

# Market-Oriented Culture and Strategy: Are They Synergistic?

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Existing studies concerning the effects of marketing on firm performance have been conducted primarily in the areas of market-orientation and marketing strategy studies. Recently, efforts have been made in investigating the integrated effects of these two factors on firm performance. As part of these efforts, this study employed market-oriented culture and the marketing strategy making process of a firm as constituents of its marketing competence, and, based on reviews of related literature, developed relationship between market-oriented culture and the marketing strategy making process, and finally verified the suggested relationship by surveying managerial personnel from a range of firms. It was found that market-oriented culture does not only affect firm performance directly, but does so indirectly by affecting the marketing strategy making process.

**Keywords:** Market-Oriented Culture, Marketing Strategy, Firm Performance

## Introduction

The effects of a firm's execution of the marketing concept on its performance have been studied by many researchers from many different perspectives, mostly concerning the role of marketing in shaping and being shaped by a firm's corporate culture and firm-level strategy (Hooley et al. 1999, Mooreman & Rust 1999, Webster 1995, Webster 1994).

Marketing as a reflection of corporate culture addresses the degree to which the customer's values and beliefs are embedded within the organization and in its marketing activities (Webster 1995). Studies of marketing as a reflection of firm culture have outlined the relationship between the execution of the marketing concept and firm performance. However, marketing as factor of a firm culture has not been approached as direct cause of firm performance, but as something indirectly affecting firm performance through interaction with learning-orientation (Baker & Sinkula 1999, Sinkula 1994, Slater & Narver 1995) or marketing strategy (Morgan & Strong 1998, Slater & Narver 1993, 1995).

Marketing in strategic terms refers to a firm's adaptation of the STP (Segmentation, Targeting, Positioning) to its competitive strategy in a chosen area of business (Webster 1995). The use of marketing as a strategy has been demonstrated to have positive implications for firm performance (Menon et al. 1999), and has been shown to be affected by firm culture (Bigne et al. 2000, Morgan & Strong 1998).

That is, many studies in the past have treated the role of marketing as either a strategy

or cultural correlate having separate effects on firm performance, studies uniting the two as a single compound variable and investigating their joint effects have been relatively few. Those studies that do exist (Kotler 1977, Hooley et al. 1999, Morgan & Strong 1998) have been found somewhat faulty, ranging from definitions of marketing as a strategy, setting up of inter-variable relationships and methods of assessing these relationships. This study therefore attempts to verify the joint effect of marketing as both strategy and culture on firm performance, while mending those earlier shortcomings. In order to do so, it was first necessary to more clearly establish the concept of marketing as a culture and as a business strategy. Reviewing existing literature regarding group culture and business strategy, inherent characteristics of marketing were derived and applied to the study.

## **Review of the Literature and Research Hypotheses**

### **Marketing as Culture**

#### ***Market-oriented Culture***

Most studies establishing marketing as a reflection of group culture concerned themselves with market-orientation (Harris 1998, Kohli & Jaworski 1990, Narver & Slater 1990, Webster 1995). Market-oriented culture composed of customer-orientation, competitor-orientation and inter-department collaboration was viewed as a group culture aimed at maintaining a high level of firm performance by effectively and efficiently executing actions required to gain customer value (Narver & Slater, 1990). Thus market-oriented culture is a pragmatic, action-oriented translation of the marketing concept, which emphasizes the importance of the customer not just within the marketing organization but throughout the firm as well (Harris 1998, Hooley et al. 1999, Webster 1995). Numerous studies followed-up to the concept, focusing on the definition as well as its assessment of the concept of market-orientation, and its effects on firm performance (Lafferty & Hult 2001, Narver & Slater 1990, 1998, Slater & Narver 1994).

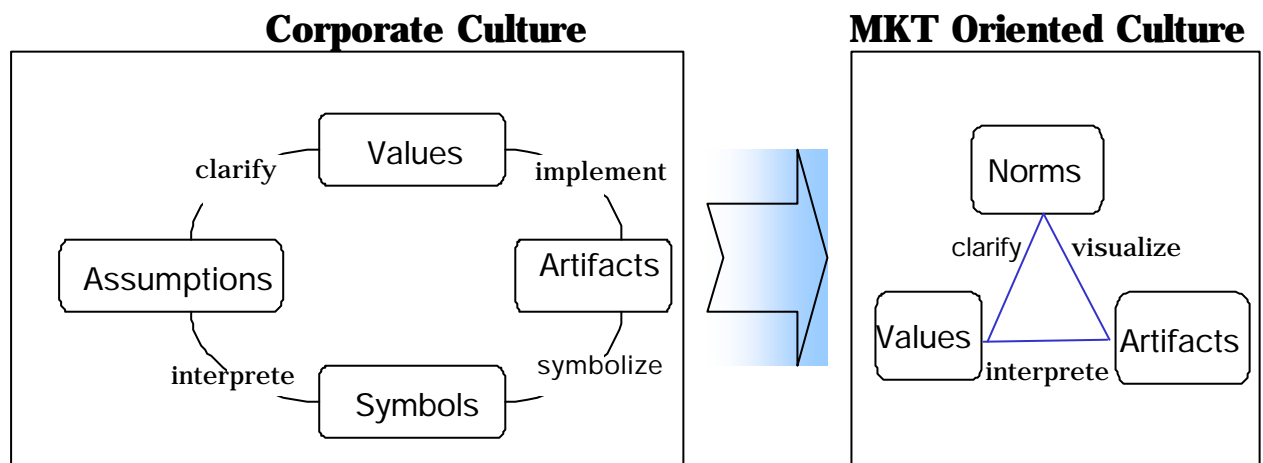
These studies on market orientation all demonstrated a significant correlation between market orientation and performance. However, it has been pointed out that these studies shared considerable discrepancies among their definitions of market-orientation, and their conceptual consistency was questioned. For example, Homburg and Pflesser (2000) pointed out that studies such as Narver and Slater's (1990) defined market-orientation as a culture but in its assessment used a behavior-oriented scale, resulting in under-representation of the core components of market-oriented culture which is organizational in nature. They went on to propose a new market-orientation assessment scale incorporating essential factors and concepts of marketing culture at an organization level.

