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Marketing perceptions and business performance

Implications for marketing education?

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Abstract

Purpose – The purpose of this paper is to analyze associations between practitioners' perception of marketing and business performance, and discuss possible implications for marketing education.

Design/methodology/approach – A survey was conducted in Norwegian companies in the furniture and fishery sectors. The relationship between practitioners' perceptions of marketing and business performance is analysed by combining ordinal regression with cluster analysis. The latter is used to categorize practitioners' views of marketing.

Findings – The results indicate that the cluster to which a firm belongs makes a difference in business performance. Firms that share a common view of marketing, strongly focused on both core marketing and sales, perform better than firms that share a more narrow view of marketing. Thus, both "intrinsic" and "instrumental" aims may be important to any core curriculum for marketing education.

Research limitations/implications – Even though the data set accounts for a large percentage of the two selected sectors in terms of total turnover, the sample itself is small.

Practical implications – Vocational skills such as sales management should be an integrated part of marketing education. Financial accountability and customer profitability analyses should preferably also be included.

Originality/value – This study of the relationships between practitioners' perceptions of marketing and business performance, by combining cluster analysis and ordinal regression, is a new and valuable approach in this context. The findings have also important practical implications for marketing education.

Keywords Norway, Marketing, Business performance

Paper type Research paper

Introduction

Marketing education is based on two distinct views or approaches regarding aims, usually denominated "instrumental" and "intrinsic" (Clarke *et al.*, 2006). The intrinsic or "liberal" approach is concerned with the "development of individual potentialities or the development of intellect and character" (Peters, 1970, p. 27), emphasizing that education should "equip people to make their own free, autonomous choices about the life they will lead" (Bridges, 1992, p. 92), which implies that "education has value in and of itself" (Clarke *et al.*, 2006, p. 192). The instrumental approach focuses on skills, implying that marketing

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subjects offered should give "students the opportunity to develop and apply skills in order to enhance personal effectiveness and achievement at work" (Bridges, 1992, p. 93) and that "business schools should teach students so they can hit the employment world fully trained" (Clarke *et al.*, 2006, p. 191). According to the instrumental view, education is not perceived as an end in itself, but as the mean to an end.

Intrinsic and instrumental approaches should not be seen as being on the opposite ends of a spectrum (Dacko, 2006; Korpiaho *et al.*, 2007; Stringfellow *et al.*, 2006). Modules and subjects included in marketing educational programmes, however, often reflect both approaches in varying extents. With respect to marketing modules that should be included in educational programmes, different stakeholders may have different preferences, as reflected by ongoing debates among scholars, researchers, and practitioners regarding the academic/practitioner divide (Ardley, 2006; Gibbs, 2007; Southgate, 2006; Stanton, 2006; Warren and O'Toole, 2005). In this study, the focus is on practitioners.

The purpose of this study is to analyse possible associations between practitioners' perception of marketing and business performance, and subsequently, possible implications for marketing education. Based on a survey that identifies practitioners' perceptions of marketing as well as business performances, the following research questions are addressed: can businesses be categorized into different groups according to their managers' perceptions of marketing? If so, are there any differences in performance between the business groups? Thus, can significant relationships be identified between business groups and business performance? If so, can the empirical findings indicate any interesting implications for marketing education? In this way, the study accommodates calls for papers regarding the relevance of marketing education to marketing practice in countries other than the UK (Dacko, 2006; Stringfellow *et al.*, 2006) as well as regarding the importance of delivering relevant learning (Küster and Vila, 2006).

The chosen context is the Norwegian furniture and fishing industries. Both industries are characterized by strong competition and extensive international activity (in terms of export and import volumes). A questionnaire based on a literature review was created and sent to the managers of the two industries. The questionnaire included 15 items measuring practitioners' perceptions of marketing. Questions about the specific details for respondents (revenues, number of employees, proportion of exports, etc.) as well as questions regarding other topics were included in order to describe the sample and potential groups of respondents (clusters), and also for validation purposes. In addition, measures of business performance were collected.

The paper is organized as follows. The next section contains a theoretical framework regarding the marketing concept, the sales concept, business performance, as well as marketing education. Context and methodology are then discussed. The findings are reported, discussed, and conclusions are made.

Theoretical framework

Marketing has been practiced for thousands of years (Howard, 2003; Shaw and Jones, 2006). Academic interest in marketing, however, first appeared about 1900 (Converse, 1945; Shaw and Jones, 2006). Since then, research efforts have been growing, especially since 1950, when the "marketing concept" was introduced.

The marketing concept

The marketing concept is usually related to the American company, General Electric, which formulated a new basic philosophy of marketing, summarized as: "Rather than

making what you've always made, and then trying to sell it, find out what will sell, and then try to make it" (Wilkie, 1994, p. 8). The marketing concept is, however, just one of the many ideas that are supposed to result in prosperity for firms. Other examples are the production concept, the product concept, the selling concept, and the societal marketing concept (Blythe, 2005; Jobber, 2004; Kotler *et al.*, 2002). The first three are perceived as preceding the marketing concept, while the societal marketing concept is seen as an extension of the marketing concept. It is common to talk about businesses as being production-, sales-, or market-oriented, depending upon the company's dominant business logic (Kotler and Keller, 2006; Langerak, 2003; Palmer, 2004). This suggests, for example, that market-oriented firms may be highly active in sales but with the logic of the marketing concept as the driving-force behind these sales activities (Houston, 1986; Webster, 1992).

Drucker (1954, p. 37) wrote one of the first descriptions of marketing:

> Actually marketing is so basic that it is not just enough to have a strong sales department and to entrust marketing to it. Marketing is not only much broader than selling; it is not a specialised activity at all. It encompasses the entire business. It is the whole business seen from the point of view of the final result that is from the customer's point of view. Concern and responsibility for marketing must therefore permeate all areas of the enterprise.

