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Market Orientation and Marketing Practice in a Developing Economy

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ABSTRACT

The central question of this study is whether the implementation of the marketing concept boosts organisational performance in developing economies. Data collected from manufacturing-exporters based in central China reveal that although there is a link between marketing practice and performance, no such link exists for Narver and Slater's (1990) concept of market orientation. Speculating that market orientation may become more important over time as market imperfections diminish and information between suppliers and consumers begins to flow more freely, this study also found that the most significant antecedents to market orientation for developing country firms were customers and markets located outside the home market.

KEYWORDS

market orientation, marketing, exporting, performance

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INTRODUCTION

The implementation of the marketing concept is widely thought to have a positive influence on business performance. This assumption underlies two separate areas of research. On one side, is a group of predominantly American scholars who have sought to demonstrate the link between market orientation and superior business performance (e.g., Baker and Sinkula 1999; Kohli and Jaworski, 1990; Moorman and Rust, 1999; Narver and Slater, 1990; Pelham and Wilson 1996). The emphasis in this body of work is on the marketing concept as an over-arching business philosophy or corporate culture that is manifested in those activities that create superior value for customers (Narver and Slater 1990). This perspective is top-down and external for the critical issue concerns the degree to which the top management team is mindful of customers' ever-changing needs and competitors' strategies. On the other side, a group of mainly European-based scholars has focused on the execution of the marketing function in terms of specific marketing activities (e.g., Akimova 2000; Avlonitis and Gounaris, 1997; Doyle, Saunders and Wong 1992; Greenley and Shipley, 1992; Hooley and Beracs 1997). The emphasis here is managerial rather than cultural, and internal in the sense that above-average performance is seen to result from the firm-specific implementation and organization of marketing strategies (Chang, 1996; Woodside, Sullivan and Trappey, 1999). If the first group is concerned with a market orientation (hereafter MO), then the second group is more interested in actual marketing practice (hereafter MP).

A recent meta-analysis of extant MO research (Ellis, 2004b) revealed that the strongest findings linking MO with performance have generally been found in mature economies such as the US (Jaworski and Kohli 1993; Slater and Narver 1994a), Germany (Homburg and Pflesser 2000), and the Netherlands (Langerak 2001). To date, very few MO studies have been reported from developing nations (cf. Appiah-Adu, 1998). In contrast, a significant amount of MP work has been done in emerging economies such as Russia (Golden *et al.* 1995), Puerto Rico (Galbraith and Holton 1955), Venezuela (Boyd, Clewett and Westfall 1958), the Philippines (Huszagh, Roxas, and Keck 1992), Hungary (Hooley and Beracs 1997), Yugoslavia (Shama, 1992) and the Ukraine (Akimova 2000). This publication trend hints at an intriguing question: which has the greatest effect on firm performance in developing economies – MO or MP? In mature economies characterized by the prevalence of buyer's markets, stable growth and intense competition, firms that are more oriented towards customers' needs and competitors' actions will do better, as per the claims of MO-scholars. In contrast, in developing economies characterized by ill-defined market boundaries and strong demand, firms may be able to "get away with" a minimal amount of MO (Kohli and Jaworski, 1990:15). Yet the findings of Akimova (2000), Hooley and Beracs (1997) and others, indicate that in such exchange settings, high-MP firms still tend to outperform their low-MP rivals.

The aim of this study is to explore the relative merits of pursuing the marketing concept as external orientation towards markets versus internal marketing practice in a developing economy. This paper is organized in five parts. A brief review of the main implications for firms in developing economies stemming from extant MO and MP research is presented first. Next some hypotheses are developed and this is followed by a description of the research design used in this study. The main findings are then presented and these form the basis for a final discussion section in which the relevant implications for scholars and practitioners are identified.

LITERATURE REVIEW

The domain of marketing management is predicated on the assumption of a positive link between the marketing concept and firm performance. Firm's embracing the marketing concept – generally defined as being synonymous with a customer focus (Houston, 1986; Levitt, 1960; McCarthy and Perreault, 1984) – usually do so with the expectation of making long term gains in profitability and

market position (Webster, 1988). This connection between the marketing concept and business performance was widely held to be self-evident until the mid-1980s, when marketing practitioners found themselves being increasingly out-marketed by superior, usually Japanese, imports. Declining US competitiveness, coupled with a rising trade deficit, provided indisputable evidence of firms' inability to respond effectively to changes in their markets (Kotler and Fahey, 1982; Webster, 1988). Accordingly, existing modes of thinking about marketing were called into question and a divide began to appear between marketing scholars who held unswervingly to the pre-eminence of the marketing concept (e.g., Payne, 1988) and those who began to wonder whether the concept was the optimal management philosophy at all (e.g., Houston, 1986).

