Is the marketing concept always necessary?

The effectiveness of customer, competitor and societal strategies in business environment types

Steven Ward and Aleksandra Lewandowska

School of Business, Murdoch University, Perth, Australia

Abstract

Purpose – The purpose of this paper is to examine which particular marketing strategies will work best in which particular business environments. It also aims to test a series of propositions that the choice of marketing strategy needs to be carefully considered so that it is appropriate for a set of environmental conditions, or business conditions.

Design/methodology/approach – The paper employs survey research, structural equation modelling and *t*-tests.

Findings – Results in this study of 217 companies from Australia, Singapore, The Netherlands and China finds general support for the hypotheses that different environmental situations provide the suitable conditions for a customer, competitor or societal orientated strategy. In particular, customer-oriented strategies are most effective in placid clustered and turbulent environments, while competitor orientated strategies work best in a placid-clustered environment. Societal marketing based strategies were shown to be most effective in placid random and placid clustered environments. This suggests that firms may use social marketing strategies in a pre-emptive manner to maintain favourable environmental conditions for the organisation.

Research limitations/implications – The findings are limited somewhat by the size and nature of the sample, although this compares well to other studies in the area of marketing orientation. The research shows the importance of the match of the environment type with the business strategy, as certain strategies are most effective in particular environmental conditions.

Practical implications – Choice of an appropriate business strategy is moderated by the environment. Marketing-based business strategies are not always the most effective. In turbulent environments, customer-oriented strategies seem to be most effective. Societal marketing strategies seem to be used to manage and maintain placid environments or business conditions. Competitor-based strategies are best suited to placid-clustered environments, business conditions, which are favourable and therefore attract greater competition.

Originality/value – This study also introduces an important measure of the societal orientation of the firm. It provides empirical supports the thesis that marketing strategies need to be tailored for the environment and so adds to the understanding of the interplay between the effectiveness of business strategies in different business conditions. There is not a great deal of research which suggests what type of marketing strategy is best suited to what type of environment. This paper makes an important contribution to this area.

Keywords Business environment, Competitors, Social marketing, Marketing theory, Marketing strategy

Paper type Research paper

Literature review

Does marketing orientation directly affect performance?

Companies aspiring to meet the challenges of today's rapidly changing markets and increasing global competition require management decisions to be founded on well

Business
environment
types

223

conceived strategies. Clearly defined strategies and plans are vital if the firm is to achieve its objectives while optimising the use of its limited resources. One important strategic direction that a firm may undertake is to be more market orientated. Studies shown in Table I, from the USA, have generally suggested positive relationships between market orientation and several measures of performance (Narver and Slater, 1990; Jaworski and Kohli, 1990; Kohli and Jaworski, 1993; Ruekert, 1992; Deshpande *et al.*, 1993; Slater and Narver, 1994a; Pelham and Wilson, 1996; Atuahene-Gima, 1996; Balakrishnan, 1996, Deshpande and Farley, 1998), while European, Asian and other studies have produced inconsistent results (Esslemont and Lewis, 1991; Diamantopoulos and Hart, 1993; Greenley, 1995; Au and Tse, 1995; Pitt *et al.*, 1996; Avlonitis and Gounaris, 1997; Deshpande and Farley, 1998; Tse, 1998; Appiah-Adu, 1998; Mavondo and Farrell, 2000; Akimova, 2000; Chelariu *et al.*, 2002; Hooley *et al.*, 2003). The general relationship between market orientation and performance has been also been found in some cases to be moderated by the environmental situation (Jaworski and Kohli, 1993; Slater and Narver, 1994a, Greenley, 1995, Appiah-Adu, 1998; Gray *et al.*, 1998).

One of the major issues with past research has been the use of a 14-item index measure of marketing orientation, particularly the Narver and Slater (1990) measure of marketing orientation often referred to as MKTOR. MKTOR has been assumed to be a one-dimensional score of marketing orientation, and is based on the sum of the averages of the sub-scales of customer, competitor orientation and interfunctional coordination. There is some evidence that some of these sub-scales may have a direct and independent effect on performance. Noble *et al.* (2002), found that the degree of competitor orientation rather than marketing orientation composite scale predicted financial outcomes of public listed companies. Farrell and Oczkowski (1997), in a sample of 237 private and 190 public companies, as the result of structural equation modelling (SEM), questioned the suitability of the 14-item MKTOR measure as one composite measure of marketing orientation. Their final measure of MKTOR had eight items, although competing measurement models of two and three factor models were not conducted as part of the analysis. Nor were all the original items of MKTOR, including measures of long-term and profit emphasis, included in the analysis. Narver and Slater (1990, p. 33) also suggested that it may be of interest to determine which dimensions of MKTOR determine business performance.

This suggests the possibility that a firm's emphasis on different aspects of MKTOR, e.g. customer versus competitor orientation may be yield different results in according in perhaps a particular business situation or industry environment. There is thus a need to determine in which particular environmental conditions, various aspects of marketing orientation (customer versus competitor orientation for example) will be most effective. Another consideration is that other business strategies, such as societal marketing orientation may best suit to particularly challenging or turbulent environments (see Elliott, 1990), where government and community, as well as customer support, is required by the firm. The role of societal marketing orientation and its effect on performance is discussed next.

