coverage and embraces both market driven and driving market organisations, thereby addressing some of the critics of earlier market-orientation work and perhaps more aptly reflecting the retrospective intention of early market-orientation writers (Jaworski *et al.*, 2000).

Managerial implications

The results of this study clearly show that firms need to innovate across a wide range of innovation types in order to perform better in the short and long term. This means not stopping with low-risk incremental innovations but occasionally moving into areas where the business or scientific community has limited knowledge. The results also show that firms that innovate and perform better are more likely to have a knowledge-management orientation. A knowledge-management orientation requires the firm to exhibit three dominant behaviours. First, it is important to gather data, information and tacit knowledge from both inside and outside the organisation. This means also looking to the market and to technological developments that might not appear relevant to markets currently served. It also means having access to a wide range of financial information and taking time to talk to and up-skill employees.

Second, a knowledge-management-oriented firm balances formal and informal communication methods and will therefore readily disseminate market information around the organisation, disseminate knowledge on the job, using techniques such as quality circles, case notes, mentoring and coaching to disseminate knowledge, use technology (such as teleconferencing, videoconferencing and Groupware) to facilitate communication, and prefer written communication to disseminate knowledge. Lastly, a knowledge-management-oriented firm disseminates and responds to market knowledge and knowledge about technology and is generally flexible and opportunistic in its willingness to change products, processes and strategies. The firm also has a strong marketing planning function in place.

The link between a knowledge-management orientation and superior financial performance suggests that firms with well developed knowledge-management practices develop knowledge embedded products that better target the needs of consumers and are more difficult for competitors to imitate. Thus, such products are likely to attract premium prices and so not only generate superior revenue streams for the innovating firm due to the price effect but also result in faster adoption and trial rates than those of competing products.

Limitations and future research

Aside from the normal limitations of single informant self-completion research, in particular, the possibility of a halo affect emerging, it is important to note that the sample over-represented firms with 200 or more employees and did not completely represent industry sectors. However, the effect of firm size or industry type on knowledge management is unknown. For example, it might transpire that larger firms or firms in knowledge intensive industries need to manage knowledge more effectively given a greater number of people, divisions or locations or abundance of complex knowledge. However, larger firms might also find dissemination and responsiveness activities more difficult given size constraints. Along with possible sample biases, one should also note that New Zealand firms are characteristically small by world standards (there are only around 3,000 firms with more than 50 employees and of those only 30 have more than 1,000 employees). Clearly, there is a need to replicate the study in different contexts.

Given the importance of knowledge management to knowledge-based societies, it is hoped that a stream of research will emerge that provides further confirmation of the results reported in this study and identifies other consequences, and of course antecedents, of effective knowledge management.

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Servicing customers directly

Mobile franchising arrangements in Australia

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Abstract *This paper analyses operational differences between mobile franchising arrangements and fixed-site franchises from an agency-theoretic perspective. Almost 40 per cent of all franchised units in Australia operate as mobile or home-based businesses, predominantly in service industries where products or services are provided directly to consumers. A two-stage methodology is reported in this paper, incorporating quantitative and qualitative research methods. In stage one, data obtained from a survey of the population of Australian franchisors in 1998 are analysed to compare operational variables of mobile and fixed-site franchise units. The second stage of the research employs in-depth interviews with a sample of mobile franchisors and franchisees to further explore relevant issues. The results confirm the agency theory perspective that start-up investment risk is lower in mobile units and mobile operations exhibit a higher level of repeat customers than fixed-site franchises. No significant differences between the two arrangements are revealed in relation to the levels of franchisee monitoring, initial training or essential franchisee experience. This study indicates that agency theory contributes to our understanding of mobile franchising arrangements, yet also suggests the findings are not completely explained by agency theory. The results imply that both monitoring and alignment of incentives have complimentary effects and that both forms of contract are necessary in a franchisor's control system.*

Introduction

Franchising is an innovative and efficient marketing technique devised to distribute products or services (Watson *et al.*, 2002). Described as the fastest growing form of business in the global economic system, the significance of franchising is most notable in the USA and the UK where over one-third of all retail sales is through franchised units (BFA/NatWest, 1999). In Australia, franchising is a more recent commercial phenomenon but the positive contribution franchising has made to strengthen the small business base illustrates the economic and social importance of this distribution method.

Despite its importance, franchising has received little research attention and mobile franchising arrangements, in particular, have been neglected in the

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literature. Mobile franchising is emerging as an important trend in the sector with just under 40 per cent of all franchised units in Australia operating as mobile or home-based businesses, predominantly in property and business service industries (Frazer and McCosker, 1999). Given that franchising contributes around A$76 billion dollars to the Australian economy annually and employs more than half a million people (Frazer and McCosker, 1999), it follows that mobile franchising arrangements contribute extensively.

Mobile franchising is based around a product or service that can be brought directly to consumers, bypassing conventional sales routes (Preble and Hoffman, 1998). Typically, a mobile franchise dispenses its products from a moving vehicle as opposed to fixed-site franchises characterised by physical store layout. By adding a mobility element to a package franchising approach, these franchises are able to bring their business directly to the customer or where the customer need is located. The added mobility dimension underlying mobile franchising arrangements raises new dimensions overshadowing strategic issues that underlie fixed-site franchises.

The present study adopts an agency-theoretic perspective to analyse operational differences between mobile and fixed-site franchise arrangements. The paper initially examines agency theory as a theoretical background from which to examine mobile franchising, followed by a discussion of the hypotheses development and two-stage methodology used in the data collection phase. Finally, discussion of the results and implications for theory and practice is undertaken.