Felton (1959, p. 55) asserted that the marketing concept could be understood as:

> [. . .] a corporate state of mind that insists on the integration and coordination of all the marketing functions which, in turn, are melded with all other corporate functions, for the basic objective of producing maximum long-range corporate profits.

This way of thinking was supported by Levitt (1960, p. 56) who underscored the importance of "building an effective customer-oriented company" and by McNamara (1972, p. 51) who defined the "marketing concept" as:

> [. . .] a philosophy of business management, based upon a company-wide acceptance of the need for customer orientation, profit orientation, and recognition of the important role of marketing in communicating the needs of the market to all major corporate departments.

Ames (1970, p. 95) underlined the importance of the marketing concept in industrial marketing (B2B) as a total business philosophy by describing four key dimensions:

> (1) aiming for improved profit performance; (2) identifying customer needs; (3) selecting customer groups for whom the company can develop a competitive edge; and (4) designing and producing the right product/service package or packages.

Webster (1992) focused on the changing role of marketing in the corporation and underlined the importance of marketing in strategy, reflecting three levels of strategy that were defined as the corporate, the business or SBU, and functional or operating levels.

Moorman and Rust (1999) discussed the various roles of marketing and asserted that: "Marketing is best viewed as the function that manages connections between the organization and the customer." They conclude that "the marketing function can improve its contribution to the firm by expanding its scope beyond the traditional customer-product connection to include more emphasis on service delivery and financial accountability" (Moorman and Rust, 1999, pp. 195-6).

A number of other contributions can be found (Francke and Mazanec, 2005; Hise, 1965; Hooley *et al.*, 1990; Hunt, 1976; Keith, 1960; Kermally, 2003; Konopa and Calabro, 1971).

In August 2004, the American Marketing Association offered a new definition[1] of marketing:

> Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

This new definition implies a duality, i.e. satisfying customers by meeting their needs, desires and requests, and satisfying the business unit with exchanges that result in long-term relationships and profitability. Thus, the focus is both on creating customer values and economic customer values (Doyle, 2000; Helgesen, 2006a). This duality with respect to customers and businesses also appears in the definition of the UK Chartered Institute of Marketing: "Marketing is the management process which identifies, anticipates, and supplies customer requirements efficiently and profitably" (Blythe, 2005, p. 2).

The "Nordic School" focuses on networks and relationships. The most cited definition of marketing has been formulated by Grönroos, who said that marketing is:

> [...] to identify and establish, maintain and enhance and, when necessary, terminate relationships with customers, and other stakeholders, at a profit, so that the objectives of all parties involved are met; this is done by mutual exchange and fulfilment of promises (Grönroos, 1994).

According to the "Nordic School", relationship marketing is very important for obtaining long-term customer satisfaction and customer loyalty, as well as long-term customer profitability. This implicitly highlights the importance of marketing metrics both from the point of view of the customers and from the point of view of the managers and the marketers of a business unit, i.e. "customer-based" and "business-unit-based" marketing metrics (Clark, 1999; Helgesen, 2006b).

The marketing concept has been discussed, described, and defined in various ways. The various approaches share some important commonalities, such as customers' needs, desires, and demands; customer values; customer orientation; market orientation; customer relationships; long-term relationships; customer satisfaction; customer loyalty; customer profitability; long-term profitability; reciprocity – i.e. both customer satisfaction from need fulfilment and firm satisfaction from customer profitability; mutual trust by keeping promises; ethical attitudes; and customer- and market-oriented leadership and organizational culture. The application of the marketing concept involves both an analytical process (strategic marketing) and an action-oriented process (operational marketing) (Lambin, 1993). Therefore, the marketing concept forms a natural basis for a firm's various strategic considerations, such as developing mission statements, etc.

The sales concept

According to Kinnear *et al.* (1995, p. 12) "The sales concept" holds that just:

> [...] anything can be sold to customers, whether they want it or not, if the sales approach is aggressive enough. The objective of the sales concept viewpoint is to sell what is available,

> using all the advertising and personal selling skills one has, with little concern for the customer's post-purchase satisfaction [. . .]

According to Webster (1988, p. 32) sales orientation implies that "marketing is short-term and tactical, focused on selling more today rather than developing new markets and responding to changing customer needs and competition." The most important ingredients of the sales concept may be summarized with phrases such as: sales volume, short-term profitability, selling skills, sales promotion, sales techniques, sales tricks, transaction-oriented (not relationship-oriented). As described above, market-oriented firms may be highly active in sales, but with the logic of the marketing concept as the driving force behind these sales activities (Houston, 1986; Webster, 1992). Thus, aspects of the sales concept form natural parts of the marketing concept.

Business performance: measurement and models

Business performance and profitability are closely related to decisions (Demski, 1997). The point of departure for business-oriented approaches is decision-relevant revenues and costs, i.e. changes in revenues and costs resulting from a decision (Parker, 1980; Solomons, 1952). Changes based on purely financial indicators are often regarded as rather narrow and have been challenged by other approaches.

One approach proposes to classify performance measures according to different organizational levels:

- financial performance, focusing on purely financial indicators;
- business performance, where non-economic indicators such as market share, product development, or production efficiency are incorporated; and
- organizational effectiveness, where a number of various metrics are considered (Venkatraman and Ramanujam, 1986, 1987).

Based on this way of thinking, newer performance measurement approaches have been introduced, such as "Balanced Scorecards" (Kaplan and Norton, 1996, 2001) and "Business Models" (Kaplan and Norton, 2004; Rucci *et al.*, 1998), which consider both "objective" and "perceptual" (subjective) measures of performance. Metrics such as customer satisfaction, customer loyalty, co-worker satisfaction, etc. may be regarded as antecedents of future financial performance, or "leading metrics", as opposed to financial key figures, which are "lagging metrics" (Helgesen, 2006a; Kaplan and Norton, 2004; Rucci *et al.*, 1998), thus monitoring "the financial future" of the business unit.