The role of societal marketing orientation
Societal marketing can be defined as "marketing with a social dimension, or marketing that includes non-economic criteria" Handerman and Arnold (1999, p. 33), or as Elliott

www.man

Study	Country	Sample	Performance measure	Market orientation/performance association	Moderator effect
Narver and Slater (1990)	USA	140 SBUs in one company	Subjective	Positive	None identified
Kohli and Jaworski (1990)	USA	Sample 1:220 firms	Subjective and objective	Positive association for subjective but not for objective measures	None identified
Esslemont and Lewis (1991)	New Zealand	3 surveys each using cross-industry NZ samples	Objective	No association	Not investigated
Ruekert (1992)	USA	5 SBUs in one company	Objective	Positive	Not investigated
Jaworski and Kohli (1993)	USA	Sample 2:230 firms	Subjective and objective	Positive association for subjective but not for objective measures	None identified
Diamantopoulos and Hart (1993)	UK	87 companies	Objective	Weak association	Effects identified.
Deshpande et al. (1993)	Japan	50 Japanese firms – cross industry	Subjective	Positive	Not investigated
Deng and Dart (1994)	USA	Sample of 248 firms across industries	Subjective	Positive	None identified
Slater and Narver (1994a)	USA	2 firms; 107 SBUs	Subjective	Positive	Effects identified
Greenley (1995b)	UK	240 companies	Subjective	Moderated/no direct association	Effects identified
Au and Tse (1995)	Hong Kong (China) New Zealand	69 Hong Kong; 250 New Zealand	Objective	Weak	Not investigated
Pelham and Wilson (1996)	USA	68 US firms across industries	Subjective	Positive	Not investigated
Pitt et al. (1996)	UK and Malta	1,000 firms across industries	Subjective	Positive	Not investigated
Balakrishnan (1996)	USA	139 firms in single industry study	Subjective	Positive	Not investigated
Avlonitis and Gounaris (1997)	Greece	444 Greek firms across industries	Subjective	Positive	Not investigated

Table I.
Market orientation studies

(*continued*)

Study	Country	Sample	Performance measure	Market orientation/performance association	Moderator effect
Deshpande and Farley (1998)	Europe and USA	82 managers in European and US companies	Subjective	Positive	Not investigated
Appiah-Adu (1998)	Ghana	74 Ghanaian firms across industries	Subjective	Positive associated but moderated by environment	Effects identified
Tse (1998)	Hong Kong	13 Hong Kong property developers	Objective	No association	Not investigated
Akimova (2000)	Ukraine	221 managers of Ukrainian enterprises	Subjective	Positive	Not investigated
Pulendran et al. (2000)	Hungary, Poland and Slovenia	346 service companies in three countries	Subjective	Positive	Effects identified (association moderated by environment)
Pulendran et al. (2000)	Australia	157	Subjective	Strong	Effects identified
Dawes (2000)	Australia	123 over 2 years	Objective	No association	Not investigated
Matsuno and Mentzer (2000)	USA	364	Subjective	Moderated	Effects identified
Noble et al. (2002)	USA	36 over 10 years	Objective	Association only with competitor orientation	Not investigated
Hooley et al. (2003)	Hungary, Poland and Slovenia	205 business to business services companies	Subjective	Positive	Effects identified (association moderated by environment)

Table I.

(1990) notes "concerns for society's long term interests". Examples include the "enlighted capitalism" of The Body Shop, The No Sweat labelling of clothing, a campaign by retailers to promote the sale of apparel from suppliers who have provided acceptable conditions of employment. Societal marketing practices may also include areas of social responsibility, cause related marketing (CRM) (where a firm donates money to a cause in return for purchasing its products and services), or the inclusion of environmental concerns in a business strategy (Shultz and Holbrook, 1999).

The use of societal marketing, it has been suggested, may be altruistic. Firms believe they are acting in a social interest of encouraging collective welfare, or as Shultz and Holbrook (1999), term it *Gemeinschaftsgenfuhl*. Other reasons may be more in self-interest and may include the avoidance of regulation or the encouragement of positive political intervention by the development of public support, or as mentioned, CRM where the societal marketing practices directly benefit the performance of a firm.

There is some evidence of consumer support for organisations which adopt societal marketing practices. Maignan and Ferrell (2001) cited two studies which showed that 76 per cent of consumers were prepared "to switch brands or stores that were concerned with the community" or that another which suggested around 14 per cent of US households actively seek "do-gooders", while 40 per cent "judged corporate citizenship as tie-breaking activity". Despite this evidence, they note that previous management research has found at best a tenuous link between corporate social performance and business performance. Some studies have shown a positive relationship (Abbott and Monsen, 1979; Bragdon and Marlin, 1979; Graves and Waddock, 1993 and Spencer and Taylor, 1987), while others do not report any significant relationship (Aupperele *et al.*, 1985; Davidson and Worrell, 1990 and McGuire *et al.*, 1988). Possible reasons for conflicting results, as suggested by Maignan and Ferrell (2001), include questionable measures of social performance, and the presence of other factors, (perhaps the environment) which may mediate or moderate the relationship.