Agency theory

Agency theory has been used for several decades in the marketing and economics literature to explain interdependent business relationships (for example, Alchian and Demsetz, 1972; Jensen and Meckling, 1976; Lassar and Kerr, 1997). In particular, agency theory has been used by franchising researchers as a basis for understanding such issues as franchising strategy (Hopkinson and Hogarth-Scott, 1999), international franchising (Doherty and Quinn, 1999), and e-commerce franchising issues (Watson *et al.*, 2002). In this paper, agency theory is used as the theoretical context from which to investigate mobile franchising arrangements. An agency relationship is present when a principal engages an agent to perform some activity on his/her behalf, which involves delegating some decision-making authority to the agent (Hopkinson and Hogarth-Scott, 1999). The focus of the theory is on determining the most efficient contract governing the principal-agent relationship given assumptions about people, organisations, and information (Eisenhardt, 1989). An optimal contract is one that brings about the best possible outcome for the principal given the constraints imposed by the situation, rather than one that maximises the joint utility of both principal and agent (Bergen *et al.*, 1992).

In an agency relationship, the agent might not act in the best interests of the principal because of several assumptions. First, it is assumed that the principal and agent are motivated by self-interest, which may result in conflicting goals (Castrogiovanni and Justis, 1998). Agents attempt to accomplish a task with as little effort as possible. Whereas the income earned provides benefits, the effort of earning it produces disutility (Lafontaine and Slade, 1997). Therefore, each individual may have an incentive to shirk.

Second, problems arise in agency relationships when the principal and agent have different risk preferences that lead them to prefer different courses of action (Bergen *et al.*, 1992). The simple agency model assumes an agent who is more risk averse than the principal (Eisenhardt, 1989). The rationale is that agents who are unable to diversify their employment, should be risk averse and principals, who are capable of diversifying their investments, should be risk neutral.

A third assumption of the agency relationship is that outcomes of agents' actions are influenced by environmental factors such as economic conditions in the market, technological changes, and personal beliefs (Pratt and Zeckhauser, 1985). The uncertainty that surrounds these events not only makes it difficult to write a contract that foresees and provides for all possible contingencies, but also forces principals and agents to keep in mind the resulting risk, together with their own risk preferences when making contractual choices (Bergen *et al.*, 1992).

The assumptions outlined give rise to two agency problems: hidden information and hidden action. First, precontractual agency problems known as "hidden information" arise before the principal decides to offer an agent a contract. Hidden information problems occur, for instance, when franchisees misrepresent their true abilities and the principal cannot completely verify whether the agent possesses the necessary characteristics to perform the desired actions.

Postcontractual problems, known as "hidden action", emerge after the principal and agent engage in a relationship. Postcontractual problems arise when the agent does not perform actions the principal desires because of conflicting goals, differences in risk preference, or uncertainty with factors in the environment (Arrow, 1985). Actions the principal would like the agent to perform often require more time, effort, or other resources from the agent. Hence, when agents' actions are difficult and costly to monitor, shirking is assumed to be frequent.

Agency theory proposes two solutions to the problems of hidden action and hidden information. First, the principal may collect more information about the agent's behaviour by investing in monitoring activities and systems designed to limit the aberrant activities of the agent (Bergen *et al.*, 1992). In this way, the principal can reduce information asymmetry *vis-à-vis* the agent and can impose sanctions if the agent deviates from expected behaviour. When such systems are in place, the principal might write a contract specifying that agents will be evaluated and rewarded on the basis of information about their actual behaviour. Unfortunately, there are problems with this behaviour-based approach. An extensive monitoring system cannot completely overcome the information asymmetries between principal and agent (Doherty and Quinn, 1999). In addition, a concern with behaviour-based structures is that monitoring systems may be expensive.

Agency theory proposes an alternative perspective to the costly problem of monitoring. Outcome-based reward structures are often implemented to provide the incentive of residual claimancy to motivate the agent to pursue outcomes compatible with the principal's goals (Eisenhardt, 1989). This solution is not based on reducing information asymmetry but on actual performance of the agent, as measured by the outcome relative to expectations (Sharma, 1997). However, outcomes depend only partially on the efforts of agents and since they are influenced by many factors that agents cannot control, such a resolution of the agency problem has the effect of transferring risk from principals to agents (Pratt and Zeckhauser, 1985). This paper will explore whether behaviour- or outcome-based contracts are more efficient in mobile franchising arrangements.

Agency perspective of franchising

One of the most debated topics in franchising research is the reason a firm chooses to franchise rather than expand through company-owned units (Lafontaine and Kaufmann, 1994). Many explanations for the existence of franchising have been offered in the economics literature, but two sets of competing theories dominate the debate. One set is based on resource constraints and the other on agency theory (Norton, 1995).

The "resource constraint" argument, first put forward by Oxenfeldt and Kelly (1968), holds that franchisors use franchising to obtain access to some resources that franchisees possess. The resources provided by franchisees may be financial capital, human capital, or managerial talent. The resource scarcity thesis, however, has received criticism from economists who argue that franchising is an inefficient way to raise capital when compared to traditional capital markets (Rubin, 1978).

A second perspective, "agency theory", supports the notion that franchisors decide to franchise a unit based on the cost of monitoring it relative to the cost of monitoring hired managers (Combs and Castrogiovanni, 1994). Franchising arrangements contain important elements of agency as the owner of the service concept (principal/franchisor) enters into a contract with an unrelated party (agent/franchisee) to use a specific business formatted concept to sell services or goods under the franchisor's trademark (Lindquist and Jacque, 1995). A review of the literature reveals that elements of both resource constraint and agency theory contribute towards an organisation's decision to franchise (Carney and Gedajlovic, 1991; Castrogiovanni *et al.*, 1995).