It was in this environment of intellectual and market-place uncertainty that the first serious attempts to empirically assess the purported performance-enhancing effects of the marketing concept were made. Over time, two separate veins of research emerged, one emphasizing a corporate-wide philosophy manifested in a measurable outward orientation towards markets, and the other focusing on the actual execution of the marketing function by the marketing department or division within the firm. The first vein benefited from the seminal contributions of two pairs of authors (Kohli and Jaworski, 1990; Narver and Slater, 1990) who laid much of the conceptual foundation on which subsequent MO research was based (Baker & Sinkula 1999; Bhuian 1993; Chan & Ellis 1998; Homburg & Pflesser 2000; Kumar *et al.* 1998; Moorman & Rust 1999; Pelham & Wilson 1996; Slater and Narver, 1994a; Tse *et al.* 2003). The second vein, in stark contrast, is a disparate assortment of studies lacking the cohesion afforded by a shared set of instruments or even common terminology. The authors in this group variously claim to be interested in marketing capabilities (Chang 1996; Vorhies, Harker and Rao, 1999), marketing competencies (Conant, Mokwa and Varadarajan 1990; Woodside, Sullivan and Trappey, 1999), marketing efficiency (Galbraith and Holton 1955), marketing strategies (Shaw, 2001), marketing orientation (Avlonitis and Gounaris 1997; Golden *et al.* 1995), and marketing practice (Greenley and Shipley, 1992; Huszagh, Roxas and Keck 1992). To avoid adding to the confusion, the label "marketing practice" will be used here to describe those studies which share a common focus on the implementation of the marketing function. The key difference between the two areas of research is subtle: one side is concerned with markets; the other side is concerned with marketing. This difference is cast into sharper relief when the implications for firms in developing economies are considered.

Market Orientation and Economic Development

In 1990 two influential articles were published in the *Journal of Marketing* reporting evidence in support of a relationship between MO and business performance. In the first of these articles, MO was explicated in terms of the generation and dissemination of market intelligence throughout the firm leading to an appropriate, market oriented, response (Kohli and Jaworski, 1990). In the second article, MO was defined as the combination of three factors, namely, a customer orientation, a competitor orientation, and the interfunctional coordination of marketing activities (Narver and Slater, 1990). (Two other components proposed by these authors – long-term horizon and profit emphasis – were later abandoned.) The vast majority of MO studies published since 1990 have adopted either one or the other of these two seminal MO definitions. For example, studies in the Kohli and Jaworski tradition include: Baker & Sinkula (1999), Bhuian (1993), Homburg & Pflesser (2000), Jaworski and Kohli (1993), and Kwon & Yu (2000). In contrast, studies based on Narver and Slater's definition include: Chan & Ellis (1998), Fahy *et al.* 2000, Farrell (2000), Moorman & Rust (1999), Pelham & Wilson (1996), Slater and Narver (1994a), and Tse *et al.* (2003).

The pattern of results evidenced in these MO-replication studies hides an interesting tale. In the years immediately following the publication of the two original *JM* hits, it became evident that the strongest links between MO and performance were being found only in the US (e.g., Baker and Sinkula 1999; Pelham and Wilson, 1996; Slater and Narver 1994a). Studies done in other countries at that time, such as the United Kingdom (Greenley, 1995), Hong Kong (Chan and Ellis, 1998), and Korea (Kwan and Yu, 1998), generally returned weak to no significant findings. It began to appear that MO might be a uniquely American concept, not easily transferred to other business cultures.

Yet, the emergence in recent years of several new studies indicates that this is not the case, for MO has now been found to have a significant effect on firm performance in Germany (Homburg and Pflesser 2000), the Netherlands (Langerak 2001), Australia (Farrell 2000), Saudi Arabia (Bhuiyan 1998) and elsewhere. However, before any claims regarding the robustness of the MO construct can be made, more research is needed from developing nations. Indeed, from the limited data that are available, it appears that MO effect sizes may well be influenced by the research location (Ellis, 2004a). Although research reported from developing countries is often of low quality, one notable exception is Appiah-Adu's (1998) test of the MO-performance link in Ghana. Based on data collected from 74 firms, this author found no correlation between MO and two performance measures.