The environment/strategy mix
A research question that remains unanswered in research is in what particular type of marketing strategy is suitable for a particular type of environment. A useful theoretical typology in which to examine this is the Emery and Twist (1965) environmental of four environmental types: Placid-Random, Placid-Clustered, Disturbed-Reactive and Turbulent. The type of environment an organisation finds itself in is determined by the degree and predictability of change (turbulence) and corresponding threats and opportunities. In a placid-random environment, according to Glaser (1985) and Elliott (1990), opportunities and threats are randomly distributed, there is little or no turbulence, hence no particular marketing strategy should yield significantly higher results. Thus:

H1. In a Placid Random environment, there will be no significant differences in performance between firms pursuing a customer, competitor and societal based strategies.

Elliott (1990) argued that in a placid-clustered environment, opportunities (market segments) become more clustered and the environment is ordered in a more meaningful

way for the manager. A good example of an industry faced with this type of environment may be brewing industry in Australia (Elliott, 1990, p. 24) although such conditions can easily change. Therefore, market based, or customer oriented strategies will yield higher returns in this type of environment.

> *H2.* In a placid clustered environment there will be significantly higher performance by companies pursuing the customer-oriented strategy.

In a disturbed-reactive environment, environment there is more than one organisation of the same kind, and the existence of a number of similar organisations now becomes the dominant characteristic of the environmental field. This environment is characterised by Glaser (1985) as a zero-sum game, gains of one firm occur at the expense of the other. Marketing becomes more complex as firms need to develop their marketing strategies beyond the customer, to include distribution channel arrangements, dealing with suppliers and the activities of competitors (for example, the airline industry). Therefore a competitor-based strategy is more appropriate for this type of environment.

> *H3.* In a disturbed reactive environment there will be a significantly higher performance by companies which pursue a competitor oriented strategy.

In a turbulent environment organisations are faced with a significant increase in relevant uncertainties. The consequences which flow from their actions lead off in ways that become increasingly unpredictable (for example, the present university sector or tobacco industry). The marketer moves from examining the consumer to the study of society. Concepts such as "domesticated markets", "sustainability", "societal marketing" and the "stakeholders" come into play when marketing theorists attempt to comprehend the demands of the turbulent environment. Companies in turbulent environments need to not only address competition and customer concerns but must also address those of stakeholders, particularly government, who by policy and regulation have a significant effect on environmental turbulence which may be counter-productive to a firm's very survival let alone performance. Therefore societal-based marketing strategies are the appropriate tool of choice for the manager.

> *H4.* In a turbulent environment there will be a significantly higher performance by companies which pursue a societal marketing orientation strategy.

Methodology
Measures
In order to measure the degree of customer, competitor orientation, the relevant subscales from MKTOR (Narver and Slater, 1990) were used in the analysis. The Cronbrach's alpha of customer and competitor orientation, were 0.87, and 0.86 respectively (the list of measures is shown in Table II). The measure of societal marketing orientation was developed as part of the study as there is at present no accepted measure of this construct. The measure used in the study was based on an initial pool of 11 items, which were determined from focus group research with managers in Singapore. Confirmatory factor analysis ($\chi^2 = 3.10$, d.f $= 3$, $p > 0.40$, SRMR $= 0.03$, and RMSEA $= 0.01$, AGFI $= 0.97$, NNFI $= 0.99$ and CFI $= 1.00$) reduced this measure to five items, Cronbrach's Alpha being 0.82 for this measure. For

Table II.
Measurement properties of major variables in the analysis

Scale and items and loadings to latent constructs	Fit statistics χ^2 (df)	RMSEA	RMR	Mean (std dev.)	Alpha reliability
Customer orientation (4 items) AVE = 0.80	1.82 (1)	0.06	0.00	16.38 (2.74)	0.87
Customer commitment (mo1) (0.84)					
Create customer value (mo2) (0.81)					
Understand customer needs (mo3) (0.75)					
Customer satisfaction objectives (mo4) (0.79)					
Competitive orientation (3 items) AVE = 0.81	0.00 (1)	0.00	0.00	11.13 (2.60)	0.86
Respond to competitors' actions (mo19) (0.80)					
Top management discusses competitors' strategies (mo20) (0.82)					
Target opportunities for competitive advantage (mo21) (0.82)					
Societal marketing orientation (5 items) AVE = 0.67	40.62 (33)	0.13	0.03	14.13 (4.72)	0.82
The firm provides advice to government on behalf of the industry (mo24) (0.66)					
The firm actively lobbies government. (mo25) (0.66)					
The firm spends considerable money on public relations (mo26) (0.78)					
The firm donates money to charity. (mo27) (0.52)					
The firm actively invests resources and/or money in activities outside its business which aim to benefit the community (mo28) (0.73)					
Business environment (4 items) AVE = 0.57	5.43 (2)	0.09	0.07	4.24 (1.56)	0.65
Customer trends (ind1) (0.58)					
Production Levels (ind2) (0.61)					
Technological Developments (ind3) (0.56)					
Demographic trends (ind4) (0.52)					
Competitive environment (4 items) AVE = 0.71	0.44 (2)	0.00	0.03	5.61 (1.41)	0.80
Competitive prices (ind5) (0.72)					
Competition on products (ind6) (0.86)					
Competition on technology (ind7) (0.69)					
Competition on distribution (ind8) (0.59)					
Objective performance	n/a	n/a	n/a	17.06 (7.40)	0.94
Subjective performance	n/a	n/a	n/a	14.14 (1.41)	0.91