Some scholars defined culture as a system of values, norms and artifacts designed to effect a desired set of actions. Values refer to a concept of desirability, designed to help the individual decide the most desirable of the available courses of action, and norms constitute a set of expectations one has while undertaking a chosen action. Artifacts

refer to the symbolic elements created by organizations, such as topics, facilities, rituals, and communication styles. Combining these definitions, Homburg and Pflesser (2000) defined market-oriented group culture as composed of market-oriented values, market-oriented norms, market-associated norms, and market-oriented actions. The four factors were placed on a hierarchy, and it was shown that, market-oriented actions, the lowest in hierarchy, had the significant effect on performance.

However, a hierarchical alignment of cultural elements is quite limited in illustrating the dynamic nature of relationships among the elements. Hatch (1993) proposed that cultural elements are arranged in dynamic interaction by means of clarification, visualization, symbolization, and interpretive process, thus Hatch's (1993) model may be construed to better reflect the dynamic interactive relationships among the elements of market-oriented culture. Drawing from the Hatch's model as shown in Figure 1, the present study defined market-oriented culture with such dynamic interaction among the elements in mind.

**Figure 1. Conceptualization of Market-Oriented Culture based on Hatch's (1993) definition of Corporate Culture**



### ***Market-Oriented Culture and Performance***

Market-oriented culture is a group culture designed to create higher customer value by executing the required actions with the most efficient and effective means available, thereby maintaining a high level of firm performance (Narver & Slater 1990). Therefore, market-oriented firms seek ways to provide added value to the customer while simultaneously lowering the cost of the said product or service. Existing studies have previously shown significant positive effects upon firm performance by market-orientation. However, departing from such previous studies, the current study classified market-oriented culture not as a set of actions but a constituent of group culture within a firm, and assumes that the interactions among the elements are not linear but dynamic. Other studies emphasized the importance of customer service orientation as an organization wide commitment which require organizational arrangements (Bowen &

Schneider 1989) and organizational climate supportive of excellent customer service (Schneider 1980). Based on previous literature, we can hypothesize that market-orientation positively affects firm performance as follows.

**Hypothesis 1: Market-oriented culture will positively affect firm performance.**

## **Marketing as Strategy**

### *Typology of Marketing Strategy Research.*

Studies concerning the effects of marketing strategy constitute a large part of studies investigating the determinants of firm performance (Menon et al. 1999, Piercy 1998). These studies can be primarily divided into two categories, the rational planning school, concerning the planning of strategy, and the incremental school, concerning the implementation of strategy (Barney 1997, Grant 1995, Speed 1993). However, recent criticisms of this two-sided approach have led to the introduction of studies from another perspective, this time concerning the results of strategy planning as well as implementation (Menon et al. 1999, Piercy 1998). In accordance with this recent trend, this study defined and assessed firms' strategic competence bearing in mind both the planning and implementation of strategy.

Methods of study, in general terms, consist of the narrative, classificatory and comparative approaches (Morgan & Strong 1998). The narrative approach is employed primarily in case studies, and concentrates on the delineation of strategic characteristics. Such methods are being used mainly in the area of organizational studies and are useful in discovering the foundations of a said strategy rather than examining the strategy itself. The classificatory approach, as its name implies, refers to the classification of studies according to set criteria (Miles & Snow 1978). A representative study employing this method was Miles and Snow's (1978) study of strategic categories. The classificatory approach is credited with providing a theoretical base to strategic studies and deriving strategic implications. However, this approach, while useful in providing the most effective strategy for a said situation, and in comparing and categorizing strategy types, it fails to successfully compare and contrast strategies within the same category and suggest means of correcting strategic shortcomings. The comparative approach is used to overcome these shortcomings, since this method focuses on the assessment and delineation of the core elements of strategy, it allows for the parallel comparison of firm strategies regardless of category (Speed 1993). This study thus selected the comparative approach as its basic means of assessment to evaluate and analyze firm performance levels according to assessments of marketing strategy. That is, the current study aims to accomplish the above goal with a comparative approach from an angle combining assessments of marketing strategy planning and execution thereof, as previously demonstrated in Menon et al's (1999) Marketing Strategy Making (referred to as MSM from now on). The MSM process is designed to assess the adherence of a firm to the fundamentals in the planning and execution of strategy, rather than evaluate the firm's selection of an appropriate strategy.