A recent meta-analysis of extant research demonstrated that the MO-performance link is significantly correlated with the gross national income of host economies. Comparing the effect sizes of 56 studies drawn from 28 nations revealed that the level of economic development of the study's setting may explain as much as 12 percent of the variance in the results observed in existing MO research (Ellis, 2004b). The implication is that MO is not a particularly potent predictor of firm performance in developing economies.

Marketing Practice and Economic Development

MP studies are distinguished by their focus on the operationalization of the marketing concept. In contrast with MO research, the central question of MP research concerns the effectiveness of a firm's marketing activities. While MO scholars would argue that the presence of a customer and competitor orientation "provides a solid foundation for value-creating activities" (Slater and Narver 1994b, p.22), and therefore the term "market orientation" should imply the implementation of the marketing concept (Kohli and Jaworski, 1990), it does not follow that the opposite is true, particularly in the case of developing country firms. Indeed, when it comes to measurement, MP proponents often prove themselves to be unconcerned with external orientations. From an MP perspective, performance is seen to be influenced primarily by the firm's management of the marketing mix, the usefulness of its market research, the appropriateness of its positioning strategies, and the nature of its marketing goals (e.g., Doyle, Saunders and Wong 1992; Greenley and Shipley, 1992; Shaw 2001; Vorhies, Harker and Rao, 1999; Woodside, Sullivan and Trappey, 1999). The implication is that it is possible for a firm to be functionally adept at the practice marketing without top management teams exhibiting any evidence of an external market orientation. While some authors do not discriminate between MO and MP (e.g., Akimova, 2000), the approach of this study heeds McGee and Spiro's (1988, p.45) admonition to "distinguish between the marketing philosophy and management of the marketing mix, both conceptually and in implementation."

MP scholars differ from their MO counterparts in other important ways. For example, a cursory glance at the literature just cited reveals that studies done by this group tend not to be published in top tier marketing journals. This presumably reflects the more practitioner-oriented nature of the research. The underlying motivation behind many MP studies is the desire to enhance firms' marketing practices by highlighting the performance implications of doing marketing well. Consequently, many MP studies are comparative in nature, contrasting high and low MP performers (Akimova, 2000) or the practices of firms occupying different strategic groups (Conant, Mokwa, and Varadarajan 1990; Woodside, Sullivan and Trappey 1999) or industry sectors (e.g., Greenley and Shipley, 1992; Huszagh, Roxas and Keck 1992), or the various marketing strategies of firms from different countries competing in the same market (e.g., Doyle, Saunders and Wong, 1992; Shaw 2001). This methodological tendency to compare firms on marketing activities has led to a substantial body of work done in developing countries (e.g., Akimova 2000; Galbraith and Holton 1955; Golden *et al.* 1995; Hooley and Beracs 1997; Huszagh, Roxas and Keck 1992). As a result much more is known about the effects of MP than MO in such societies.

In their survey of 200 Russian firms, Golden *et al.* (1995) measured a number of marketing-related dimensions such as the level of product quality, marketing research, and customer service,

as well as the degree of importance attached to activities such as advertising, personal selling, and sales promotion. These authors found a positive link between firm performance and the provision of high quality products and customer service. Curiously, promotion- and pricing-related items had no effect on firm performance. In spite of these mixed results, Golden *et al.* (1995, p.45) optimistically reported on the “presence of a new breed of Russian managers, who have changed the way they conduct business, shifting attention from a production orientation to more of a marketing orientation.”

Based on data collected from 564 Hungarian companies, Hooley and Beracs (1997) found that the better performing firms in their sample were significantly different from the rest in terms of a number of MP-related measures. Top performers were more likely to exhibit high levels of technical product quality, offer a wider range of products, and provide greater distribution coverage. In her investigation of 221 Ukrainian firms, Akimova (2000) similarly sought to compare the differences between groups of firms. But unlike Hooley and Beracs (1997), Akimova classified firms in terms of the predictor variables which, in this case, entailed a combination of typical MO measures (e.g., marketing as a guiding philosophy) and MP measures (e.g., marketing as product promotion and positioning). Having identified four discrete clusters of firms, Akimova observed that those managers who placed the greatest emphasis on marketing activities scored significantly higher on measures of competitive advantage than managers who emphasized production or selling. Moreover, these high MP firms enjoyed higher profits, greater sales volumes and a better return on their investments, than other firms.