Perceptual metrics may also be used to measure the overall performance of a business unit. Perceptual (subjective) measures may comprise factors or aspects that are not included in their objective counterparts. Summarized measures of business performance based on judgements by managers may give a better indication of business performance than purely objective indicators (Dess and Robinson, 1984; Venkatraman and Ramanujam, 1986, 1987).

Variations in business performance have been explained in many different ways (Capon *et al.*, 1990; Clark, 1999). Regarding marketing various approaches and studies have been carried out, e.g. regarding market orientation (Jaworski and Kohli, 1993; Kohli and Jaworski, 1990; Langerak, 2003; Narver and Slater, 1990) and customer relationship orientation (Anderson and Mittal, 2000; Helgesen, 2006a; Zeithaml, 2000). In our approach, the focus shifts from the traditional marketing related explanatory

variables such as different degrees of orientations to a variable that indicates practitioners' perceptions of marketing. This is accomplished by a cluster analysis technique where clusters of different businesses are identified according to their managers' perception of marketing. In addition to this, cluster dummy variable, firm size, export share, sector affiliation, and a variable indicating the firm's production efficiency score are included as explanatory variables in a regression model explaining business performance. The latter variable (production efficiency scores) is crucial in order to account for data heterogeneity. Finally, we discuss possible implications of the findings for marketing education.

Marketing education

While management education was a limited field at the beginning of the last century, today it has a significant presence in many universities and university colleges around the world (Antunes and Thomas, 2007; Engwall, 2007). According to Engwall (2007) management education succeeded in entering the academic world due to a demand from the market, despite resistance on the part of professors in the established disciplines and despite being relatively unknown and having a limited reputation. In the 1950s, initiatives were taken to raise the scientific standards of management education (Gordon and Howell, 1959; Pierson, 1959). These reports resulted in both more quantitatively and more behaviourally oriented studies. In addition, mathematicians, statisticians, psychologists, and sociologists were recruited into business schools. A number of professional journals were launched, and faculty members became increasingly active in publishing. In the 1980s, questions were raised as to whether business schools had become too academic (Porter and McKibbin, 1988), cf. the ongoing debate regarding the academic/practitioner divide.

The first marketing courses in American universities were taught in 1902 (Bartels, 1988). In their historical overview of schools of marketing thought consisting of ten different schools, Shaw and Jones (2006) say, "marketing functions was the first of the traditional schools to emerge in the embryonic marketing discipline. It addressed the question: what is the work of marketing?" The other nine schools of marketing are schools concerning commodities, institutions, interregional trade, marketing management, marketing systems, consumer behaviour, macromarketing, exchange, and marketing history. Between 1955 and 1975, a paradigm shift took place from traditional approaches to modern schools of marketing thought, thus paralleling the development of management education as discussed above. This is also reflected in the development of marketing schools. The first three marketing schools were established before 1955 and the other seven later than 1955. During the last 30 years the development has been accelerating. In this period, a number of marketing related subject areas have been established and offered as a part of business school study programmes. Thus, marketing can be seen as being based on various schools of marketing thought, covering a number of subject areas and approaches.

Recently, marketing modules or subjects included in marketing study programmes have been analysed (Küster and Vila, 2006; Stringfellow *et al.*, 2006). Küster and Vila (2006) found that market research was the most commonly cited marketing subject among teaching staff in both Europe and the USA, with 58 per cent in Europe and 49 per cent in the USA. The second and third most commonly cited subjects were marketing strategy (47 per cent in Europe and 49 per cent in the USA) and consumer behaviour (51 per cent in

Europe and 45 per cent in the USA). The subject called sales was about number ten of the 15 marketing subjects considered (14 per cent in Europe and 20 per cent in the USA). Stringfellow *et al.* (2006) compared undergraduate marketing modules offered by 28 UK institutions. They identified 21 different modules, with no institution offering all modules. The number of modules varied from four to 18 with an average of 12. The modules were assigned to four groups based on the proportion of the institutions that offered the module. The "core" marketing modules were offered by more than three-quarters of the institutions and consisted of four modules: strategic marketing, principles of marketing, marketing research and marketing communications. The "standard" modules were offered by more than half but less than 75 per cent of the institutions and consisted of seven modules: international marketing, consumer behaviour, product/brand marketing, services marketing, retail marketing, B2B marketing and e-marketing. Those between one-quarter and one-half were labelled "peripheral" and consisted of five modules: contemporary marketing issues, small business marketing, supply chain/logistics, simulation/project/consultancy and direct marketing. Modules offered less than 25 per cent were looked upon as "specialist" subjects. The five modules included in this last category were as follows: relationship marketing/CRM, public relations, sales management, marketing ethics, and creativity.

Context and methodology

The context of this study is the Norwegian furniture and fishing industries. In a national economic context, the Norwegian fishery industry is much more important than the furniture industry, representing about seven times the value added of the furniture industry, cf. the discussion below. Both industries are characterized by strong competition and substantial international activity (in terms of export and import volumes).