the sake of brevity the issues associated with the development of the measure are not addressed in detail in this paper but are available as a separate paper from the authors.

Performance was both objectively and subjectively measured. The measure of objective performance included statements of sales, gross and net profit, and current assets, all recorded on seven-point scales from (1) less than AUD$100,000 to (7) greater than AUD$100,000,000. These items were summed to form a composite score (Cronbrach's alpha = 0.94). Subjective performance was measured by a series of five-point scales, which assessed satisfaction with financial performance, being at close to breakeven point, satisfaction with return on investment, corporate liquidity, return on shareholders' funds, and increased penetration of existing markets. These items were summed to construct an index score (Cronbrach's alpha = 0.91). The degree of turbulence in the environment was assessed by the degree of predictability of demographic, customer, technological and production levels within each industry, these were measured on scale where a lower number represents a more turbulent environment. These items were summed to produce a composite score (Cronbrach's alpha = 0.65, country factor weighted scores derived from SEM were used to construct the composite score). The competitive environment was measured by four items, as used in research by Laczniak *et al.* (1995). These items assessed the degree of competition ranging from zero, not competitive at all, to eight very high level of competition. The measures included in the final composite score included competition in the areas of prices, products, technology, distribution, labour raw materials, as (Cronbrach's alpha = 0.80). The measurement properties of the major variables of the study are shown in Table II.

Data collection
A sample of 217 firms was collected from four countries, Australia, (81 cases) Singapore (79 cases), China (16 cases) and The Netherlands (41 cases). Firms were sampled from published lists, similar to the *Fortune* 500 of both large and small companies. It was felt that that a sample containing both large and small companies would provide more generalisable results since there has been a tendency in the past to survey mainly larger firms (Narver and Slater, 1990; Slater and Narver, 1994; Greenley, 1995 Pulendran *et al.* (2000); Noble *et al.*, 2002). The response rate was low around 15 per cent. Follow-up letters were used. It was found that many larger companies, especially multinationals that were surveyed had policies of not responding to surveys, although the final sample represents a range of companies in terms of size reasonably well.

Most of the companies surveyed (60 per cent) were service organisations, although other types of firms ranging from manufacturing (22 per cent), distribution (9.3 per cent) and e-commerce (1.9 per cent) were represented in the sample. The companies surveyed had around a third of their sales derived from the household sector (30 per cent), followed by business customers (28 per cent), manufacturing (21 per cent) government customers (12 per cent) and sales to contractors (7 per cent). Across the sample, around two thirds (61 per cent) of companies reported that their sales were generated within their home country. The firms surveyed ranged from small companies of less than 50 people (28.4 per cent), to organisations employing more than 10,000 people (14.2 per cent). This was reflected in their current assets, which ranged

from less than \$100,000 (13.9 per cent), Australian dollars (AUD) to greater than \$1 billion AUD (17.1 per cent). The differences in the samples from the four countries are presented in Table III. Note that a sample of 217 firms in this study compares well with the sample sizes of those listed in Table I. It is not unusual, given the difficulty of obtaining responses from businesses for research to be published in this area with small country specific samples of less than 100 (Au and Tse, 1995; Pelham and Wilson, 1996; Appiah-Adu, 1998; Desphande and Farley, 1998 Tse, 1998; Noble *et al.* 2002). Some studies (Tse, 1998) have even used samples as low as 15. As data from companies are usually difficult to obtain generally, those samples as shown in Table I have been obtained on the basis of convenience. A similar issue was faced in this study and the sample obtained is not intended to represent business conditions in particular countries, but rather aims to encompass a number of industries from around the world.