Agency explanation of franchising

Agency problems are likely to arise in company-owned units because the parent company cannot perfectly observe the hired manager's actions. Franchising arrangements reduce the problems of hidden information and hidden action because franchisees have two strong incentives for maximising the present value of their franchises. First, a franchisee often risks a large proportion of personal wealth in a single unit. Second, in exchange for a franchise fee and sales royalties, the franchisor relinquishes residual claim on profits to the franchisee. Hence, the franchisee is highly motivated to maximise the present value of the franchise because effective management is the only way to recover the investment with an acceptable long-run return (Carney and Gedajlovic, 1991).

A number of studies provide empirical evidence supporting the view that franchising reduces hidden information and hidden action problems. Findings by Rubin (1978), Brickley and Dark (1987), Norton (1988), Carney and Gedajlovic (1991), Brickley *et al.* (1991), Kalnins and Lafontaine (1997), and Doherty and Quinn (1999) are consistent with the agency theory view and suggest the monitoring of managers to be the central motivation for franchising. Although advancements in information technology may improve the observability of franchise units, specific knowledge is expensive to transfer (Jensen and Meckling, 1992) and hence, agency incentives for franchising still remain (Sen, 2001).

Rubin (1978) suggests that one relevant market parameter that makes conventional firm organisation prohibitive is geographic dispersion of operations. It is argued that the monitoring costs of owned units increases with unit dispersion and is positively related to the distance of a unit from the franchisor's headquarters (Brickley and Dark, 1987; Norton, 1988).

Similarly, the need for monitoring declines as the proportion of repeat customers increases. The underlying assumption is that the market will monitor quality when transient customers are rare (Brickley and Dark, 1987). This implies that franchising units are more likely to be observed where repeat customers constitute a small proportion of unit sales (Frazer and Stokes, 1997). Monitoring costs associated with company-owned units appear to be the underlying motivation for franchising (Sen, 2001). However, franchising has its own set of costs that can make it undesirable.

Agency costs

Although most analyses of franchising arrangements emphasise the agency costs associated with company ownership, there are several potential costs to franchising and possible benefits to company ownership that lead to the contemporaneous existence of both forms of ownership within the same franchise (Kreuger, 1991). The commonly cited agency costs in franchising include those associated with inefficient risk-bearing and free-riding (Brickley and Dark, 1987).

First, franchisees may be forced to bear inefficient risk. If franchisees have a substantial proportion of their wealth and income tied to the performance of a particular unit, their investment portfolios may be insufficiently diversified (Brickley and Dark, 1987). Consequently, franchisees may have a desire to underinvest in ongoing activities because a large percentage of their total wealth is already tied up in a single unit. Inefficient risk bearing can lead franchisees to have a higher required rate of return on their investment, and thus, reduce the franchisor's profit (Kreuger, 1991).

Second, a potential disadvantage of franchising is free-riding by franchisees. Where franchised units, such as those near highways and tourist areas, have a low proportion of repeat clients the franchisee has an incentive to shirk on input quality, and consequently pass the costs associated with lost customer confidence along to other units in the system (Frazer and Stokes, 1997). In contrast, company-owned units have less of an incentive to free-ride because negative externalities reduce the value of the entire franchise (Kreuger, 1991). For this reason, franchisors have an incentive to locate company owned units in areas where customers have a low probability of repeat patronage (Brickley and Dark, 1987). The free-rider problem also distorts incentives for other activities such as advertising, technological improvement, and product development (Kreuger, 1991).

Hypotheses development

The present study relies on agency-theoretic arguments to investigate differences between mobile and fixed-site franchises. Specifically, arguments pertaining to repeat customers, monitoring, and investment risk were used to develop hypotheses about mobile and fixed-site franchising arrangements.

Repeat customers

In the context of studying agency relationships, franchises are typically classified into repeat versus non-repeat industries (Frazer and Stokes, 1997). Franchise units in repeat customer industries include those that are likely to cater to largely local populations. Non-repeat industries are those characterised by generally mobile consumers who are less prone to repeat purchasing from the same franchise unit even though they may patronise an outlet from the same franchise system (Brickley and Dark, 1987). An inherent characteristic underlying mobile franchises is that franchisees serve a particular market segment defined by a geographic region (Preble and Hoffman, 1998). Mobile franchises serving geographically defined regions suggest that repeat customers constitute a large proportion of unit sales. Hence, it is hypothesised that:

H1. A higher level of repeat customers will be observed in mobile franchises than in fixed-site franchises.

Monitoring

Agency theory predicts that the need for monitoring declines as the proportion of repeat customers increases. In repeat purchase industries, incentives to free-ride are low since such behaviour would be inconsistent with franchisees' self-interest. Franchisees operating units in repeat customer industries have a greater opportunity to counterbalance their investments in franchise-specific assets by bonding with their customer base and securing the personal loyalty of their customers (Dant and Nasr, 1998). The above arguments suggest the following hypothesis:

H2. A lower level of franchisee monitoring will be observed in mobile franchises than in fixed-site franchises.

Investment risk

The absence of a physical store location is an inherent characteristic underlying mobile franchising arrangements, resulting in the elimination of store-opening expenses observed in fixed-site franchises. Consequently, lower start-up costs are expected in mobile franchises, representing attractive business opportunities for first time investors. Agency theory suggests an agent who is more risk averse than the principal (Eisenhardt, 1989). However, problems arise in the agency relationship when the franchisor and franchisee have different risk preferences (Bergen *et al.*, 1992). A first time investor who is risk averse is likely to prefer security and therefore seek some guarantee of the attainment of desirable outcomes or insurance against the occurrence of undesirable outcomes (Bergen *et al.*, 1992). Here, agency theory suggests the franchisor will lower the amount of investment risk in an effort to insure against the occurrence of undesirable outcomes. This argument suggests the following hypothesis:

H3. A lower start-up investment risk will be observed in mobile franchises than in fixed-site franchises.