The sample of the study

The sample was selected from industry registers. Questionnaires were mailed to managers of 360 firms, of which 225 were associated with the fishery industry and 135 with the furniture industry. A total of 13 unanswered questionnaires were returned from the fishery industry because of bankruptcy/shut down, and two were returned from the furniture industry because of shut down. Reminders were sent twice with an interval of about one month. Of a total of 137 answers, ten reported that the questionnaire was of little relevance, and 22 answers were incomplete. Thus, the final sample consisted of 105 respondents, of which 63 were from the fishing industry and 42 from the furniture industry. This gives a response rate of 29 per cent. Table I shows some descriptive statistics for this final sample. Total turnover for the firms in the sample was Norwegian Kroner (NOK) 20.2 billion for the fishery sector and NOK 2.8 billion for the furniture sector. On the average, business units in the fishing industry were bigger than business units in the furniture industry, based on a comparison of total revenues and average number of employees for the two industries. Additionally, the fishing industry's proportion of exports (per cent) and spread was much higher than the furniture industry's. In spite of the research problems connected with such small samples, we believe it is still possible to extract useful information from the data. Compared to the total population of firms within the two Norwegian

Industry and variables	Mean	SD	Skewness	Kurtosis
Fishing industry sample (n = 63)				
Total revenue previous year (million NOK)	322.2	703.8	5.25	32.31
Average number of employees previous year	128.6	450.1	7.06	52.89
Proportion of exports (per cent)	71.0	33.0	−1.16	−0.13
Production efficiency score (Likert scale from 1-7)	4.8	1.1	−0.28	0.14
Overall corporate performance score (Likert scale from 1-7)	4.8	0.9	−0.40	−0.68
Growth in turnover (Likert scale from 1-7)	5.0	1.2	−0.48	−0.48
Furniture industry sample (n = 42)				
Total revenue previous year (million NOK)	67.5	115.1	3.57	13.63
Average number of employees previous year	65.7	108.1	3.80	15.24
Proportion of exports (per cent)	14.4	18.2	1.50	1.90
Production efficiency score (Likert scale from 1-7)	4.3	1.0	−0.10	−0.69
Overall corporate performance score (Likert scale from 1-7)	4.9	1.2	−0.46	0.64
Growth in turnover (Likert scale from 1 to 7)	5.1	1.3	0.03	−0.64
Total sample (n = 105)				
Total revenue previous year (million NOK)	220.3	562.3	6.57	51.54
Average number of employees previous year	103.5	355.4	8.67	82.07
Proportion of exports (per cent)	48.4	39.5	0.02	−1.74
Production efficiency score (Likert scale from 1 to 7)	4.6	1.1	−0.16	−0.25
Overall business performance score (Likert scale from 1 to 7)	4.9	1.0	−0.42	0.14
Growth in turnover (Likert scale from 1 to 7)	5.0	1.3	−0.27	−0.55

Table I.
Descriptive statistics for the sample of the survey

industries, this sample actually represents about 50 per cent of the total turnover for the fishery sector and about 40 per cent for the furniture sector.

Research approach

The literature review shows that many questions would be relevant in terms of practitioners' perception of marketing in a market survey. A list was elaborated, based on discussions with business people and academics. When deciding the final number of items, the number of responses anticipated was taken into consideration (conclusive validity). The 15 items included in the study are measured using a seven-point Likert scale, with 1 implying "Strongly disagree" and 7 implying "Strongly agree". Table AI in the Appendix presents a descriptive statistics of the 15 items for the whole sample and Table II for each of the identified clusters.

Elsewhere in the questionnaire, respondents were asked to express their satisfaction level with respect to various business areas, such as "Growth in turnover" and "Production efficiency". These items were measured using a seven-point scale, with 1 implying "Not satisfied at all" and 7 implying "Very satisfied". In addition, respondents were asked to give their total appraisal of the performance of their firm during the last three years compared with their competitors. Here, a seven-point semantic differential scale was used, where −3 meant "Worse than competitors", 0 (zero) meant "About the same as competitors" and +3 "Better than competitors". This approach for measuring "Overall, business performance" is in accordance with recommendations from analogous studies (Dess and Robinson, 1984; Venkatraman and Ramanujam, 1986, 1987).

	Symbol	Mean values of clustering and additional variables Cluster 1 ($n = 18$)	Cluster 2 ($n = 49$)	Cluster 3 ($n = 38$)
Clustering variables				
Marketing implies that business management is based on customers needs, demands, and wishes	I_1	4.94	5.02[c]	5.79[a]
Marketing is closely related to corporate strategy, e.g. m ission, vision, business ideas and business philosophy	I_2	5.11[b]	4.39[e]	5.71[b]
In practical life there is no difference between marketing and sales	I_3	3.61	3.20[c]	4.84[b]
Marketing is a business function parallel to, e.g. purchase and production	I_4	4.83[c]	4.61	5.71[b]
Marketing is a collective term for all efforts to increase sales volume	I_5	5.28	5.37[c]	5.95[b]
Marketing is closely related to profitability	I_6	*3.72*	*4.59*	*5.63*
Marketing, market orientation and customer orientation are synonymous concepts	I_7	3.28[c]	3.82[c]	5.79[d]
Marketing is closely related to customer satisfaction, customer loyalty and customer profitability	I_8	*3.28*	*4.31*	*5.89*
What theorists call marketing, practitioners call sales	I_9	3.39[c]	4.02	4.61[a]
Marketing implies reciprocity, i.e. both buyer and seller should be satisfied (buyer in terms of customer satisfaction and seller in terms of customer profitability)	I_{10}	4.78[c]	4.76[c]	6.13[d]
Marketing implies that more importance is attached to profitability than to sales volume	I_{11}	2.89[c]	3.53[c]	4.84[d]
Marketing implies trust-building (in relationships) by keeping promises	I_{12}	*3.11*	*5.35*	*6.05*
Marketing has a stronger ethical basis than sales	I_{13}	3.22[f]	4.16[a]	4.63[a]
Regarding marketing the focus is on developing long-term customer relationships	I_{14}	*3.61*	*5.20*	*6.34*
Marketing implies more focus on long-term profitability than short-term profits	I_{15}	3.61[f]	5.35[a]	5.84[a]
Additional variables				
Sector (0 = fishery, 1 = furniture)		0.39	0.29	0.55
Turnover (mill. NOK)		459	152	195
Number of employees		247	75	72
Growth in turnover compared to competitors (Likert scale 1-7)		5.28	4.69[c]	5.34[b]
Overall business performance compared to competitors (Likert scale 1-7)		4.67	4.61[c]	5.26[b]
Proportion of exports (per cent)		44.4	57.1[c]	39.0[b]