In contrast with the scant returns of MO research, the findings of MP studies would seem to indicate that the practice of marketing is just as important in developing economies as in mature economies. These differences form the basis of the following hypothesis development.

CONCEPTUAL DEVELOPMENT

The critical catalyst to the development of MO is the acquisition of timely and relevant market information. In their popular MO instrument, Kohli, Jaworski and Kumar (1993) included ten items specifically geared towards measuring intelligence generation. Market information is no less important to Narver and Slater (1990, p.21) who stated that “customer and competitor orientation include all of the activities involved in acquiring information about buyers and competitors in the target market...” The chief assumption underlying MO research is that rewards accrue to those firms that are better able to gather, interpret, and respond to market intelligence. This assumption may hold for firms competing in mature economies characterized by the relatively free flow of information about market prices, competitors’ product offerings and changing consumer preferences, but for firms in developing economies, the pursuit of a MO will be constrained to the degree to which these environmental conditions are absent.

Conditions in developing economies are qualitatively unlike those found in mature markets. Products are typically in short supply, consumers have fewer choices, supply chains are unreliable, and prices often don’t reflect the true state of supply and demand owing to government intervention in markets. In centrally planned economies, market signals will typically be relegated secondary importance to changes in the regulatory environment leading to an “efficiency gap” between marketing activities in command versus free economies (Shama, 1992). Although the absence of reliable market intelligence will undermine attempts to cultivate MO, consumers in developing economies may still reward firms for providing them with better quality products, more comprehensive distribution, and credit-pricing terms. It is unlikely that every marketing activity will bear fruit, as Golden *et al.*’s (1995) Russian managers’ learned with regard to their promotional and pricing activities, but in the main, high-MP firm’s should generally outperform their low-MP rivals. The differential effects of MO and MP on performance can be expressed in hypothesis form as follows:

H₁: In a developing economy, MP will be a better predictor of business performance than MO.

If good quality market intelligence is a necessary precursor to the formation of MO, then firms operating in developing economies are severely handicapped by their limited access to reliable information pertaining to emerging trends, sources of supply, competitors' actions, and changing regulations. Over time, the rules of the game will ideally become clearer and more stable suggesting that the value of MO will rise in tandem with economic development. In the context of this development process, it is interesting to speculate on those triggers or sources which will precipitate the formation of MO.

Presumably the desire for, and value of, MO will be highly variable among a group of developing country firms reflecting the quality of market intelligence to which each is exposed. The dominant logic in MO research assumes that market intelligence relating to changing product preferences is gleaned primarily from a firm's customers. Given the positive correlation between the level of economic development and the quality of local market information, it may be that for firms competing in developing countries the most potent MO-enhancing information sources are those found outside the local system (Ellis, 2003). Exposure to foreign customers and competitors via exporting will provide the indigenous firm with improved access to information about emerging trends, changing preferences, competitor's actions and so forth, and have a direct influence on subsequent MO formation.

While exchange links with foreign markets will have a predictable and positive bearing on MO, the effect on MP is more ambiguous. Ideally a rise in MO should be matched by gains in MP, but this is not necessarily so for firms competing in developing economies. Although the available evidence is scant, a tentative conclusion is that it is possible for a firm to be good at the practice of marketing without possessing a market orientation. Entrepreneurial marketers will always find ways to compete in even the most unstable and ill-defined markets. In such cases, MP will exceed MO and any subsequent gains in MO will merely serve to reduce the gap between the firm's business philosophy and its existing practice. In short, because the pre-exporting ceiling for MP will generally be higher than that for MO, any increase in export marketing activity will have a less of a catalytic effect on MP than MO.

Foreign market exposure will have a positive effect on the formation of MO for firms in developing economies. This exposure may be measured in terms of both the quantity and diversity of information received from external sources. For exporters, information quantity and diversity will be reflected in the proportion of total income earned from foreign markets and the number of export markets served respectively. This leads to the following hypothesis:

H₂: In contrast with MP, MO for firms located in developing economies will be positively influenced by (a) the number of export markets and (b) the proportion of income earned from foreign customers.

Firms develop MO and MP because top managers perceive the value of implementing the marketing concept. Consequently, an important precursor to both MO and MP will be corporate goals that emphasize marketing-related outcomes such as long-term gains in market position. Such goals are often unrealistic in developing economies where, for many firms, survival or the prevention of decline is the main order of business. In addition, firms in transition economies may see their main objective as the provision of continued employment for large numbers of workers facing redundancy as a result of industry rationalization and privatization.