### ***MSM – Marketing Strategy Making***

Menon et al. (1999) defined Marketing Strategy Making, a concept uniting the planning and implementation of marketing strategy, as a “complex set of activities, processes, and routines involved in the design and execution of marketing plans.” The firm performance evaluation process established by Menon and his colleagues consisted of analyses of situation, comprehensiveness, emphasis of marketing assets and capabilities, cross-functional integration, communication quality, consensus commitment, and frontline staff interviews.

Situation analysis refers to the systematic analyses of a group’s strengths, weakness, opportunity and threats (SWOT) within the area of marketing strategy (Bourgeois & Eisenhardt 1988, Kohli & Jaworski 1990). Situation analysis consists of the delineation and understanding of new opportunities and threats affected by environmental changes, assisting the firm in strategic adaptation to such changes, thereby positively affecting firm performance (Bourgeois & Eisenhardt 1988, Capon et al. 1994, Grant 1995).

Comprehensiveness refers to the systematic development and thorough analysis/evaluation of alternative strategies within the strategy selection process (Fredrickson 1983). The development of various alternative strategies enables the selection of the most effective strategy through evaluation of the executability of these many alternative strategies. (Schweiger et al. 1986). A later study has shown that comprehensive strategies selected through such processes have positive influences on firm performance (McKee et al. 1990). Emphasis of marketing assets and capabilities refers to the effective and continued employment of core business process, resources, and techniques that form the foundation of marketing strategy (Day 1994).

Marketing assets consists of size and scope of facility investment, brand assets, and channel superiority– assets that marketers can invest in and employ, - and capabilities refer to the ability to implement pricing strategy, customer service, and product development (Day 1994). Emphasis of marketing assets and capabilities, especially the emphasis of various capabilities, has been suggested to have a positive effect on firm performance (Day 1994).

Cross-functional integration is the degree to which the MSM team represents a group, and how cohesive and efficiently controlled the team itself is (Ayers et al. 1997). For the successful implementation of strategy, the functional integration of the strategy implementing teams is prerequisite, as is the functional and political harmony between these teams and entire organization (Menon et al. 1999). Examining past study results, cross-functional and inter-departmental integration may be assumed to positively affect a firm’s market performance (Ayers et al., 1997, Olson et al. 1995).

Quality of communications refers to the quality and quantity of both official and non-official communications within the strategy-making process. High-quality communications prevent the off-tracking of strategy, and improve on the executability of the strategy itself, performing a key role in the success or failure of a strategy. Numerous studies have concluded that quality of communications, when high,

positively affect the firm's market performance (Kohli & Jaworski 1990, Narver & Slater 1990).

Consensus commitment refers to team members' consensus on and commitment to a selected strategy (Wooldridge & Floyd 1989). Consensus building, by promoting individual understanding of the decision-making process, reduces uncertainties in decision-making and reduces internal friction among team members thereby making the process more efficient (Jaquinto & Fredrickson 1997). Thus, consensus commitment, linked to individual commitment and understanding of strategic goals, can be assumed to positively affect a firm's market performance.

As discussed above, the constituents of MSM can be expected to individually benefit firm performance, empirical studies have shown this to be true (Menon et al. 1999).

### ***The MSM Process and Firm Performance***

The current study defines the MSM process as consisting of situational analysis, selection of strategy by development and analysis of comprehensive alternative strategies, STP, departmental and functional integration, communications, consensus, resource commitment, the 4P mix, and regulatory activities (Becker & Homburg 1998, Menon et al. 1999).

These elements have been found to positively affect firm performance through the improvement of environment-specificity of strategies by internal/external factors (Capon et al. 1994), the increased probability of selecting the most effective strategies by effective examination of alternative strategies (McKee et al. 1990), the provision of action directives for the 4P mix and selecting the most adequate strategy through better understanding of the market environment and trends, early detection of errors in the strategic implementation process (Olson et al. 1995), the improvement of modification and adaptation capabilities in strategy implementation (Moorman & Miner 1998, Slater & Narver 1995), the reduction of uncertainties in decision making and the increased interest (Jaquinto & Fredrickson 1997), the provision of human resources, time and funds required in strategy implementation (Ramanujan et al. 1986), meeting target customer's demands (Kotler 1997), and the promotion of goal-oriented behaviors (Bartol & Martin 1998). Thus a high level of marketing strategy-making process suggests the possibility of the selection and effective, efficient implementation of the most adequate strategies by means of systematic understanding of internal and external marketing environments. The study predicts that marketing strategy-making levels will critically affect the performance of a given firm.