Notes: [a]Sign. different from Cluster 1; [b]sign. different from Cluster 2; [c]sign. different from Cluster 3; [d]sign. different from Clusters 1 and 2; [e]sign. different from Clusters 1 and 3; [f]sign. different from Clusters 2 and 3; In italic: sign. difference between all clusters. All significant differences of the mean values are at least at the 0.05 level

Table II.
Cluster profiles ($n = 105$)

Respondents were also asked to report the following financial key figures: average yearly sales growth during the last three years (per cent) (Sales growth), average yearly surplus rate during the last three years (per cent) (Surplus rate) and average yearly return on capital employed (ROCE) during the last three years (per cent) (ROCE). These figures may be regarded as objective performance measures and can be used to validate the perceptual measure "Overall, business performance". In order to make the paper easier to read, the one semantic scale item is discussed as if being measured on a seven-point scale, meaning that -3 is equal to 1, 0 (zero) is equal to 4 and $+3$ equal to 7. The three financial key figures (per cent) are all ratio-level measures.

Statistical inference: methodological issues

Approaches explaining variations in business performance are usually variance decomposition studies that utilize absolute differences in a continuous performance variable, e.g. regarding market orientation (Jaworski and Kohli, 1993; Kohli and Jaworski, 1990; Langerak, 2003; Narver and Slater, 1990) or customer relationship orientation (Anderson and Mittal, 2000; Helgesen, 2006a; Zeithaml, 2000). In this paper, another statistical inference approach has been chosen: ordinal regression. This estimation method has gained increased attention in recent years in a variety of applications (Cheung, 1996; Raveh, 2000; Grigoroudis and Siskos, 2002; Ruefli and Wiggins, 2003; Sentas *et al.*, 2005; Zhang and Stern, 2007), due to its robustness with respect to statistical inference in regard to non-continuous data. By choosing an ordinal regression approach, the dependent variable, "Overall, business performance", is treated as an ordinal measure of the respondents' total appraisal of their business compared to their competitors, and as such represents a limited discretization of an underlying latent continuous business performance variable. The choice of this particular measurement of the dependent variable implies that there are mutually exclusive qualitative performance categories. Such ordered response data have a natural ordering, as is the case with count data. However, unlike count data, they do not have natural numerical values, making ordinary least square inappropriate (Stock and Watson, 2003).

Regression models with such a limited dependent variable belong to a general class of models based on an extension of the classical binary dependent variable regression models (logit and probit), where the dependent variable takes multiple discrete values. Estimations of the coefficients are based on maximum likelihood estimation (MLE). The likelihood function is the joint probability distribution of the data, and is a function of the unknown coefficients. MLE chooses the unknown coefficients that maximize this likelihood function, and the estimators are thus the parameter values "most likely" to have produced the data. Cut-off values defining the different categories for this ordinal variable are estimated by thresholds (constants), which only depend on the predicted probability of the category. Actual cumulative probabilities are not predicted; instead a function of the values – the link function – is. The researcher may define the proper link function according to the distributional characteristics of the dependent variable. The most common link functions available in statistical software packages are: Logit (suitable when there are evenly distributed categories of the dependent variable), complementary log-log (suitable when higher categories of the dependent variable are more probable), negative log-log (suitable when lower categories of the dependent variable are more probable), probit (suitable when the dependent variable is explicitly normally distributed), and cauchit (suitable when the

dependent variable has many extreme values). The model uses predictor variables to calculate predicted probabilities of the dependent variable category membership for each case in the sample.

Model fit indices in such models are normally divided in two main types: pseudo-R^2 and count R^2 (Stock and Watson, 2003). The first index measure of fit is based on a comparison of the maximized likelihood function values of the model with and without the independent variables. Two common measures are Cox and Snell R^2:

$$R^2_{\mathrm{CS}} = 1 - \left(\frac{L(C^{(0)})}{L(\hat{C})}\right)^{2/n} \text{ and Nagelkerke's } R^2 : R^2_N = \frac{R^2_{\mathrm{CS}}}{(1 - L(C^{(0)})^{2/n})},$$

where $L(\hat{C})$ is the log-likelihood function for the model with the estimated parameters and $L(C^{(0)})$ is the log-likelihood with only the thresholds, and n is the number of cases. R^2_{CS} is limited in that it cannot reach the maximum value of 1, and R^2_N is merely a modification of the R^2_{CS} in order to restrict the range of the statistic value from 0 to 1 (as in ordinary R^2). Both of these measures are interpreted as reflecting the amount of variation accounted for by the model, with 1.0 indicating perfect fit (Hair *et al.*, 2006). The second index (Count R^2) measures the fraction of observations correctly predicted.

A variable labelled "Practitioners' perceptions of marketing" is hypothesised to be one of the predictors of "Overall, business performance". This latent variable is represented by 15 indicators as described in the Appendix (Table AI) and Table II. Owing to the large number of indicators relative to the small sample at hand, data reduction seems necessary as a first step. Viewing this underlying latent predictor variable as a qualitative rather than an ordinal measure, a cluster analysis seems to be an adequate method for reducing the number of predictors. In the ordinal regression model, dummies for belonging to a cluster will thus represent different intercepts accounting for business heterogeneity with respect to the perception of the marketing concept. The dummy approach is a common procedure when accounting for effects from qualitative variables, and may be viewed as a parallel to the fixed effect approach in panel data analysis (Stock and Watson, 2003).

The Wald test for statistical significance of each coefficient in the ordinal regression is the normal χ^2 distributed test used in models with limited dependent variables. This statistic takes the square of the estimated coefficient divided by its standard error, and compares this value with the associated critical value taken from the χ-distribution. Several authors (e.g. Agresti, 2007) argue, however, that a likelihood-ratio (LR) test is more reliable for small sample sizes than the Wald test. The LR-test uses the ratio of the maximized value of the likelihood function for the full model over the maximized value of the likelihood function for the model excluding the coefficient that is tested.