For those managers which do espouse marketing-related goals, success may well be frustrated by the institutional and informational inadequacies of the local economy. In view of the reasons already mentioned, it will be less problematic for marketing-motivated firms to improve their MP than their MO. This can be expressed in hypothesis form as follows:

H₃: Corporate objectives emphasizing marketing-related outcomes will have a greater effect on MP than MO for firms in developing economies.

RESEARCH METHOD

Sampling and Data Collection

The population for this study was defined as indigenous exporters based in the city of Xi'an in Shaanxi Province in central China. Xi'an, China's former capital, is the largest city in the interior and has a per capita GDP of around US\$1,090 (TDC 2003), compared with Shanghai's US\$4,160 (Statistical Yearbook of Shanghai 2001). Although double-digit GDP growth in China's coastal provinces has been well-publicized over the past decade, Xi'an has only very recently begun to enjoy similar levels of development. In 2000, exports from Shaanxi Province increased by thirty percent on the previous year (TDC, 2003). However, with total exports of only US\$1.3b, Xi'an's foreign trading activity remains around ten percent of Shanghai levels (US\$25b in 2000) after accounting for differences in population. Straddling the old Silk Road, once China's primary trade link with the West, it is ironic that Xi'an's progress has perhaps been most hindered by its distance from foreign markets. While Xi'an does have a small international airport, most external trade is transshipped via ports on the coast, some 600 kms distant (or about 24 hours by train). The generally limited level of inward investment into central China combined with the distance to markets has meant that Xi'an remains a developing economy still caught in the very early stages of China's transition to a market-based system.

Data collection was based on in-depth interviews with exporters of locally-made manufactured goods. Interviews were deemed necessary given Xi'an managers' lack of experience with mail surveys and the unreliable nature of the local postal system. In China research, data collection for foreign scholars is often facilitated by relying on the local knowledge of resident research collaborators, and this study was no exception. The bulk of the fieldwork was conducted by a team of Mandarin-speaking researchers based at the Xi'an Statistical Institute. To ensure the integrity of the data collection exercise, the author spent two days training interviewers and supervising pre-tests in Xi'an. It is important to note that the leader of the research team in Xi'an had been identified via the collegial ties of the author. As Uzzi (1996) has found, new exchanges that come "primed" with social resources appropriated from pre-existing relationships, offer benefits in the form of uncertainty-reducing norms regarding expectations and the promotion of trust-creating behaviors. One important reason for visiting Xi'an, therefore, was to build a good working relationship with the interviewing team based on this initial stock of "borrowed" trust.

At the close of data collection, 57 useable questionnaires had been completed. Interviews took between 30 and 60 minutes to conduct and any uncompleted interviews were followed up with a repeat visit or phone call. Respondent firms employed an average of 109 workers, had been exporting for fourteen years, and earned 65 percent of their income from 20 export markets.

Measurement

Market orientation was measured using the constructs of customer orientation and competitor orientation developed and validated by Narver and Slater (1990). Some items were eliminated from the original scale (e.g., pertaining to after-sales service) as they were deemed to be irrelevant to the business practices of Chinese exporters. The final nine-item scale was similar scale used by Pelham and Wilson (1996). *Marketing practice* was assessed by asking informants to rate their firm's performance on six diverse marketing activities in comparison with major competitors. Following Woodside, Sullivan and Trappey (1999) performance on each activity was judged by asking informants to rate themselves relative to competitors. Coefficient alphas for the MO and MP scales are reported in Table 1 and both exceed the 0.70 threshold.

TAKE IN TABLE 1

Performance was measured three ways; satisfaction with performance, performance in comparison with major competitors, and an overall performance measure based on sales growth and profitability. Informants were first asked to rate their degree of satisfaction with the firm's performance over the last year on four variables: sales growth, cash flow, gross profit margin, and ROI ($\alpha = 0.85$). Mindful that Chinese respondents tend to gravitate toward mid-points on scales (Shenkar 1994), an even-numbered scale ranging from one (highly dissatisfied) to eight (highly satisfied) was used. Competitive performance was measured by asking informants to compare their firm's three-year performance with major market competitors in terms of sales growth, operating profits, ROI, and market share ($\alpha = 0.88$). Answers could range from one ("much worse than competitors") to eight ("much better than competitors"). Finally, a measure of overall business performance was assessed by multiplying quantitative scores for sales growth and profitability measured over each of the past three years ($\alpha = 0.84$). Sales growth was measured using a seven point scale ranging from one (decline) to seven (>20 percent) and profitability was measured using a three point scale; one (loss), two (breakeven), three (profit).