Results

In order to examine the hypotheses, environmental typologies were formed on the basis of cut-off scores corresponding to quartiles ranges; a low score represented a high degree of environmental turbulence, therefore the turbulent environment corresponds to scores up to and including the 25 percentile etc. For the sake of brevity a detailed description of each environment is not presented in this paper, but can be provided on request from the authors. Analysis of each environmental group showed no significant differences existed in industry type ($\chi^2 = 24.0$, d.f = 24, $p > 0.10$) and country ($\chi^2 = 19.16$, d.f = 24, $p > 0.10$) where the data were collected. As expected differences were found among mean levels of subjective performance across all the environmental typologies ($F_{(3,207)} = 3.58$, $p < 0.05$). Analysis of cell means showed that the source of this variation is due to differences in subjective performance in turbulent environments mean = 12.81, $p < 0.01$, being lower than that of the mean reported level of in the placid clustered environment of 14.94 and lower than the average reported subjective performance of companies in a placid random environment (14.79). The mean of subjective performance in the disturbed-reactive environment of 14.00, was in the right direction (that is lower than that expected in a placid-clustered environment but higher than that expected in a turbulent environment) but did not differ significantly from the

	Australia (%)	The Netherlands (%)	Singapore (%)	China (%)	Total (%)
Service industry	55.6	60.0	62.2	58.8	
No. of employees					
Less than 50	38.2	25.0	17.4	35.3	28.2
51-100	13.2	10.0	7.2	0	9.4
101-500	3.9	17.5	18.8	11.8	12.4
501-1,000	10.5	5.0	7.2	17.6	8.9
1,001-5,000	13.2	25.0	20.3	29.4	19.3
5,001-10,000	5.3	10.0	11.6	0	7.9
More than 10,000	15.8	7.5	17.4	5.9	13.9

Table III.
Composition of the sample across the four countries of the study

Notes: the split of companies in the service industry is comparable across all countries at around 60%; there were differences in the terms of industry size, but these differences are not significant at the 5% level; Chi-square = 28.48; d.f = 18; $p > 0.05$

other environment types. A possible explanation is that disturbed reactive environments may well be a set of transformative business conditions which signal a move to a more turbulent environment, where performance levels of a firm are directly impacted from changes that evolved previously but did not directly impact on firm performance.

Use of high and low strategies was determined if companies scored above or below the median for measures of customer, competitor and societal orientation. As shown in Table IV, in the main *H1* (no significant differences in a performance amongst the three types of strategies in placid random environment), was accepted, only companies pursuing a societal marketing strategy ($t = 2.66$, $p < 0.01$) reported higher financial performance that firms that did not concentrate on this strategy. Support was found for *H2*, with firms emphasising a customer-oriented strategy expecting to perform better in a placid-clustered environment ($t = 3.34$, $p < 0.01$), than companies that did not. Companies using customer-oriented strategies were also found to perform better in turbulent environments ($t = 3.00$, $p < 0.01$). No support was found for *H3*, although the means were in right direction for high and low competitor-oriented companies in the disturbed-reactive environment. Support was not found for *H4*, although societal marketing strategies appear to be effective in placid clustered environments ($t = 3.34$, $p < 0.01$) like competitor ($t = 2.08$, $p < 0.05$) and customer-oriented strategies.

Discussion

The results provide mixed support on Elliott's thesis on the appropriate use of marketing strategies given the environment. It appears though that a societal marketing strategy may be used by companies to maintain rather than reduce environmental turbulence or hostility. Most marketing strategies appear to be useful in conditions of relatively stable environments such as placid-clustered environments. In turbulent environments it does seem though that concerns for customers should be the major focus of organisations, although preventing the emergence of turbulent business environments by the use of societal marketing is an important strategic consideration, even for companies operating in more favourable and placid environments.

This research provides some guidelines for managers and marketing practitioners operating in different environments of varying degree of turbulence. Marketing strategies that are best for some businesses in certain environments may not be optimal for others in other environments. The practical overview of the Emery and Trist (1965) environmental typology and the findings of which type of marketing strategy is best for a specific environment will assist managers in their strategic decision-making process when devising performance-enhancing strategies and achieving a distinctive competitive advantage in the global marketplace.

The implications of these results show some limitations inherent in this research study. Though the research study demonstrates interesting findings, they are from only a single study. One limitation is the size of the sample used in this study and the low response rate. The results obtained from the sample size ($n = 217$) consisting of large, medium and small manufacturing and service firms from four countries may lack generalisability. The sample of the firms from these four countries does not represent the economies of each country or specific industry, therefore, replication of the study with a larger sample and samples drawn from other countries, such as the

Table IV.
Means and standard
deviations of objective
and subjective
performance by strategy
and environmental
typology

Environment Strategy	Placid-random		Placid-clustered		Disturbed-reactive		Turbulent	
	Obj	Sub	Obj	Sub	Obj	Sub	Obj	Sub
Low customer	14.19^a (7.85)	13.69 (4.67)	18.22^c (6.73)	12.91 (6.74)	17.12 (6.57)	14.00 (3.67)	18.81^e (7.76)	11.71 (3.18)
High customer	16.67^b (1.46)	15.82 (3.60)	19.00^d (7.83)	16.48** (3.29)	16.39 (6.88)	14.00 (3.81)	15.56^f (6.81)	14.30** (3.01)
Low competitor	14.54^g (8.62)	15.04 (4.19)	17.94^i (8.34)	13.42 (3.54)	16.09^k (7.89)	13.77 (3.23)	17.11^m (8.15)	12.75 (3.67)
High competitor	16.12^h (7.40)	14.62 (4.34)	19.09^j (6.74)	15.84* (4.27)	17.20^l (5.74)	14.12 (4.06)	18.05^n (6.09)	12.94 (3.45)
Low societal	12.45^o (6.85)	15.00 (4.08)	15.75^q (7.89)	14.71 (4.62)	15.20^s (6.41)	13.83 (4.80)	15.74^u (7.91)	12.89 (3.53)
High societal	17.91^{p}** (7.91)	14.63 (4.44)	21.26^{r}** (5.76)	15.15 (3.76)	18.03^t (6.80)	14.14 (2.51)	19.11^v (6.76)	12.74 (3.25)