Findings

Descriptive statistics for the "marketing concept" items

Table AI in the Appendix presents descriptive statistics for the 15 items that are supposed to measure "Practitioners' perceptions of marketing". The table shows that the respondents' evaluations of the 15 statements (I_1-I_{15}) vary, as measured by their means. The standard deviations (SD) differ somewhat (from about 1.32 to 1.71); however, no item stands out from the rest with respect to spread. Even if the variations

are larger regarding skewness and kurtosis, most of the same conclusions can be drawn.

The sample consists of respondents from two industries: the furniture industry (42 respondents) and fishing industry (63 respondents). *t*-Tests do not reveal any significant differences ($p < 0.05$) for any one of the 15 items. Analogous *t*-tests were calculated for groups based on revenue figures, average number of employees, and proportions of exports. For all three variables, two groups, consisting of approximately the same number of respondents, were established and *t*-tests conducted. The *t*-tests did not reveal any significant differences ($p < 0.05$) for any one of the 15 items. Thus, the results can be perceived as representing both industries.

Cluster analysis

Cluster analysis has strong tradition in grouping firms in order to evaluate firm performance based on their strategic orientations (Hair *et al.*, 2006). The cluster analysis adopted in the present research uses the 15 indicators of practitioners' perceptions of marketing as clustering variables in a standard two-step approach. First, a hierarchical analysis based on "the nearest neighbour" method singles out potential clusters. Then a non-hierarchical analysis extracts the final number of clusters based on *F*-tests. The analysis indicates three different clusters. Table II shows the results both with respect to the 15 clustering indicators and selected additional variables. Mean values of the clustering variables for the three clusters provide the crucial profiling information regarding the different clusters. Mean values of the selected additional variables serve to validate the findings (criterion validity).

Cluster 3 seems to be the most significant cluster of firms regarding how practitioners perceive the marketing concept. The respondents within this cluster on average show higher scores on all 15 indicators compared to the mean scores for Clusters 1 and 2 firms. Seven scores are significantly higher (at least at the 0.05 level) than corresponding scores for both Clusters 1 and 2 firms, four scores are significantly higher than corresponding scores for Cluster 1 firms only, and four scores are significantly higher than corresponding scores for Cluster 2 firms only. The general agreement among the members of Cluster 3 firms thus on average seems to be that all items represent marketing. The five items that differ most from the two other clusters are: "Marketing, market orientation and customer orientation are synonymous concepts" (I_7), "Marketing is closely related to customer satisfaction, customer loyalty, and customer profitability" (I_8), "Marketing implies reciprocity, i.e. both buyer and seller should be satisfied (buyer in terms of customer satisfaction and seller in terms of customer profitability)" (I_{10}), "Marketing implies that more importance is attached to profitability than to sales volume" (I_{11}), "Regarding marketing the focus is on developing long-term customer relationships" (I_{14}).

Respondents belonging to Cluster 3 also seem to attach greater importance to (customer) profitability than the respondents belonging to the two other clusters. For four of the five items including profitability, the differences of the mean values between Cluster 3 and the two other clusters are significant (at least at the 0.05 level). For the fifth item (I_{15}) the difference is only significant regarding Cluster 1.

The differences between Clusters 1 and 2 are not so striking, but some interesting distinctions do occur. Seven scores are significantly different between Clusters 1 and 2. For six items, the score for Cluster 2 is higher than the score for Cluster 1, while for one

item the score is lower. The five significant items that differ most are all in support of Cluster 2: "Marketing implies trust-building (in relationships) by keeping promises" (I_{12}), "Marketing implies more focus on long-term profitability than short-term profits" (I_{15}), "Regarding marketing the focus is on developing long-term customer relationships" (I_{14}), "Marketing is closely related to customer satisfaction, customer loyalty and customer profitability" (I_8) and "Marketing has a stronger ethical basis than sales" (I_{13}). Thus, the members of Cluster 2 find these items to represent marketing better than the members of Cluster 1. These items cover central aspects of the marketing concept discussed above in the various definitions of marketing.

Other questionnaire items have been used to support the choice of names for the three clusters. The respondents in Clusters 2 and 3 are significantly more preoccupied with "stable supply of raw material", "efficient production", and "stable long-term customer relationships" than respondents in Cluster 1. Thus, the members of Clusters 2 and 3 seem to focus on being predictable, reliable and trustworthy regarding deliveries to customers, implying that they are builders of long-term relationships. The members of Cluster 1, on the other hand, seem to be more opportunistic and less relationship-oriented than the members of the two other clusters.

Based on the findings above, the three clusters can be denominated:

(1) sales-focused;

(2) marketing-focused; and

(3) marketing- and sales-focused.

The "sales-focused" respondents (Cluster 1) consist of 18 firms that on average are larger than firms in the two other clusters. The mean values for firm turnover and number of employees in this cluster is 459 million NOK and 247 million NOK, respectively. Of these firms, a majority (61 per cent) belong to the fishery sector. On average their export share is about 44 per cent. Cluster 2 consists of 49 firms that on average have a turnover of 152 million NOK and employ 75 man-years. Of these firms a large majority (71 per cent) belong to the fishery sector. On average, these firms have an export share of 57 per cent. Cluster 3 consists of 38 firms that on average have a turnover of 195 million NOK and employ 72 man-years. A small majority of these firms are furniture firms (55 per cent). On average, their export share is 39 per cent.