The final instrument was translated into simplified Chinese by a pair of translators each working independently. The final agreed upon version was then back-translated into English by the leader of the research team in Xi'an. The original and back-translated questionnaires were then compared to resolve inconsistencies. Pre-tests with three exporters in Xi'an were also valuable for assessing issues of translation and conceptual equivalence. These pre-tests were conducted by both the local research team leader and one of the two original (Mandarin-speaking) translators. At the end of the pre-tests, only minor cosmetic changes to the instrument were required indicating full equivalence of the original and translated versions of the questionnaire.

FINDINGS

To test whether MO or MP is a better predictor of firm performance, multiple regression equations were estimated linking both predictors with each of the three performance indicators. The results of the multiple regression analyses are presented in Table 2. Controlling for the extraneous influence of firm size (measured as the total number of employees) reveals that the standardized regression coefficients for MP are significant when linked with satisfaction ($\beta = 0.277, p < .05$) and overall performance ($\beta = 0.313, p < .05$), but not with competitive performance ($\beta = 0.199, p > .05$). In contrast, MO was not found to be linked with either satisfaction-measures or overall performance. However, MO was strongly linked with competitive performance ($\beta = 0.374, p < .01$). Accounting for firm size reveals that MO can be used to explain close to fourteen percent of the variation in this performance measure. Is MO a significantly stronger predictor of competitive performance than MP? To answer this question in view of the low statistical power of the study, the partial correlation coefficients from both the MO and MP equations were compared using Fisher's *r*-to-*z* transformation. The resulting one-tailed Z-test indicated that there is no significant difference between MO and MP in explaining competitive performance ($z = 0.79, p = 0.215$).

TAKE IN TABLE 2

To further explore the differences between the predictive power of MO and MP, firms were categorized into high- and low-scoring groups on both dimensions. Performance differences were then compared across the groups using independent *t*-tests for each of the three measures. The results, which are reported in Table 3, reinforce the view that MP is a superior predictor of performance. Although there is a statistically significant difference between high and low MO groups on competitive performance, no other differences were observed across these groups. High MP groups, on the other hand, significantly outperformed low MP groups on all three measures indicating that MP is a robust predictor of firm performance. These findings collectively indicate support for H_1 .

TAKE IN TABLE 3

What makes some firms more market oriented than others in developing economies? To test the hypothesis that external information sources play a catalytic role in promoting MO, two multiple regression equations were estimated for each dependent variable (MO and MP). Given that firms with higher incomes might be better resourced to engage in marketing activities, firm income for the previous financial year (as measured on a ten-point scale) was included as a control variable. The results of the regression analyses are presented in Table 4. The findings show that the degree to which a firm is exposed to foreign markets has a strong and positive influence on MO, but no influence on MP at all. The standardized regression coefficients in the MO model reveal a significant link with the number of export markets ($\beta = 0.338, p = .018$), and a slightly weaker link with share of income earned from exporting ($\beta = 0.242, p = .064$). Thus both H_{2a} and H_{2b} are supported. Interestingly, a weakly significant link with the control variable firm income was also observed, but running in the direction opposite to the expectation ($\beta = -0.233, p = .095$). This may reflect the nature of the firms surveyed. More than two-thirds of sampled firms were large state-owned enterprises which generally returned lower MO and MP scores than some of the other, smaller firms in the study. This finding is consistent with Deng and Dart's (1999) observation that state-owned enterprises are less market oriented than other firms in China.

TAKE IN TABLE 4

Finally, do differences in MO and MP reflect corporate objectives? To address this question, informants were asked to indicate whether their priorities over the next five years were survival-oriented, focused on short-term profits, or geared towards long-term gains in market position (Hooley and Beracs 1997). Answers in the first two categories were then combined yielding a total of 27 firms pursuing short-term goals. The MO and MP scores of this group were then compared with the 30 firms oriented towards long-term gains in market position and the results are reported in Table 5. T-tests indicate that a firm's future priorities have little bearing on MO, but a significant and positive bearing on MP. Informants working towards long-term gains in market position scored significantly higher on their implementation of the marketing function than those working towards short-term profits ($t = -2.189, p = .03$). Thus H₃ is supported.