Notes: $* = p < 0.05$; $** = p < 0.01$; standard deviations are shown in parentheses; Obj = Objective financial performance; Sub = Subjective or expected performance; Sample sizes: [a]$N = 26$; [b]$N = 28$; [c]$N = 28$; [d]$N = 22$; [e]$N = 29$; [f]$N = 31$; [g]$N = 23$; [h]$N = 22$; [i]$N = 19$; [j]$N = 32$; [k]$N = 22$; [l]$N = 32$; [m]$N = 36$; [n]$N = 24$; [o]$N = 18$; [p]$N = 24$; [q]$N = 30$; [r]$N = 24$; [s]$N = 27$; [t]$N = 28$; [u]$N = 27$; [v]$N = 27$

USA, Canada and the UK, would provide cross-cultural validation of the findings and offer further indication as to whether the findings can be generalised. Further, the low response rate needs to be acknowledged as a potential limitation, as increasingly it was found that firms have a company policy of declining to participate in any research surveys. During the data collection stage, a number of formal rejection letters have been received from global companies explaining the company policy on participation in any research studies.

An analysis of non-respondent companies showed a large proportion to be multinational companies, which operate across a number of countries and are therefore likely to encounter more turbulent environments, because of political interest from sovereign governments. There is clearly a need to replicate these findings if possible with some of the larger multinational companies in the sample. Never the less the study has included a number of different types of firms across a number of industries and countries and does provide some important empirical findings worthy of future research and management practice. Although the findings do not confirm many of the contentions of Elliott's (1990) original thesis, they do show that marketing strategies need to be tailored for the environment. It is thus still important for managers to consider strategic directions and plans for the firm, but the success of such plans will depend on their suitability with the environment.

The cross-sectional survey research design that relies on a single key informant per organisation has its own limitations, as the use of a single key informant for data collection in this study has the potential for providing information that reflects the individual views of the respondents rather than the views of the firm. It could be the case that the informant may have over-reported the firm's performance and use of marketing strategies. In addition to the reliability of a single informant, one important issue is the extent of common method bias – the same respondent rating customer orientation, competitor orientation, inter-functional coordination and societal marketing, strategy types, nature of environment and industry within which an organisation is operating, and other measures on the same survey instrument. However, it should be noted that the use of multiple respondents from one firm may pose further problems, such as the possibility of a significant decrease in response rate, how many multiple informants should be used, and whether using multiple respondents could increase response bias. Use of longitudinal studies, multiple informants and multiple methods should be considered in the future to enable researchers to examine closely the extent to which such a bias is present. Still it would be interesting to see if these results could be replicated over a larger sample and across a diverse set of countries and industries. Such findings would also be of value to managers facing many dilemmas in the uncertain business environment of today.

For the research study to have significant value to both theory and practice, future research should at least replicate these results using a larger sample of companies and in different countries not included in the study. This is particularly important with regards to examining the relationship between the environment and the three types of marketing strategies (customer-oriented, competitor-oriented, and societal marketing orientation) for business performance.

One important factor that needs to be considered for future research is the use of a refined measurement of performance. This study has used both subjective and

objective measures of performance producing very interesting and diverse results on the market orientation strategies and its presumed link to company performance. The majority of studies that have focused on the market orientation and performance relationship have one common feature, that is, they have generally incorporated subjective measures of performance as the dependent variable (Narver and Slater, 1990; Deshpande *et al.*, 1993; Kohli and Jaworski, 1990; Jaworski and Kohli, 1993; Slater and Narver, 1994a; Deng and Dart, 1994; Greenley, 1995; Pelham and Wilson, 1996; Pitt *et al.*, 1996; Balakrishnan, 1996; Avlonitis and Gounaris, 1997; Deshpande and Farley, 1998; and Appiah-Adu, 1998). Only a few have used objective performance as a dependent variable (Esslemont and Lewis, 1991; Ruekert, 1992, Diamantopoulos and Hart, 1993; Kohli and Jaworski, 1990; Jaworski and Kohli, 1993; Au and Tse, 1995; and Tse, 1998). Despite the fact that a number of studies have found a positive association between market-oriented strategies and subjective performance, it crucial to ask whether these results are valid? Therefore, one direction for future research in the field of market orientation, societal market orientation and performance, is to gather data on both subjective and objective performance.

The major objective of the study was to investigate the relationship between marketing strategies and their effectiveness in various types of business environments. This study showed that with the increasing globalisation and the turbulent and unpredictable nature of the business environment some types of marketing strategies in some environments are simply uneconomical and may not be optimal for all businesses. Or in other words, the choice of marketing strategy needs to fit the environmental circumstances of the firm.