Initial training

Assistance from the franchisor would normally be forthcoming in the provision of initial stock requirements and the running of the franchise unit for the start-up period. The amount of initial training offered is dependent upon the complexity of the task to be transferred to the agent (Shane, 1998). The more complex the franchise concept, the more difficult and costly it is for the principal to specify the agent's required behaviour under all contingencies (Eisenhardt, 1989). Mobile franchises tend to belong to "blue collar" industries and therefore, business operations are assumed to be less complex than fixed-site franchises. Indeed, it is common for potential franchisees to rely on the franchisor's training to enable them to acquire general business management skills and assistance with sales, service and promotion of the franchise unit (Davey-Rafer, 1998). In contrast, it is anticipated that franchisees in mobile units will require less training because the operations are not as complex, suggesting the following hypothesis:

H4. A lower amount of initial training will be observed in mobile franchises than in fixed-site franchises.

Essential experience

The selection of qualified franchisees is perceived to be the franchisor's single most pervasive operating problem, and proper selection of franchisees can have outstanding results, while poor choices can result in continuing problems for the franchise system (Justis and Judd, 2002). This implies a careful screening of potential newcomers. Similar to the arguments for *H4*, fixed-site franchises are typically characterised by complex operations which suggests the importance of management and industry experience as key factors used in the selection process by franchisors. In contrast, the relatively simple operations underlying mobile franchises suggests that they can be easily taught, and thus, experience is not essential when selecting and recruiting franchisees. Hence, it is hypothesised that:

H5. A lower level of franchisee management/industry experience will be observed in mobile franchises than in fixed-site franchises.

Methodology

Study one

A two-stage methodology was used in this research, incorporating quantitative and qualitative research methods and thereby validating the findings through triangulation (Cavana *et al.*, 2001). In the first study, the population of franchisors in Australia was surveyed by mail. Some 693 franchisors were confirmed to be operating in 1998 (McCosker and Frazer, 1998). A total of 186 usable responses was received, resulting in a response rate of 27 per cent, which is in the range normally accepted by business researchers (Futrell, 1994; Neuman, 1994) and above the minimum acceptable standard of 15 percent (Malhotra *et al.*, 1996). For comparison, a separate mail survey in 1998 using the same database resulted in a response rate of 25 per cent (Perry *et al.*, 2002).

To enhance the response rate the survey was administered in accordance with the proven total design methods of Salant and Dillman (1994) and principles of good question design were applied to minimise bias (Malhotra *et al.*, 1996). A trend analysis was performed to test for non-response bias by comparing early with late respondents on all variables in the survey (Kervin, 1992). The test confirmed that there were no significant differences between respondents and non-respondents on the major variables used in the analysis (described below) and therefore, it was concluded that non-response bias was not evident. In addition, respondents matched the profile of the population of Australian franchisors in important variables such as industry classification, size of system and age of franchise (Frazer and McCosker, 1999). Hence, the respondents are representative of the population of franchisors.

Measures. Five variables were assessed in this study: repeat customers, monitoring, investment risk, initial training, and essential experience. The independent variable in this study was a dichotomous variable that measured whether the franchise was classified as mobile or fixed-site. For each dependent variable, pre-existing measures used in past franchising studies were adopted.

A multivariate analysis of covariance (MANCOVA) and a series of analysis of covariance (ANCOVA) were used to assess group differences across metric dependent variables. Chi-squared analyses were performed to determine the significance of group differences for nominally measured variables.

Study two

The second stage of the research involved interviews with a sample of mobile franchisors and franchisees to confirm the quantitative results (Carson *et al.*, 2001) and to obtain an in-depth understanding of the issues pertaining to mobile franchising arrangements. Semi-structured interviews were conducted, audio-taped, transcribed, and analysed manually using the following general topics and themes:

- characteristics that differentiate mobile franchises from fixed-site franchises;
- recruitment processes;
- start-up costs;
- initial and on-going support;
- monitoring techniques; and
- level of repeat customers.

From the data a list of 46 mobile franchises was identified but five franchises characterised as being both mobile and fixed-site were excluded. Further, franchises with head offices outside Brisbane were eliminated leaving behind a list of 16 mobile franchises. The study employed a convenience sampling approach in which sampling was done on the basis of availability and ease of data collection (Taskakkori and Teddlie, 1998). Because of the interactive style of data collection, the selection of interviewees was determined by their willingness to participate. Convenience sampling was considered appropriate due to budget and time constraints faced by the researchers (Malhotra *et al.*, 1996). In-depth, face-to-face interviews were conducted with eight franchisors and franchisees, representing four franchises.

Results

To examine the differences between mobile and fixed-site franchises with respect to monitoring (*H1*), investment risk (*H3*), and initial training (*H4*), a two-stage procedure was performed in which a MANCOVA was conducted as a preliminary to multiple ANCOVAs. MANCOVA was performed initially to assess group differences across multiple metric dependent variables while controlling for potential effects relating to both firm size and age.

Results of the MANCOVA are displayed in Table I. According to Pillai's Trace test of significance, the combined dependent variables were significantly affected by the mobile-fixed site strategy, $F(3, 155) = 4.937$, $p < 0.01$. The covariate of size was significant, $F(3, 155) = 4.441$, $p < 0.01$. The MANCOVA analysis revealed the presence of significant differences regarding all three dependent variables for mobile and fixed-site franchises. To examine the relative importance of each dependent variable on the MANCOVA effect, investment risk, monitoring, and initial training were analysed separately by means of an ANCOVA, controlling for the effects of firm size and age. The results of the follow-up ANCOVA tests are displayed in Table II.