TAKE IN TABLE 5

DISCUSSION AND IMPLICATIONS

The findings of this study reveal that, for the firms in this study, MP generally has a greater impact on business performance than MO. MO was not found to be correlated with either satisfaction-based or overall performance measures and the idiosyncratic correlation with competitive performance may reflect the measurement of the underlying constructs. Four of the nine items pertaining to MO queried the degree of orientation towards competitors. Specifically, interviewees were asked to make judgments about their knowledge of, and responses to, major market competitors. Managers unfamiliar with their competitors' strengths and weaknesses would accordingly not score highly on overall MO. Similarly, the competitive performance indicator required some *a priori* knowledge about benchmarks set by competitors. It is difficult to imagine managers rating themselves highly on sales growth *relative to major competitors* if they had just demonstrated a low orientation towards their competitors. Conversely, interviewees more familiar with competitive realities (scoring high on MO) would have greater confidence in making favorable self-assessments on the competitive advantage measure. This leads to the conclusion that the link between MO – as measured using Narver and Slater's (1990) instrument – and competitor-based performance measures will always be susceptible to concerns regarding discriminant validity. Given the widespread use of such measures in the literature (e.g., Fahy *et al.* 2000; Farrell 2000; Slater and

Narver 1994a; Tse *et al.* 2003), it is recommended that scholars take the necessary steps to isolate the true effect size of MO from any equivalence in the measurement of the predictor and criterion variables. In this study the inclusion of a variety of performance indicators served as a safeguard. Another option is to simply avoid using competitor-based performance measures altogether.

In contrast with MO, MP was found to be significantly correlated with three diverse measures of performance across a sample of firms drawn from a variety of industries. This finding reinforces the supposition that firms in developing economies can be good at managing the marketing mix without possessing a customer and competitor orientation. For scholars the chief implication is that the lack of MO does not necessarily mean that the firm is neglecting the marketing concept. Indeed, environmental factors may well be undermining attempts to cultivate (and measure the effects of) MO in developing economies. How can a firm define objectives in terms of customer satisfaction when no mechanism or infrastructure exists to measure satisfaction levels? How can managers from different departments call important customers when there is no reliable phone system? Personal visits might also be out of the question if key clients are located in distant markets (Ellis 2004a). It will also be difficult to articulate responses to competitors' strategies when the firm is competing with unknown suppliers from other low-cost nations. Even within the domestic market competitors' strengths and weaknesses may be obscured behind the protective insulation of state-sponsorship. A rival firm hemorrhaging funds in a price war may be in no immediate danger of collapse if the government is more concerned about the political impact of massive job losses. Most disruptive of all will be mistaken messages gleaned from prices that reflect subsidies and tariffs as much as real market valuations.

Where conditions such as these prevail, it will be difficult, if not impossible, for a marketing-intentioned firm to compensate for spotty market intelligence. The problems confronting the firm are institutional and macro-economic rather than micro and managerial. The implication for managers is clear: where the costs of acquiring useful and reliable market intelligence are prohibitive, the development of MO will be inevitably and significantly hindered. In such cases it will be preferable to focus on boosting MP. Indeed, for managers in developing countries looking to make long-term gains in their market position, the chief finding of this study is that marketing-oriented goals are significantly correlated with gains in MP. In contrast, no link between corporate goals and MO was found. All the marketing ambition in the world won't alter the fact that the encumbered flow of information thwarts attempts to reap good market intelligence. What motivated managers can do instead is concentrate on setting strategies that reflect their marketing objectives. Attention can also be given to improving their product's technical quality and reliability, developing closer links with suppliers, reducing delivery times to customers, and implementing systems to evaluate the effectiveness of their marketing activities.

The market imperfections that impede the acquisition of market intelligence in developing economies diminish over time, suggesting a positive correlation between MO effects and economic development (Ellis 2004b). As economies mature, managers will find it both easier and more desirable to pursue MO. A significant finding of this study is that the primary catalysts to MO formation are found outside of the host economy. This conclusion is intuitively appealing: if local factors are obstructing the development of MO, external factors, such as exposure to foreign customers and competitors, may be more beneficial. For the exporters interviewed in this study, the degree of foreign marketing activity was significantly and positively correlated with MO. A relevant implication for MO researchers is to consider the potentially moderating factor of distance to major markets as well as the level of development of the host economy. The interplay between these two variables has generally not been a factor in past research for the reason that most studies have been based on data collected from American consumer goods firms domiciled within their most important market. For firms outside of the US, and particularly for firms in much of Asia, Eastern Europe, South America and Africa, it is likely that MO will be affected by both their location in developing nations (Ellis 2004b) and the extent of their foreign marketing activity (Ellis 2004a).