**Hypothesis 2: A high level of marketing strategy-making process will positively affect firm performance.**

### **Market-Oriented Culture and the Integration of Marketing Strategies.**

Among studies aimed at understanding the components of marketing as both culture and

strategy from a unified perspective (Hooley et al. 1999, Kotler 1977, Morgan & Strong 1998), the most representative are Kotler's (1977) marketing effectiveness study and Hooley et al.'s(1999) marketing capabilities study. Though the definition and assessment scale for marketing effectiveness were not based on precise assessment criteria or a wide literature base, they have been supported by numerous scholars in that they have taken a unified perspective by considering marketing proponents of marketing as both culture and stratagem (Appiah-Adu 1999, Sin & Tse 2000, Yoon & Kim 1999).

Though marketing effectiveness studies and their results are quite readily adapted to real marketing practices, these studies have quite a few limitations. First of all, it concerns the question whether or not the criteria assessed in marketing effectiveness evaluation are adequate for the satisfactory assessment of the concept. Kotler used a total of 15 semantic differential scale to assess marketing as both strategy and culture which are characterized by customer philosophy, integrated marketing organization, adequate marketing information, strategic orientation, and operational efficiency. However, the validity of the 15 used criteria is deemed questionable. For example, in the case of market-oriented culture, only the ideological components are assessed, and as for market-oriented strategy, though provisions are made for the evaluation of strategic goal-orientation and the existence of an official marketing organization, an adequate appraisal of a firm's marketing abilities by these criteria alone seems unrealistic.

Secondly, the criteria of marketing effectiveness do not discriminate between marketing factors of the cultural and strategic aspects, thus do not account for the interaction between these two aspects of marketing. Thus, though it is possible to predict firm performance according to assessed marketing effectiveness, it is difficult to suggest methods of improvements by identifying and evaluating the interactions between factors of either aspect. In response to this, the current study will identify and assess the interactive relationships between marketing factors of both cultural and strategic aspects, leading to a systematic explanation of their individual links to firm performance. As for the inquiry into Hooley et al.'s(1999) step-wise model of marketing abilities, this study will assess marketing capabilities and explain their relation to firm performance from three angles based on Webster's (1995) core premises: that is, marketing as culture, strategy and tactics. The study can thus be called a pioneer in that unlike existing studies of marketing effectiveness, it clearly defines individual factors of marketing in terms of culture, strategy and tactics, providing insight into the role of individual components. Hooley et al. (1999) proposed, based on a resource-based perspective, that marketing as culture, the principal element of marketing capabilities, is the more potentially beneficial source of competitiveness over rivals than marketing as strategy or tactics since from the competitor's view, it is a complicated and unpredictable cause-and-effect usage of resources. Hunt (1995) asserted that a firm's comparative advantage in resources enables it to achieve superior performance through a position of competitive advantage in some market segment or segments, which is followed by competitors' attempts to neutralize and/or leapfrog the advantaged firm through acquisition, imitation, substitution, or major innovation.

Following from this logic was proposed the hypothesis that market-oriented culture would be more closely associated with firm performance than market-oriented strategy

or tactics. The study deserves considerable credit for attempting to understand and evaluate the three dimensions of marketing capabilities from a unified perspective, and delineating their individual linkages to firm performance.

However Hooley et al.'s (1999) study also possesses several limitations. Firstly, the assessment scales used in their studies are inconsistent in terms of concept validity. In the case of market-orientation, by not referring to Narver and Slater's (1990) scale, thereby concluding that market-orientation is simply culture, the study limited the number of assessable criteria by omitting the two additional dimensions— strategy and tactics. Assessment was limited to marketing as culture (Homburg & Pflesser 2000). Market-oriented culture thus assessed cannot be conceptually discriminated from marketing strategy, to develop an assessment scale representative of the accepted definition of market-oriented culture, one must consider the factors of market-oriented values, norms and artifacts (Harris 1998). Another problem can be attributed to the assessment of marketing strategy levels. Hooley et al. (1999) assessed marketing strategy levels by the relative positions of product, service and price, which amounts to an assessment of results, not of strategic planning or content. An assessment of the levels of components required in the planning and implementation of strategy (Menon et al. 1999), or the aptitude of a firm's selected strategy for the firm's situation and environment (Miles & Snow 1978, Morgan & Strong 1998), would be preferable to this approach in the assessment of marketing as a strategy. Hooley et al. (1999) used Day's (1994) operant definition of marketing capabilities to assess marketing tactics; however for the assessment of strategic implementation, one must consider not only marketing capabilities but organizational structure and components of execution (Menon et al. 1999).