References

Abbott, W.F. and Monsen, J.R. (1979), "On the measurement of corporate social responsibility", *Academy of Management Journal*, Vol. 22 No. 3, pp. 501-15.

Akimova, I. (2000), "Development of market orientation and competitiveness of Ukrainian firms", *European Journal of Marketing*, Vol. 34 Nos 9/10, pp. 1128-48.

Appiah-Adu, K. (1998), "Market orientation and performance: empirical tests in a transition economy", *Journal of Strategic Marketing*, Vol. 6, pp. 25-45.

Atuahene-Gima, K. (1996), "Market orientation and innovation", *Journal of Business Research*, Vol. 35, pp. 93-103.

Au, A.K.M. and Tse, A.C.B. (1995), "The effect of marketing orientation on company performance in the service sector: a comparative study of the hotel industry in Hong Kong and New Zealand", *Journal of International Consumer Marketing*, Vol. 8 No. 2, pp. 77-87.

Aupperele, K.E., Carroll, A.B. and Hartfield, J.D. (1985), "An empirical examination of the relationship between corporate responsibility and profitability", *Academy of Management Journal*, Vol. 28 No. 2, pp. 446-63.

Avlonitis, G.J. and Gounaris, S.P. (1997), "Marketing orientation and company performance: industrial vs consumer goods companies", *Industrial Marketing Management*, Vol. 26 No. 5, pp. 385-402.

Balakrishnan, S. (1996), "Benefits of customer and competitive orientations in industrial markets", *Industrial Marketing Management*, Vol. 25, pp. 257-69.

Bragdon, J.H. and Marlin, J.T. (1979), "Is pollution profitable?", *Risk Management*, Vol. 19 No. 4, pp. 9-18.

Chelariu, C., Ouattarra, A. and Dadzie, K.Q. (2002), "Market orientation in Ivory Coast: measurement validity and organisational antecedents in a Sub-Saharan African economy", *The Journal of Business and Industrial Marketing*, Vol. 17 No. 6, pp. 456-70.

Davidson, W.N. and Worrell, D.L. (1990), "A comparison and test of the use of accounting and stock market data in relating to corporate social responsibility and marketing performance", *Business and Economic Review*, Vol. 21, pp. 7-19.

Dawes, J. (2000), "Market orientation and company profitability: further evidence incorporating longitudinal data", *Australian Journal of Management*, Vol. 25 No. 2, pp. 173-99.

Deng, S. and Dart, J. (1994), "Measuring market orientation: a multifactor, multi-item approach", *Journal of Marketing Management*, Vol. 10, pp. 725-42.

Deshpande, R. and Farley, J.U. (1998), "Measuring market orientation: generalization and synthesis", *Journal of Market-Focus Management*, Vol. 2 No. 3, pp. 213-32.

Deshpande, R., Farley, J.U. and Webster, F.E. Jr (1993), "Corporate culture, customer orientation and innovativeness", *Journal of Marketing*, Vol. 57, January, pp. 23-37.

Diamantopoulos, A. and Hart, S. (1993), "Linking market orientation and company performance: preliminary work on Kohli and Jaworski's framework", *Journal of Strategic Marketing*, Vol. 1 No. 2, pp. 93-122.

Elliott, G. (1990), "The marketing concept – necessary but not sufficient: an environmental view", *European Journal of Marketing*, Vol. 24 No. 8, pp. 20-30.

Emery, F.E. and Trist, E.L. (1965), "The casual texture of organisational environments", *Human Relations*, Vol. 18, pp. 21-33.

Esslemont, D. and Lewis, T. (1991), "Some empirical tests of the marketing concept", *Marketing Bulletin*, Vol. 2, pp. 1-7.

Farrell, M. and Oczkowski, E. (1997), "An analysis of the MKTOR and MARKPOR measures of market orientation: an Australian perspective", *Marketing Bulletin*, Vol. 8 No. 3, pp. 30-40.

Glaser, S. (1985), "The marketing system and the environment", *European Journal of Marketing*, Vol. 19 No. 4, pp. 54-72.

Graves, S.B. and Waddock, S. (1993), "Institutional owners and corporate social performance: maybe not so myopic after all", *Proceedings of the International Association for Business and Society, San Diego*.

Gray, B., Matear, S., Boshoff, C. and Mateson, P. (1998), "Developing a better measure of market orientation", *European Journal of Marketing*, Vol. 32 No. 9, pp. 884-903.

Greenley, G.E. (1995), "Market orientation and company performance: empirical evidence from UK companies", *British Journal of Management*, Vol. 6 No. 1, pp. 1-13.

Handerman, J. and Arnold, S. (1999), "The role of marketing actions with a social dimension: appeals to the institutional environment", *Journal of Marketing*, Vol. 63, July, pp. 33-48.

Hooley, G., Fahy, J., Greenley, G., Beracs, J., Fonfara, K. and Snoj, B. (2003), "Market orientation in the service sector of the transition economies of Central Europe", *European Journal of Marketing*, Vol. 37 Nos 1/2, pp. 86-106.