CONCLUSION

As an exploratory study, this study has value as a first-step towards integrating the two MO and MP streams in the context of marketing in developing economies. Although the boundaries between MO and MP are often blurred (e.g., Akimova, 2000), each has unique and distinguishable antecedents and outcomes when measured in developing economies. MP has a stronger impact on business performance and is more likely to reflect corporate goals emphasizing long term market gains; MO may become more important over time and is significantly shaped by the degree to which the firm is exposed to foreign markets.

In summary, this study has found that developing country firms that engage in marketing research while offering better prices, delivery times and customer service than rivals, tend to perform better in the marketplace. Taken in context with research done in other developing economies (e.g., Akimova 2000; Boyd, Clewett and Westfall 1958; Golden *et al.* 1995), these findings reinforce the idea of the marketing concept as a universal construct when measured in terms of specific business activities. Further scholarly work in this area would benefit from a more systematic approach to measuring MP. To date, no widely-agreed upon definition of MP exists; no Kohli and Jaworskis have yet emerged to provide researchers with a multi-item, psychometrically-sound instrument. It may transpire that as opportunities to test the MO construct diminish, more attention will be given to the measurement of marketing activities in developing countries. Undoubtedly this area will offer both marketing theorists and empiricists a significant opportunity for useful work for some time to come.

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Table I: Reliability Analyses

	Corrected Item-Total Correlation	Alpha if Item Deleted	Cronbach's alpha
Market Orientation			.7708
Customer satisfaction objectives	.5221	.7418	
Understand customers' needs	.6845	.7117	
Create customer value	.4513	.7524	
Know our competitors well	.4507	.7503	
Respond rapidly to competitor's actions	.5211	.7387	
Entire business contributes to customer value	.6670	.7116	
Visit important customers to learn future needs	.4106	.7580	
Top managers discuss competitive strategies*	.1702	.7816	
Target opportunities to exploit competitors' weaknesses*	.1966	.7793	
Marketing Practice			.7025
<i>Compared to competitors we are much worse/better in terms of...</i>			
Prices	.4198	.6671	
Advertising activities*	-.0423	.7905	
Sourcing & negotiating supply	.4756	.6504	
Delivery times	.6301	.6006	
Customer service & support	.6047	.6016	
Market research	.5799	.6107	

* Deleted from the analysis

TABLE II: Main Effects – MO, MP and Performance

Independent Variables	Performance Measures – Coefficients (Standard Errors)		
	Satisfaction	Competitive	Overall
Market Orientation	.147 (.16)	.374 (.14)**	.028 (.18)
Marketing Practice	.277 (.17)*	.199 (.14)	.313 (.19)*
Firm size	.035 (.00)	.055 (.00)	-.040 (.00)
R ²	.122	.224	.102
F-value	2.370 [†]	4.912**	1.936

[†] $p < .10$

* $p < .05$

** $p < .01$

TABLE III: MO and MP Compared

	Market Orientation Groups (means)				Marketing Practice Groups (means)			
	Low	High	<i>t</i> -statistic	<i>p</i> <	Low	High	<i>t</i> -statistic	<i>p</i> <
<i>N</i>	28	29			28	29		
Market Orientation	5.07	6.48	-7.637	.000	5.42	6.16	-2.984	.004
Marketing Practice	4.60	5.26	-2.703	.009	4.22	5.67	-8.571	.000
<i>Performance measure</i>								
Satisfaction	3.80	4.26	-1.461	.150	3.69	4.40	-2.311	.025
Competitive	4.01	4.74	-2.642	.011	4.04	4.73	-2.514	.015
Overall	3.98	4.49	-1.456	.151	3.72	4.77	-3.210	.002

**TABLE IV
Antecedents of a Market Orientation**

	Dependent Variables	
	MO	MP
	β (SE)	β (SE)
Export markets (<i>n</i>)	.338 (.01)*	.126 (.01)
Income from exports (%)	.242 (.34) [†]	-.032 (.37)
Total sales income	-.233 (.05) [†]	-.028 (.58)
R ²	.186	.014
F-statistic	3.891*	.238

[†]*p* < .10**p* < .05**Table V: Corporate Objectives**

	Future Priorities		<i>t</i>	<i>p</i> =
	Short Term	Long Term		
	Survival/Profits	Market Gain		
<i>N</i>	27	30		
Market Orientation	5.582	5.967	-1.477	.146
Marketing Practice	4.648	5.193	-2.189	.033