Suggestions toward the improvement of Hooley et al.'s(1999) study can be made by considering the relationships between marketing capabilities' individual components' (culture, strategy, tactics) interactive relations, and not just their individual effects on firm performance. Until now, though the relative influences upon performance of these three factors have been outlined, the process of these effects has yet to be studied. Studies of marketing strategy suggest that strategy acts as a parameter variable which mediates between culture and firm performance (Bigne et al. 2000, Morgan & Strong 1998). The current study aims to use an assessment scale consistent with conceptual definitions of marketing capabilities, and investigate further the inter-component interactions of marketing capabilities, so as to provide a more comprehensive and profound understanding of the relationship between marketing capabilities elements and firm performance.

### ***Market-Oriented Culture, the Marketing Strategy-Making Process and Firm Performance***

In order for market-oriented culture to effect the desired firm performance, sufficient market-oriented methods must be planned and implemented (Morgan & Strong 1998), the process by which this is arranged is strategy planning (Slater & Narver 1993, 1995). If market-orientation consists of the acquisition and proliferation of information gained



from the market (customers, competitors, etc.), and responding to such information through inter-departmental cooperation (Kohli & Jaworski 1990, Narver & Slater 1990), strategy is the process by which market data acquired from such a marketing-oriented cultural background is analyzed, and alternative strategies in response to these data are developed through investigation, then implemented by the most effective means (Baker & Sinkula 1999, Hurley & Hult 1998, Menon et al. 1999, Sinkula 1994, Sinkula et al. 1997, Slater & Narver 1995). Thus the strategic planning and implementation processes manage market-oriented culture so that it may positively affect firm performance (Day, 1994, Slater & Narver 1993). Therefore, the following hypothesis is suggested.

**Hypothesis 3: Market-oriented culture will positively affect firm performance through marketing strategy-making processes.**

## **Method**

### **Sample and Data Collection.**

The population for the study's sample selection was a credit information corporation's list of local businesses. Out of businesses located in the capital district of Seoul, a sample was selected to reflect the actual business type and areas of distributions. A total of 120 businesses were selected, the aim of the study was made known to each of these businesses by mail, and each of the businesses was requested to participate in a survey. The questionnaire recipients were heads of marketing division or departments of the selected businesses. They were considered to possess appropriate knowledge about the extent to which corporate culture plays a role in making market-oriented strategic decisions. Since understanding corporate culture was believed to require extended exposure to the norms and shared beliefs of the organizations, the questionnaire contained a screening statement which excluded people who were with the company less than one year. Receipt of the mailed questionnaire and the businesses' participation in the survey were confirmed by telephone. Upon telephone confirmation, interview appointment was made on individual basis with each of the contacted survey participants. Five trained interviewers were given detailed instructions about standard interview procedures which involved answering any questions asked about the survey and collecting completed questionnaires. Interviews were conducted with those businesses that agreed to participate, of 120, 113 businesses participated in the survey. A sample of 110 surveys was used in the final analysis, after 3 incomplete responses were discarded.

### **Operational Definition of Variables**

#### ***Market-oriented Culture***

Most market-orientation assessment scales are designed to assess the concept mainly from an action-based perspective, following the models suggested by Narver and Slater (1990) and Kohli and Jaworski (1990) (Homburg & Pflesser 2000). The current study

assessed market-oriented culture using the Homburg and Pflesser's (2000) scale, which redefines and reassesses market-orientation as a culture, based on conceptual review of culture (Trice & Beyer 1993).

### ***The Marketing Strategy-making Process***

The study evaluated marketing strategy and tactics based on the assumption that the marketing strategy-making process combines both the planning and implementation phases of strategy. As was discussed in the conceptual review and establishment of hypotheses, the marketing strategy-making process consists of situational analysis, comprehensiveness, STP, functional/departmental integration, communications, consensus building, resource commitment, execution capabilities (effective use of the 4P mix), and regulatory components (Becker & Homburg, 1999, Boyd & Reuning-Elliott 1998, Menon et al. 1996). The Menon et al.'s (1999) scale was used for situational analysis, comprehensiveness, functional/departmental integration, communications, consensus building, and resource commitment, while STP and execution capabilities (effective use of the 4P mix) used Kotler (1977, 1997) and Yoon and Kim's (1999) scale. Finally, regulatory components were assessed using Becker and Homburg's (1999) scale.

### ***Market Performance and Control Variables***

Performance was assessed through the use of market performance variables (Homburg and Pflesser, 2000). Market performance is defined as the effectiveness of marketing activities of a firm (Homburg & Pflesser, 2000, Irving, 1995), customer satisfaction levels, customer value, customer retention, customer acquisition, revenue growth rate, and market share.

The inter-component interactions assumed in the current study are prone to the influences of various external factors. Accordingly, to examine whether or not the assumed interactions are unaffected even after the exclusion of such external factors, environmental turbulence was set as a control variable, as done by previous representative studies of marketing strategy.

## **Results**

### **Analysis of Scale Items' Reliability**

As shown in Table 1, the result of reliability test of each of the assessment criteria—a method of data reliability based on assessment criteria's internal consistency – concluded that a values for all criteria were at least 0.7, which is a statistically acceptable level (Churchill 1979, Nunnally 1970).