Effect		Value	F	Hypothesis df	Error df	Sig.
Covariates						
Age	Pillai's trace	0.033	1.749	3.00	155.00	0.159
Size	Pillai's trace	0.079	4.441	3.00	155.00	0.005
Main effects						
Mobile	Pillai's trace	0.087	4.937	3.00	155.00	0.003

Table I. Multivariate analysis of variance

Source	Dependent variable	Sum of squares	df	Mean square	F	Sig.
Size	No. of hours field visits per month	19.321	1	19.321	0.397	ns
	No. of working days initial training	1,992.968	1	1992.968	3.895	0.050
	Total average start-up cost of new franchised unit	5.798	1	5.798	0.213	ns
Age	No. of hours field visits per month	2.551	1	2.551	0.052	ns
	No. of working days initial training	783.083	1	783.083	1.531	ns
	Total average start-up cost of new franchised unit	2.483	1	2.483	9.111	0.005
Mobile	No. of hours field visits per month	7.566	157	7.566	0.155	ns
	No. of working days initial training	279.259	157	279.259	0.546	ns
	Total average start-up cost of new franchised unit	4.048	157	4.048	14.849	0.001

Table II. Analysis of covariance test

The ANCOVA tests revealed that mobile and fixed-site franchises were significantly different on the basis of total average start-up cost for a franchise unit, $F(1,158) = 14.849, p = 0.000$. As predicted (*H3*), lower investment risk is observed in mobile franchises (mean = A63, 281) than in fixed-site franchises (mean = A185, 339). The covariate of age is significant for the start-up cost variable at the adjusted alpha level, $F(1,158) = 9.111$, $p < 0.017$. Therefore, *H3* is supported. For monitoring (*H2*) and initial training (*H4*), there were no significant differences between mobile and fixed-site franchises and hence *H2* and *H4* are not supported.

In the second set of analyses, two separate chi-square tests were conducted to examine the differences between mobile and fixed-site franchises with respect to repeat customers (*H1*) and essential experience (*H5*). The results of the first analysis examining potential differences between mobile and fixed-site franchises on the basis of essential experience are presented in Table III. Contrary to predictions, no significant differences exist between mobile and fixed-site franchises with respect to essential experience and therefore *H5* is not supported.

The results for the second chi-square test are displayed in Table IV, indicating a significant difference between mobile and fixed-site franchises with respect to the level of repeat customers, χ^2 $(1, n = 161) = 33.055$, $p = 0.000$. Among the mobile franchises, 84.1 per cent are classified in the service industry whereas, only 33.3 per cent of fixed-site franchises are classified in this way. This indicates a higher level of repeat customers will be observed in mobile franchises than in fixed-site franchises and hence *H1* is supported.

Table III.
Mobile vs fixed-site franchise by essential experience

Mobile vs fixed-site franchise	Essential management/industry experience Experience not essential (%)	Experience essential (%)	Total (%)
Fixed-site franchise	68.4	31.6	100.0
Mobile franchise	81.8	18.2	100.0
Total	100.0	100.0	

Table IV.
Mobile vs fixed-site franchise by repeat customers

Mobile vs fixed-site franchise	Service vs non-service industry Non-service industry (%)	Service industry (%)	Total (%)
Fixed-site franchise	66.7	33.3	100
Mobile franchise	15.9	84.1	100
Total	100	100	

Following the empirical analysis conducted in study one, the next step was to perform in-depth interviews with mobile franchisors and franchisees. The aim of the interviews was to verify certain characteristics underlying mobile franchises that differentiated them from fixed-site franchises identified in study one.

Each interview began by asking respondents their opinions of the essential characteristics of a mobile franchise that differentiated them from a fixed-site franchise. The responses fell naturally into two categories that could be described thematically in terms of customer focus and operational aspects. In terms of customer focus, all interviewees commented on the additional value provided to the customer of offering a to-your-door service. Responses generally highlighted the time-saving feature that mobile franchises offered by delivering their service directly to the customer. Responses also emphasised the convenience and minimum physical effort required of the customer using a mobile service. In general, all respondents perceived their service to be more customer-driven compared to that offered by fixed-site franchises.

With respect to the operational aspects of mobile franchising arrangements, most of the interviewees commented on the low overhead and running costs involved in operating a mobile franchise as opposed to a fixed-site franchise. Factors such as rent and inventory maintenance were regarded to be irrelevant expenditures for mobile franchisees. Mobile franchises were described by participants as “bankcard franchises”, reflecting their low entry costs, and “man-in-a-van” operations, indicating their hands-on nature.

Franchisors reported their total start-up costs for new franchisees, with responses ranging from A$19,500 to A$22,000. Two franchisors perceived the start-up costs to be relatively low and used this information as a strategy to attract new franchisees, such as the notion of “buying yourself a job”. Another franchisor stressed the low start-up cost was attributed to the absence of a physical store location. Two franchisees commented on the attractiveness of mobile franchising as a business opportunity because of the low start-up cost and the low risk involved. In contrast, one franchisee perceived the start-up cost to be a heavy investment and commented on the high degree of risk involved for her possibly because it was her first self-employment opportunity.

In terms of recruiting and selecting suitable operators, franchisors were asked what selection criteria new franchisees had to fulfil to join the franchise. A variety of skills and experiences was described by the franchisors which were typically dependent upon the nature of the job. Management experience was not considered to be an important selection criterion for most franchisors because the training offered rendered it unnecessary. Generally there was more importance attached to industry experience. Franchisors commented that franchisees were often recruited because of their knowledge and experience in the area of the service provided. This was confirmed through interviews with franchisees. The franchisees interviewed had previous industry experience and commented on the ease of entry into the franchise due to that experience. In addition, franchisees felt their acceptance into the system was at least partly attributable to their access to capital, expressed by one franchisee as his "ability to sign a cheque".