Business performance validation

Table AII in the Appendix presents descriptive statistics for the three validating measures of "Overall, business performance" included in the survey, i.e. "Sales growth" (average yearly sales growth during the last three years), "Surplus rate" (average yearly surplus rate during the last three years) and "ROCE" (average yearly ROCE during the last three years), all measured as percentages (per cent). "Sales growth" data were provided by 94 firms and was on average about 34.7 per cent during the last three years. A total of 83 firms provided their "Surplus rate". On average, the "Surplus rate" was about 7.3 per cent during the last three years. In total, 54 firms provided information about their "ROCE", which on average was about 14.0 per cent during the last three years. The variance of "Sales growth" was much larger than the variances for the other two measures.

As discussed above, the variable "Overall, business performance" is analysed as if being measured on an ordinal level. Thus, Spearman's ρ statistic was used for

validation purposes. Spearman's ρ statistic between "Overall, business performance" and "Sales growth" was significant at the 0.10 level ($\rho = 0.18$; $p < 0.082$). The relationship between "Overall, business performance" and "Surplus rate" was also significant ($\rho = 0.36$; $p < 0.001$), as was the relationship between "Overall, business performance" and "ROCE" ($\rho = 0.40$; $p < 0.003$). The greatest weight should be given to the relationship between "Overall, business performance" and "ROCE". Thus, the results can be perceived as validating the performance measure of the study.

Practitioners' perception of marketing and business performance

An inspection of the distributional characteristics of the dependent variable (overall business performance) reveals that this latent variable obviously is not normally distributed. (The Kolmogorov-Smirnov test statistic is 0.232 with a significance value of 0.0001.) The distributional descriptions show that higher categories are more probable, and also show elements of extreme values (no response on category 1, only 1.9 per cent on category 2, 23.8 per cent on category 6, and 2.9 per cent on category 7). This indicates that the proper link function should either be the complementary log-log function or the cauchit function. The model with the best fit is that using the cauchit function, which is presented in Table III. However, a model based on the complementary log-log function yields the same qualitative results (not presented).

The estimation result of the preferred model in Table III shows relatively good fit based on all the fit indices ($R^2_{CS} = 0.285$, $R^2_N = 0.303$, Count $R^2 = 0.56$). After controlling for industrial sector, export share, firm size (number of employees), and production efficiency score, membership in Cluster 3 seems to have a significant effect on the probability of obtaining higher level of firm performance compared to competitors. This implies that businesses that are "marketing- and sales-focused" have

	Estimated coefficient	Standard error	Wald statistic
Thresholds of the dependent variable			
(2)	−20.119	12.013	2.827*
(3)	−6.459	2.185	8.738***
(4)	−3.896	1.994	3.804*
(5)	−1.063	1.876	0.321
(6)	10.261	7.369	1.939
Predictors			
Cluster 3 (dummy = 1)	2.499	0.816	9.377***
Cluster 2 (dummy = 1)	0.229	0.509	0.203
Sector (dummy = 1)	−0.636	0.597	1.134
Production efficiency (2)	−3.438	2.279	2.276
Production efficiency (3)	−4.820	2.076	5.388**
Production efficiency (4)	−3.530	1.962	3.236*
Production efficiency (5)	−3.518	1.942	3.283*
Production efficiency (6)	−2.776	1.992	1.942
Number of employees	0.002	0.002	1.723
Export share	−0.005	0.007	0.399

Notes: Dependent variable: overall business performance link function: Cauchit ($n = 105$). Fit indices: Cox and Snell R-square (R^2_{CS}): 0.285; Nagelkerke's R-square (R^2_N): 0.303; count R^2[b]: 0.56. *$p < 0.10$; **$p < 0.05$; ***$p < 0.01$

Table III.
Ordinal regression results

a higher probability of performing better than firms belonging to the two other clusters –, i.e. firms with a more "narrow view" of the marketing concept ("sales-focused" or "marketing-focused"). The calculated LR-test value is 10.428 (χ^2 distributed with one degree of freedom), which is well above the critical value at the 1 per cent significance level (6.635), confirming the significance of this dummy variable. Neither of the two other cluster dummies were significant. The size of the cluster dummy is not as easy to interpret as it would be in an ordinary linear regression analysis. If the link function was of the Logit-form, taking the exponential of the coefficient estimate would give us the Odds ratio and thus enabling us to calculate the increase in the Odds of being in a higher performance category. For all the other link functions, there is no direct interpretation of the coefficient due to the complicated nature of the link.

For ordinal predictors entered as factors in the ordinal regression, a factor level with a larger coefficient indicates a larger probability of being in one of the "higher" cumulative outcome categories. The sign of the coefficient for each factor category is dependent upon that factor level's effect relative to the reference category. In the case of the variable "Production efficiency", this reference category is 7. As expected, production efficiency has a positive effect on the probability of being in one of the "higher" cumulative performance categories.

Sector affiliation, size (number of employees), and export share do not have any significant impact on the probability of being in one of the "higher" cumulative performance categories.

The effect of cluster dummy 1 is not directly estimated, but captured by the thresholds (constants). A regression model with cluster dummy 1 as a predictor variable and cluster dummy 2 as captured by the thresholds gives the same qualitative result as presented in Table III, indicating that only membership in Cluster 3 has a significant effect on the probability of performing better.

Discussion and conclusion

The purpose of this study is to analyse possible associations between practitioners' perception of marketing and business performance, and subsequently, possible implications for marketing education. Based on a survey that identifies practitioners' perceptions of marketing as well as business performances, the following research questions are addressed: can businesses be categorized into different groups according to their managers' perceptions of marketing? If so, are there any differences in performance between the business groups? Thus, can significant relationships be identified between business groups and business performance? If so, can the empirical findings indicate any interesting implications for marketing education? In this way, the study accommodates calls for papers regarding the relevance of marketing education to marketing practice in countries other than the UK (Dacko, 2006; Stringfellow *et al.*, 2006) as well as regarding the importance of delivering relevant learning (Küster and Vila, 2006).