**Table 1. Results of Reliability Test for Scaled Constructs**

Concept Assessed	# of var	a	Concept Assessed	# of var	a
Values	17	0.91	Communications	2	0.84
Norms	17	0.94	Consensus	2	0.84
Artifacts	14	0.85	Resource commitment	3	0.82
Situation Analysis	5	0.90	Execution	10	0.90
Comprehensiveness	3	0.88	Control	4	0.82
Strategic principles	6	0.91	Environmental turbulence	4	0.79
Inter-dept Integration	3	0.89	Market Performance	6	0.89

### Analysis of Scale Validity

Examination of instrumental validity of the scale employed for this study was carried out in two forms, testing content validity and construct validity. As a result of discussions with academic scholars, industry practitioners, and reviews of existing studies, the scales used in the current study were concluded to have adequate content validity. Construct validity was confirmed using the confirmatory factor analysis. Convergent and discriminant validity of the scale were verified through confirmatory factor analysis to substantiate the assumption that the scaled variables are correlated with the construct to be assessed and not with other constructs (Bagozzi & Yi 1988, Gerbing & Anderson 1988).

As a result of confirmatory factor analysis, the result of which is shown in Table 2 and Table 3, all coefficients of market-oriented culture and marketing strategy components had t values of at least 2.00, and the fitness estimate was found to be acceptable (CFI > 0.9), demonstrating that the construct validity of the measurement scale used in the current study was adequate. Analysis of the discriminant validity of market-oriented values, norms and artifacts showed correlation coefficients and standard errors of r (values and norms) = 0.36 (SE = 0.09), r (norms and artifacts) = 0.55 (SE = 0.11), r (values and artifacts) = 0.37 (SE = 0.09), respectively. Since the confidence interval of correlation coefficients did not include 1, the construct validity of each concept was confirmed.

**Table 2. Confirmatory Factor Analysis on the Three Components of Market Oriented Culture**

Measurement items	Latent Factor (1 <sup>st</sup> order)	Estimate (t)	Latent factor (2 <sup>nd</sup> order)	Estimate (t)	
Success oriented		1.00 (-)			
Innovation		1.96 (4.67)			
Communication		1.85 (4.53)			
Quality	Market-oriented Values	1.24 (4.91)		0.43(4.68)	
Speed		0.91 (3.21)			
Inter-dept cooperation		1.58 (4.49)			
Responsibility		2.04 (4.76)			
Respect		2.15 (4.76)			
Success oriented			1.00 (-)		
Innovation			1.50 (5.15)		Market-Oriented Culture
Communication		1.40 (5.03)			
Quality	Market-oriented Norms	1.27 (5.06)			
Speed		1.19 (5.01)			
Inter-dept cooperation		1.27 (4.96)			
Responsibility		1.32 (5.08)			
Respect		1.18 (4.98)			
Exemplary case			1.00 (-)		
Problem case			0.89 (4.40)		
Institutionalization	Market-oriented Artifacts	1.50 (5.37)		0.54(4.85)	
Ritual		1.54 (5.40)			
Positive language		0.99 (4.54)			
Negative language		0.32 (1.99)			

$\chi^2=325.46$  (df=201, p=0.00), GFI=0.80, RMR=0.088, CFI=0.91, NFI=0.69

**Table 3. Confirmatory Factor Analysis on the Components of Marketing Strategy Making**

Measurement items	Latent Factor (1 <sup>st</sup> order)	Estimate (t)
Situational analysis		1.00 (-)
Comprehensive ness		1.12 (8.79)
Strategic principles		1.08 (4.53)
Inter-dept cooperation		1.27 (4.89)
Communication	Marketing Strategy Making	1.17 (3.21)
Consensus		1.35 (4.49)
Resource commitment		1.10 (8.75)
Execution		1.04 (4.76)
Control		0.92 (4.76)

$\chi^2= 53.39$  (df=27, p=0.00), GFI=0.88, RMR=0.040, CFI=0.96, NFI=0.70

### Verification of Hypotheses

Verification of research hypotheses was performed by using the following two regression equations. Regression equation (1)'s analysis was used to verify hypotheses 1, 2, and 3, while regression equation (2) was analyzed to verify hypothesis 3. Results of regression analysis are illustrated in table 2.

$$(1) \text{ Market performance} = a + \beta_1 \text{ Market-oriented Culture} + \beta_2 \text{ Marketing Strategy Making} + \beta_3 \text{ Marketing-oriented Culture} * \text{ Environmental turbulence} + \beta_4 \text{ Marketing Strategy Making} * \text{ Environmental turbulence} + e$$

$$(2) \text{ Marketing Strategy Making} = a + \beta_1 \text{ Market-oriented Culture} + e$$

To test hypothesis 1 (Market-oriented culture will positively affect firm performance), analysis of regression equation (1) was performed and the result indicated that market-oriented culture affects market performance significantly. A significant positive value of the beta coefficient was recorded ( $\beta = .329$ ,  $p < 0.01$ ,  $R^2 = .590$ ), supporting the hypothesis that market-oriented culture will positively affect firm market performance (see table 4).