A consistent theme across all franchisor statements emphasised the importance placed on recruiting franchisees who had a preparedness to market the business. From the interviews, it appears to be the norm for franchisors to give franchisees a large amount of responsibility for marketing their business. All franchisors highlighted the importance of people skills. Most of the franchisors reported their service required direct customer contact and interpersonal skills were expected from franchisees. Age was cited as a criterion in the selection procedure and two franchisors stated their preference for younger franchisees due to the physical demands of the franchise.

Initial support from the franchisor was provided in all cases and ranged from one to two weeks in length. The most commonly cited type of initial support was technical training. Both parties cited on-road visits, telephone calls to franchisees, scheduled meetings and motivation programs as types of ongoing support provided to franchisees. Although ongoing support was available from the franchisor when requested, franchisees felt that support was more important during the early period of establishment due to the simplicity of the mobile franchising systems.

Numerous monitoring techniques were cited by franchisors including on-road visits, evaluation checklists on mobile trailers, telephone calls to franchisees, and customer calls. Franchisors typically described these procedures for monitoring as regular and frequent. However, discrepancies were recognised between the franchisor and franchisee interpretations of the monitoring issue. Two franchisees noted the absence of monitoring. When one franchisor was asked to comment on the difficulty of performing on-road visits given that franchisees are at multiple locations, he responded: "... they're required to submit weekly sales figures anyway, there's no need to go out and monitor them". Indeed, all interviewees commented on the requirement to submit weekly or monthly turnover figures so that poor performance could be detected quickly. Hence, it would appear that franchisees expect to be monitored more closely and personally than franchisors are willing to perform, relying instead on secondary sources of information reporting franchisee performance.

With mobile franchises, the absence of a physical store location was discussed. One franchisor, clearly aware of the potential downside concerning the absence of a store location noted: "... we don't have a retail presence, we don't have a shopfront, we don't get passing traffic". An inherent characteristic underlying mobile franchises was the exclusive territory arrangement between the franchisor and franchisee. All franchisors interviewed offered exclusive territories to franchisees. Geographic territories were assigned based on postcodes. In general, the franchisees viewed the exclusive territory arrangement as advantageous because it dealt with the problem of competition between franchisees. Franchisees also commented on the high level of repeat customers generated through the exclusive territory arrangement.

Discussion

H1, predicting a higher level of repeat customers in mobile franchises was supported. As proposed, a characteristic underlying mobile franchising arrangements is that franchisees serve a delimited market area indicating that repeat customers constitute a large proportion of unit sales. The interviews conducted in study two supported this proposition. It was revealed from the interviews that franchisees hold exclusive territory arrangements. The absence of intrabrand competition underlying exclusive territory arrangements suggests that repeat business will be high. The findings from this hypothesis are consistent with a past study on mobile franchising arrangements (Preble and Hoffman, 1998).

H2, predicting a lower level of franchisee monitoring in mobile franchising arrangements was not supported. As confirmed in *H1*, the high level of repeat customers observed in mobile franchises may indicate that the need for monitoring actually declines. Agency theorists argue that in repeat industries, incentives to free-ride are low since such behaviour would be inconsistent with franchisees' self-interest. Although the results from study one did not support this hypothesis, the anecdotal evidence from the follow-up interviews suggests that lower levels of monitoring do in fact occur in mobile franchising systems. A possible explanation for this finding comes from the territorial encroachment literature addressed in *H1* which suggests that intrabrand competition inherent in mobile franchise arrangements requires closer monitoring of franchisee by the franchisor.

H3, predicting a lower start-up investment risk in mobile franchise units was supported. In the context of agency theory, this finding is important given an optimal contract is contingent on the need to balance an agent's risk aversion. Specifically, the propensity to use behaviour-based contracts versus outcome-based contracts is argued to be a function of the franchisee's risk aversion.

While the ANCOVA analysis indicates a lower investment risk will be observed in mobile franchises, the interviews revealed that mobile franchisees may perceive initial start-up cost to be a heavy investment involving a high degree of risk possibly because it is their first self-investment opportunity. If mobile franchisees have a substantial proportion of their wealth tied to the performance of a particular franchise unit, their investment portfolios may be insufficiently diversified. Inefficient risk bearing can lead franchisees to require a higher required rate of return on their investment, and thus, reduce the franchisor's profit.

H4, predicting a lower level of initial training in mobile franchising arrangements due to the lack of complexity of their systems, was not supported. The follow-up interviews conducted in study two indicated that mobile franchises were characterised by comprehensive training programs during the initial stages of operation. This suggests that there are no significant differences between mobile and fixed-site franchises on the basis of initial training. The interviews revealed that initial training typically focused on the technical aspects of the operation probably due to the "blue collar" nature of most mobile franchising arrangements emphasising the need for franchisees to know a particular skill. Little attention was placed on the management skills necessary to succeed although most franchisors recognised the necessity of incorporating management training prior to operating.

H5, predicting a lower level of management or industry experience in mobile franchise units was not supported. As proposed in *H4*, business operations underlying mobile franchise units were believed to be less complex in comparison to fixed-site franchises. This suggested that management or industry experience would not be mandatory for potential franchisees to join mobile franchise systems. Contrary to the results in study one, interviews conducted confirmed that industry or management experience was essential suggesting mobile and fixed-site franchises are similar in the amount of experience required to join the franchise system. From the interviews, franchisors expressed the necessity for franchisees to hold relevant industry experience. Although management experience was generally not considered essential but preferred, franchisors revealed that franchisees were largely responsible for marketing their own franchise unit.