Jaworski, B.J. and Kohli, A.K. (1993), "Market orientation: antecedents and consequences", *Journal of Marketing*, Vol. 57, July, pp. 53-70.

Kohli, A.K. and Jaworski, B. (1990), "Market orientation: the construct, research propositions, and managerial implications", *Journal of Marketing*, Vol. 54, April, pp. 1-18.

Laczniak, G.R., Pecotich, A. and Spadaccini, A. (1995), "Towards 2000: a tougher future for Australian business?", *Asia Pacific Journal of Management*, Vol. 11 No. 1, pp. 67-90.

McGuire, J.B., Sundgren, A. and Schneewis, T. (1988), "Corporate social responsibility and firm financial performance", *Academy of Management Journal*, Vol. 31 No. 4, pp. 854-72.

Maignan, I. and Ferrell, O.C. (2001), "Corporate citizenship as a marketing instrument: concepts, evidence and research directions", *European Journal of Marketing*, Vol. 35 Nos 3/4, pp. 457-84.

Matsuno, K. and Mentzer, J.T. (2000), "The effects of strategy type on the market orientation-performance relationship", *Journal of Marketing*, Vol. 64 No. 4, pp. 1-16.

Mavondo, F.T. and Farrell, M.A. (2000), "Measuring market orientation: are there differences between business marketers and consumer marketers?", *Australian Journal of Management*, Vol. 25 No. 2, pp. 223-44.

Narver, J.C. and Slater, S.F. (1990), "The effect of a market orientation on business profitability", *Journal of Marketing*, Vol. 54 No. 4, pp. 20-35.

Noble, C.H., Shina, R.K. and Kumar, A. (2002), "Market orientation and alternative strategic orientations: a longitudinal assessment of performance implications", *Journal of Marketing*, Vol. 66 No. 4, pp. 25-39.

Pelham, A.M. and Wilson, D.T. (1996), "A longitudinal study of the impact of market structure, firm structure, strategy, and market orientation culture on dimensions of small-firm performance", *Journal of the Academy of Marketing Science*, Vol. 24 No. 1, pp. 27-43.

Pitt, L., Caruana, A. and Berthon, P.R. (1996), "Market orientation and business performance: some European evidence", *International Marketing Review*, Vol. 13 No. 1, pp. 5-18.

Pulendran, S., Speed, R. and Widing, R. (2000), "The antecedents and consequences of market orientation in Australia", *Australian Journal of Management*, Vol. 25 No. 2, pp. 119-43.

Ruekert, R.W. (1992), "Developing a market orientation: an organisational strategy perspective", *International Journal of Research in Marketing*, Vol. 9 No. 3, pp. 225-45.

Shultz, C. and Holbrook, M.B. (1999), "Marketing and the tragedy of the commons: a synthesis, commentary and analysis", *Journal of Public Policy Marketing*, Vol. 18 No. 2, pp. 218-29.

Slater, S.F. and Narver, J.C. (1994a), "Does competitive environment moderate the market orientation-performance relationship?", *Journal of Marketing*, Vol. 58 No. 1, pp. 46-55.

Slater, S.F. and Narver, J.C. (1994b), "Market orientation, customer value and superior performance", *Business Horizons*, Vol. 37 No. 2, pp. 22-9.

Spencer, B.A. and Taylor, G.S. (1987), "A within and between analysis of the relationship between corporate social responsibility and financial performance", *Akron Business and Economic Review*, Vol. 18, pp. 7-18.

Tse, A.C.B. (1998), "Market orientation and performance of large property companies in Hong Kong", *International Journal of Commerce and Management*, Vol. 8 No. 1, pp. 57-69.

Further reading

Greenley, G.E. and Foxall, G.R. (1999), "External moderation of associations among stakeholder orientations and company performance", in Hooley, G.J. and Hussey, M.K. (Eds), *Quantitative Methods in Marketing*, 2nd ed., International Thomson Business Press, London, pp. 372-403.

Hooley, G., Cox, T., Fahy, J., Shipley, D., Beracs, J., Fonfara, K. and Snoj, B. (2000), "Market orientation in the transition economies of Central Europe: tests of the Narver and Slater market orientation scale", *Journal of Business Research*, Vol. 50 No. 3, pp. 273-85.

About the authors

Steven Ward is a Senior Lecturer in Marketing at Murdoch University, Western Australia. He has published 39 refereed papers in leading international journals, books and conferences. Dr Ward has worked as a consultant for blue chip companies such as Pacific-Dunlop, ANZ, Challenge Bank, BHP, Telstra and Ford and has also worked as a consultant for Focused Management with a number of small business start-ups as part of the COMET and AUS-INDSTRY schemes. Dr Ward's research interests are varied and include body image, innovation, pharmaceutical marketing, country of origin, global branding, wine marketing, and privacy research. He is the corresponding author and can be contacted at: s.ward@murdoch.edu.au

Aleksandra Lewandowska is a Consultant with EDS Consulting in the UK.

www.manaraa.com