In order to determine the role of the control variable, environmental turbulence, analyses of the interactive influences of market-oriented culture and environmental turbulence upon market performance, and the marketing strategy-making process and environmental turbulence, were performed respectively. Results showed that while the influence of market-oriented culture decreased with the rise of environmental turbulence ( $\beta = -.240$ ,  $p < 0.1$ ), the influence of the marketing strategy-making process upon performance increased ( $\beta = .268$ ,  $p < 0.05$ ). Such results conform to existing studies' conclusions that market-orientation's influence on performance is weakened (Slater & Narver, 1994), and the marketing strategy-making process's influence is strengthened (Menon et al., 1996) as environmental change accelerates.

**Table 4. Regression Analysis Results for Hypotheses Confirmation (Beta coefficients)**

Independent Variable	Dependent Variable	
	MSM	Market Performance
Market-oriented Culture	0.804***	0.329**
MSM	-	0.458***
Market-oriented culture*	-	-0.240*
Environmental turbulence	-	
MSM * Environmental turbulence	-	0.268**
R <sup>2</sup>	0.647	0.590
F value	188.95	36.84
F (Sig)	0.000	0.000

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

A more detailed presentation showing the effects of three components of market-oriented culture on market performance is shown in Table 5. The result indicated that market-oriented values and artifacts had significant effects on market performance whereas norms did not.

**Table 5. Regression Analysis on the Effects of Three Components of Market-Oriented Culture on Market Performance**

Independent variables	Dependent variable=Market performance	
	Beta coefficient	VIF
Values	0.241*	3.074
Norms	0.152	3.186
Artifacts	0.275***	1.635

F=18.15 \*\*\* R<sup>2</sup>=0.344  
 \*\*\* p<0.01, \*\* p<0.05, \* p<0.10

Regression analysis as shown in Table 4 testing hypothesis 2, predicting a positive relationship between marketing strategy-making levels and firm performance, yielded a significant positive beta coefficient ( $\beta = .458$ ,  $p < 0.01$ ), supporting the hypothesis. A detailed analysis of the effects of the components of MSM on market performance is shown in Table 6. The result indicates that among the nine elements of MSM, only three—comprehensiveness, strategic principles, and control had significant effects on market performance.

**Table 6. Regression Analysis on the Effects of Nine Components of MSM on Market Performance**

Independent variables	Dependent variable=Market performance	
	Beta coefficient	VIF
Situational analysis	0.025	2.255
Comprehensiveness	-0.3555***	4.119
Strategic principles (STP)	0.434***	3.176
Inter-dept cooperation	0.229	3.495
Communication	-0.008	3.016
Consensus	0.084	3.977
Resource commitment	-0.147	3.154
Execution	0.163	2.584
Control	0.360***	1.890

F=9.25, R<sup>2</sup>=0.464  
 \*\*\* p<0.01, \*\* p<0.05, \* p<0.10

Hypothesis 3, which predicted the indirect effect of market-oriented culture upon firm performance through the marketing strategy-making process, was tested by a path analysis (Bollen 1989, Moorman et al. 1996) using the beta coefficients calculated from regression equations (1) and (2). The beta coefficient for market-oriented culture's indirect effect on firm performance was calculated by multiplying the beta coefficients of market-oriented culture's influence on the marketing strategy-making process and the marketing strategy-making process's influence on firm performance, respectively ( $\beta=0.804$ ,  $R^2=0.647$ ) and ( $\beta=0.458$ ), resulting in a beta coefficient of 0.368 (see Table 4). The significant and positive beta value in this case also supported the hypothesis, verifying that market-oriented culture influences firm performance indirectly through the marketing strategy-making process.

Regression analyses confirmed that market-oriented culture has a significant effect on the marketing strategy-making process, and based on this confirmation was verified the indirect effect upon firm performance by market-oriented culture. However, it is difficult with these results alone to delineate the process by which market-oriented culture influences the marketing strategy-making process. Accordingly, the interactions among the respective factors of market-oriented culture and the marketing strategy-making process were analyzed. To this end, market-oriented values, norms and artifacts were set as independent variables, and the components of the marketing strategy-making process set as the dependant variables for multiple regression analyses. Analyses indicated that components of market-oriented culture generally influenced factors of the marketing strategy-making process. However, artifacts significantly influenced all factors except comprehensiveness and control measures, while market-oriented norms had significant influences only on consensus commitment and the execution of the 4P mix. A possible explanation for such result is that while values are abstract concepts exercising a general influence on the organization's goal-oriented actions, the marketing strategy-making process is a concrete concept consisting of the planning and implementation of real strategies, naturally resulting in a low correlation coefficient. Additional analyses indicated the likelihood that market-oriented values' influence upon the marketing strategy-making process was represented by market-oriented norms' influence. ( $\beta_{\text{norms? values}} = .804$ ,  $\beta_{\text{artifacts? values}} = .218$ ).