Managerial implications

The notion that mobile franchising arrangements are different from fixed-site franchises has several implications for theory and practice. At an applied level, the results of the present study have important implications for management practitioners. Specifically, implications pertain to determining the most efficient contract between the franchisor and franchisee. Clearly, for mobile franchise systems characterised by lower risk investment, outcome-based contracts should be adopted. However, the problem of adverse selection is found to be intensified for mobile franchise systems. Such circumstances highlight that outcome-based contracts are inadequate. This finding has serious implications for franchisors in their franchisee selection procedures. Too often, franchising studies treat incentive alignment (outcome-based contract) and monitoring (behaviour-based contract) as substitutes and that the use of incentives is negatively related to monitoring processes. The findings in the present study suggest both monitoring and alignment of incentives have complimentary effects and that both forms of contract are necessary in a franchisor's control system. In addition, these findings may similarly apply to non-franchised mobile operations, particularly to store managers and sales staff, whose behaviour and performance may be rewarded via incentive schemes.

From an agency theory perspective, franchisees have an incentive to conceal information about external environmental factors that serve to explain their business success without attributing the latter to their effort. That is, if low levels of competition in the marketplace are the underlying reason for a franchisee's success, such a franchisee would likely hide such information from its franchisor. Where there is high competition, franchisees will proactively pass on information about the marketplace to franchisors to create an excuse for poor performance, and if the performance is good despite tough competition, to signal their superior effort. Hence, in mobile franchising arrangements, where competition between franchisees in the same franchise system is low, closer monitoring by the franchisor is recommended to counteract the agency problem of hidden information.

Although mobile franchises are characterised by lower investment risk than fixed-site franchises, the evidence in this research suggests that mobile franchisees are highly risk averse. In such cases, the problem of inefficient risk bearing is exacerbated. In these circumstances, the franchisor may experience difficulties attracting potential franchisees. Implications for franchisors might be to offer higher rates of return or lower start-up costs as well as longer term contracts to mediate the effects of inefficient risk bearing by the franchisee.

This study also highlights the importance of adopting behaviour-based contracts for mobile franchise systems. The prevalence of repeat customers in mobile franchises reduces the need to fully monitor franchisees but findings from this study indicate the presence of intrabrand competition. This problem of intrabrand competition highlights the importance for franchisors to incorporate some monitoring in their control systems.

Theoretical implications

The conceptual arguments for this study rest primarily on the contributions of agency theory. This study extends the agency-based franchising research by examining the differences between mobile franchising arrangements and fixed-site franchises. The agency problem structure in previous research has traditionally been applied to research conducted on the choice of organisational form and more recently to international franchising strategy and e-commerce issues. This study illustrates that agency theory contributes to the understanding of mobile franchising arrangements, yet also suggests the findings are not completely explained by agency theory. The findings indicate that agency explanations deserve to be reviewed.

In particular, from an agency theory perspective, the efficiency of outcome-based contracts in relation to behaviour-based contracts is greater where the franchisee's aversion to risk decreases. As risk aversion declines, the cost to the principal of transferring risk to that agent via an outcome-based contract also declines. In the context of mobile franchising arrangements, where investment risk is expected to be lower than fixed-site franchises, this argument suggests that mobile franchises should adopt outcome-based contracts. It also speculates that the agency model should relax the assumption that franchisees are more risk averse than the franchisor. This useful extension may increase the external validity of hidden action models given agents vary widely in their risk preferences.

Moreover, initial investment has implications in the context of the hidden information model. Agency theory argues that the size of the franchisee's cash investment in a franchised unit often serves as a quality signal to reduce the franchisee adverse selection problem. Individuals who have greater management capability signal this ability by purchasing franchised units with large initial investment. Agency theory posits that the higher the cash investment, the more that this self-selection will occur and the lower will be the franchisee adverse selection problem. From this observation, the adverse selection problem is likely to be exacerbated in mobile franchising arrangements that are characterised by lower initial investment.

The choice of behaviour- or outcome-based contracts will not completely solve the above agency problems of hidden information or hidden action. The agency theory assumption that franchisees are more risk averse than franchisors may not apply to the special case of mobile franchising arrangements. Instead, the resource scarcity theory may have some relevance. Mobile franchisors may use a low entry cost system to attract investors into their entrepreneurial venture in order to increase their wealth while simultaneously achieving rapid market penetration. The simplicity of mobile franchising systems means that anyone can be taught the technical skills to perform the work and thus the market for franchisees is accessible and large. It is possible that both a lack of access to capital and principal-agent considerations are applicable to mobile franchising arrangements.

Conclusion

In summary, this study investigates the efficacy of agency predictions in determining differences between mobile franchising arrangements and fixed-site franchises. It is clear that choosing and implementing the most efficient contract is of paramount importance for the franchisor and franchisee as a whole. For mobile franchise systems, controlling for the quality of franchisees via both outcome-based and behaviour-based arrangements leads to efficiency of the contractual relationship for the franchisor.

Nevertheless, the franchisor's capital constraints and desire to penetrate the market quickly provide a tension that may be resolved by choosing a simple operational concept with low entry costs as a means of exploiting the franchisor's entrepreneurial talent.

Undoubtedly, more research is necessary to understand the structure of the contractual arrangements. The findings from the present study demonstrate that agency theory oversimplifies the complexity of the contract and skirts some serious problems about the fundamental characteristics of its common elements, monitoring and incentive alignment, that are embedded in the nature of the contract.

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Book review

Strategic Internet Marketing

Dann, Susan and Dann, Stephen
John Wiley & Sons
2001
Keywords Internet, Marketing, Strategy

This is another of the seeming plethora of Internet-marketing texts. Others, of course, include such titles as: *Electronic Commerce: A Manager's Guide* (Kalakota and Winston); Greenstein and Feinman's *Electronic Commerce: Security, Risk Management and Control*; Whiteley's *E-commerce: Strategy, Technologies and Applications*; and *Strategic Electronic Marketing: Managing E-business* by Kleindl. Note that, as is the tendency with so many recent texts, these books have double titles. It is as though we are seeking that little bit of extra incentive to make us purchase. This was never the case with such luminaries as Hofacker, who kept his 1999 work, *Internet Marketing*, to a nice and simple statement. At least what you see is what you get.

We find a similar simplicity in Dann and Dann's offering, *Strategic Internet Marketing*. For a long time academics have sought refuge in the solace of adding "strategic" or "global" to the title of a book. For that matter, we see it in the offerings of many universities. How many global marketing strategy courses or are there now? In order to live up to its title, both a subject and a text need to actually deal with what the title says. We are pleased to note that sibling team Susan and Stephen Dann have achieved that with this book. The title *Strategic Internet Marketing* is appealing in its simplicity. It connotes clarity of thinking and a potentially useful addition to the multitudes of e-marketing texts.

The text is well grounded in both strategy and consumer behaviour theory, offering examples from an international context. This comes as something of a relief to those of us who live outside North America and so offers a useful addition to the growing literature on the use of the Internet in marketing. We also note with satisfaction that the authors do not follow the dogma that the Internet is the most important tool in the marketer's armoury. Rather, while acknowledging that it is a very useful and powerful tool, they present the user with its limitations and ways to deal with them. That should be enough to recommend it to most traditional marketing academics.

This book is clearly aimed at the student who has already developed some understanding of marketing. At least two years into a degree would be our estimate. So, while a good overview of the Net is given in part one, later parts on marketing communications, consumer behaviour and strategy assume a level of education one would not find in, for example, an information

European Journal of Marketing
Vol. 37 No. 3/4, 2003
pp. 614-616

0309-0566

technology student. For that reason we recommend this as a set text for marketing students undergraduates and perhaps Masters students with some background in consumer behaviour.

Those teaching faculty who feel most comfortable with a detailed instructors' manual and accompanying MCQ test bank will be disappointed. Support material includes chapter abstracts, learning objectives for each section, chapter discussion questions and PowerPoint slides that summarise each chapter. There are no model answers for the discussion questions or multiple-choice questions in a test bank. We found the support material more than adequate but it could make for a heavier workload if teaching in a very large class that require the usual assessment shortcuts.

The book is divided into five sections:

(1) "Definition and domain of Internet marketing" provides the usual history of the internet and a very useful overview of key concepts and terminology, nicely linking some techno-babble with more common marketing and strategy jargon.

(2) "New marketing strategies for the new media" highlights unique technical aspects of the Internet and the social and business implications of rapid, low-cost, borderless communication. An interesting feature is the exploration of online interpersonal communication and its role in consumption behaviour reminding us that often the marketer has a minor role in affecting purchase and consumption.

(3) "Marketing fundamentals in the interactive age" revisits the traditional 4P's in marketing strategy, discussing how the internet moderates, and is moderated by, the marketing mix. A valuable inclusion in most chapters in this section is a brief reminder of the marketing theory and practice that students learned in earlier courses. Each reminder is then followed by an exposition of how the Internet may affect traditional marketing practice and, on occasion, moderate marketing theory.

(4) "Strategic marketing applications for the Internet" covers additional areas of service marketing, the popular concepts of relationship marketing, international marketing and marketing research.

(5) "The future" is a final chapter overviewing important issues of personal privacy, marketing ethics and the very real possibility that some businesses, and consumers, will miss this important technological trend.

Overall, the format of the text is one that fits nicely within a semester of teaching and is well received by the students we have taught.

The text is not without its shortcomings. The Internet is a rapidly changing set of technologies, and a rapidly changing set of poster-boy heroes, companies and business models. In this environment, the risk of becoming dated is so much greater. The instructor then has to be alert to emerging technologies and ideas. In our last semester, for example, a major area of interest in the class was mobile marketing, the application of Internet technologies to mobile phones and PDAs. In fairness, this topic was barely on the horizon at the time of publishing, and it would be an ambitious writer who would commit to firm predictions of this combination of communications opportunities.

Some concepts may be beyond most business school candidates. Sections in early chapters challenge students with unusual concepts such as "post-modern consumption", the artificial construction and presentation of "self" and "hyper-reality". These concepts were thought provoking and inspiring for some students but clearly beyond comprehension or were perceived to be of little value for many of our students. We found some sections confusing, with at times a focus on business strategy and methods to facilitate transactions and at other times a focus on what it's like to be a consumer online. Even within the framework of the online consumer some sections melded of the notions of the Internet as a consumption experience in itself and of the Internet as a conduit for interpersonal and marketing communications. These are valuable and rich ideas but at times the reader is left up in the air about how these ideas can be applied or how they fit with other ideas.

Of course, these criticisms are in no way unique to Dann and Dann's work. Greater criticism could be levelled at the two best alternatives to this text, in our opinion. These are Ward Hansen's *Principles of Internet Marketing*, 2000 (Thompson), which already is beginning to date, and Ian Chaston's *E-marketing Strategy*, 2001 (McGraw-Hill). Both of these US-orientated texts are highly descriptive in parts with relatively little attempt to contain strategy within a sound theoretical framework. Similarly they lack any comprehensive treatment of marketing for Government, non-profit, service, international or disadvantaged sectors. Dann and Dann, by contrast, have explicitly included these areas with interesting vignettes and Web-site examples.

All of the above leads us to the final conclusion. This is a book that is a useful text for final year undergraduates and/or Masters students in the marketing discipline. While the main thrust of the book is grounded in good theory there are one or two chapters that tend to be fairly descriptive. The big plusses for the book are its grounding in current marketing thought and its acceptance of the Internet as another tool in a large armoury. The user needs to be aware that it will date quickly however, and so we look forward to a future edition.

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European Journal of Marketing
Vol. 37 No. 3/4, 2003
pp. 617-623

0309-0566

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