## Conclusions and Discussion

Comparing the current study with previous studies of market-oriented culture (Homburg & Pflesser 2000) and the marketing strategy-making process (Menon et al. 1999), the model used in this study showed higher accountability and beta coefficients. While Homburg and Pflesser (2000) organized market-oriented culture as a step-wise linear cause-and-effect model among constituents and assumed that only market-oriented actions affected firm performance, the current study, based on Hatch's (1993) premises, defined market-oriented culture as an entity embedding dynamic interaction among components and conceptualized that these components influence performance as a collective concept. For comparison' purpose, the current study's model was substituted with Homburg and Pflesser's (2000) model and regression analyses performed on data used for this study. Results demonstrated that the components of market-oriented culture

can be interpreted by a step-wise linear association model, and using this model the previous conclusion that market-oriented activities have a significant influence on firm performance was reaffirmed. However, in regression analysis using Homburg and Pflesser's (2000) model, market-oriented culture accounted only for 27.1% of firm performance, while the current study's model yielded 48.7% accountability of market-oriented culture for firm performance.

The study additionally identified shortcomings and aimed to propose suggestions for assessment methods employed by Menon et al.(1999) regarding components of the marketing strategy-making process. Menon et al. (1999) conceptualized the marketing strategy-making process based on procedural elements of corporate strategy, and included in their assessment evaluations of 13 criteria of marketing capabilities to better represent the characteristics of marketing strategy. However, the assessment criteria employed by Menon et al. (1999) were judged to have inadequate content validity in evaluating a firm's level of marketing strategy-making, specifically in the aspects of strategic consistency and the effective use of marketing resources. In response to these shortcomings, the current study substituted Menon et al.'s (1999) marketing capabilities with STP as a strategic marketing fundamental, the effective use of the 4P mix as a component of marketing implementation, and regulatory activities, therefore conceptualizing and assessing the Marketing Strategy Making process. Comparison of the current model and that of Menon et al. (1999) has its import in the proposition of recommendation toward the improved conceptualization of marketing strategy-making process components. Analysis revealed that though Menon et al.'s(1999) model, while deserving of attention, was significantly inferior to the current model in accountability ( $0.469 > 0.283$ ) and the beta coefficient value. ( $\beta_{\text{performance? MSM}} : 0.542 > 0.352$ ), the new conceptualization of the MSM suggested by the current study is therefore found to be beneficial.

Aside from these statistical results, the current study has significance in its comprehensive review of previous study concepts, that is, the structure of marketing capabilities was verified by unifying the concepts of market-oriented culture and the MSM, and the influence of these two factors on firm performance was identified. The current study presented market-oriented culture and marketing strategy as components constituting a firm's marketing capability. In addition, based on literature reviews, and explanation of the relationship between market-oriented culture and marketing strategy was attempted. It was proved that MSM provides the link between simple market-oriented culture and real implementations of marketing strategy, and that its influence upon firm performance rises with the increase in environmental turbulence. The basic tenet of the current study is, then, that without the presence of both market-oriented culture and MSM, the satisfactory fulfillment of goals is difficult. Thus firms must first follow a marketing strategy-making procedure based upon a firm foundation of market-oriented culture to positively affect performance through the improvement of firm marketing capability.



## **Limitations and Recommendations for Future Studies**

The study successfully redefined the concept of market-orientation from a group-culture perspective, and identified/outlined the role played by the marketing strategy-making process as parameter variable in the relationship between market-orientation and firm performance. Though these relationships were confirmed, the study does have a few of its own limitations.

Firstly, the method of data collection may have been inadequate. For such studies as this, it is preferable that data be collected from subjects multiple times during data collection. However, in this study of the 110 responses used as the sample only 20 responses were from the same source. Though these 20 responses were found to be consistent with the rest of the sample, it is nevertheless a shortcoming of the current study that multiple responses could not be obtained from the entire sample.

Secondly, the study's definition of market-oriented culture and its components could be limited. During analysis it was found that several assessment criteria of market-oriented culture had low validity, and that some criteria were quite closely related. Such observations implicate that the definition of market-oriented culture applied to similar studies abroad may not well apply to the foreign market. For future studies, it is suggested that a new definition of market-oriented culture is conceptualized giving consideration to the peculiarities of the local market.

Thirdly, the study was based on survey results only, future efforts should concentrate on the acquisition of longitudinal data so as to provide a reliable confirmation of the relationships identified in the current study.

Future efforts aimed at overcoming these limitations should be continued, but another suggested direction of study concerns the area of firm performance. Future efforts at investigating the influences of market-oriented culture and the MSM, on such performance variables as market-based assets (Srivastava et al., 1998), brand assets (Keller, 1998), and customer assets (Blattberg et al., 2001, Gupta et al., 2002, Rust et al., 2001) would prove to be of great value.

Finally, the country-specific factors affecting the shape of market-oriented culture would warrant future investigation as such factors certainly influence the way people develop market-oriented culture and implement culture-specific marketing strategy. Cross-cultural comparison of the extent to which market-oriented culture is embedded in actual formulation and implementation of the marketing strategy would be an interesting topic to pursue in the future.

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