The Norwegian furniture and fishing industries are characterized by strong competition and substantial international activity. Managers from 105 Norwegian companies responded to the questionnaire formulated for this study. A total of 63 firms from the fishing industry and 42 from the furniture industry represent about 50 per cent of total turnover for the fishery industry and about 40 per cent for the furniture industry. Even if the sample is rather small, it is large compared to the overall number

of Norwegian firms from the fishing and the furniture industries. The respondents were asked about their perceptions of marketing by quantifying their agreement with 15 statements, with the assumption that the higher the level of their agreement, the more representative the statement was for marketing from their perspective.

The 15 items were used as clustering variables resulting in three clusters termed:

(1) sales-focused;

(2) marketing-focused; and

(3) marketing- and sales-focused.

The "sales-focused" respondents (Cluster 1) consisted of 18 firms, the "marketing-focused" respondents (Cluster 2) consisted of 49 firms, and the respondents that were both "marketing- and sales-focused" (Cluster 3) consisted of 38 firms. Thus, the first research question can be answered affirmatively, implying that businesses can be categorized into different and distinct groups according to their managers' perceptions of marketing.

When analysing relationships between cluster membership and business performance, an ordinal regression model was used. The model uses cluster membership as an explanatory variable for variations in business performance, while at the same time controlling for industry sector, production efficiency, number of employees, and export share. The business performance of the respondents that are "marketing- and sales-focused" (Cluster 3) was significantly higher than the business performance of the two other groups ("sales-focused" and "marketing-focused"). Thus, the business performance of respondents belonging to Cluster 3 seems to be significantly better than the business performance of the respondents belonging to the two other groups. Consequently, also the two next research questions can be answered affirmatively. Relationships between cluster membership and business performance are identified, implying that there are differences in performance between business groups.

It should be underscored that the terms used to name Clusters 1 and 2 are not important. More importance should be attached to the significant differences between Cluster 3 and the two others. On average, the respondents belonging to Cluster 3 show higher scores on all 15 indicators compared to the mean scores for the two other clusters, implying that the members of Cluster 3 seem to have a more "holistic view" of marketing than do the members belonging to the two other clusters. Thus, it seems that businesses belonging to Cluster 3 are highly active in sales, but with the logic of the marketing concept as the driving force behind these sales activities (Houston, 1986; Webster, 1992). Besides, members of Cluster 3 seem to attach greater importance to customer profitability than the respondents belonging to the two other clusters. For four of the five items including profitability, the differences of the mean values between Cluster 3 and the two other clusters are significant (at least at the 0.05 level). For the fifth item the difference is only significant with respect to Cluster 1.

Regarding marketing education there is a "field of tension" between the "intrinsic" and "instrumental" approaches, as reflected by the ongoing debates with respect to the academic/practitioner divide among scholars, researchers, and practitioners (Ardley, 2006; Gibbs, 2007; Southgate, 2006; Stanton, 2006; Warren and O'Toole, 2005). As a research agenda, this issue has been formulated as follows:

> Should marketing courses be pragmatic and professional, geared towards practical knowledge of necessary tools and techniques; or should they be academic and intellectual, aimed at creating scholars who happen to be marketers? Should marketers be trained or educated? (Clarke *et al.*, 2006, p. 189).

"Practical skills" may be perceived as being more closely related to the "sales concept" than to the "marketing concept" (cf. the discussion in the literature review). For "theoretical knowledge" the conclusion may be the opposite one, implying that "theoretical knowledge" is more closely related to the "marketing concept" than to the "sales concept". If so, the formulated research question as to whether marketing education should focus on "theoretical knowledge" or "practical skills" cannot be answered as "either-or". Instead, both "theoretical knowledge" and "practical skills" seem to be important for business performance, implying that marketing education should be both "education for life" and "education for work" (Stringfellow *et al.*, 2006). Thus, business education should not be too academic, but should also prepare students for the practical life of the business world (Bruce and Schoenfeld, 2006; Southgate, 2006; Warren and O'Toole, 2005). When comparing the findings with the subjects included in marketing study programmes (Küster and Vila, 2006; Stringfellow *et al.*, 2006), perhaps topics like "sales management" and other modules giving vocational skills should have a greater focus in the marketing curricula.

Another interesting observation in the overviews of marketing modules is the lack of courses that focus on profitability aspects, such as customer account profitability and customer profitability analysis. Of course, such topics may be included in other modules. However, taking into consideration the importance that is attached to financial aspects in standard marketing textbooks, there is reason to believe that this is of limited extent. Our literature review showed an emphasis on profitability aspects, e.g. Ames (1970) and Felton (1959) and the various definitions of marketing. Additionally, this study's findings support the importance of profitability insights in contributing to long-term business performance. Therefore, marketing education should preferably also be expanded to include financial accountability and customer profitability analysis (Ambler, 2003; Best, 2009; Helgesen, 2007; Moorman and Rust, 1999).

Even with a comprehensive and systematic review of the literature, item selection of this study may have been influenced by the "Nordic School". Besides, it may be perceived as being a "mismatch" to compare the marketing curriculum in the UK and the USA with Norwegian practitioners' perception of marketing. Globalisation, however, implies convergence regarding marketing education (Engwall, 2007). Besides, business schools in the UK and the USA are looked upon as being in the forefront regarding management and marketing education. Thus, this study should only be looked upon as a contribution in the discussion with respect to delivering relevant learning in a context other than the UK (Dacko, 2006; Küster and Vila, 2006; Stringfellow *et al.*, 2006).

The findings of this study indicate that businesses may be clustered into three groups according to managers' perceptions of marketing and that the cluster to which a practitioner belongs makes a difference in business performance. The performance of the managers with a "holistic" view regarding marketing (Cluster 3) was significantly higher than the business performance of the two other groups that both had a more "narrow" view of marketing. The implication seems to be that modules and subjects included in a marketing syllabus should have both "intrinsic" and "instrumental" aims.

If so, the courses should probably be both professional and academic, focusing on both "theoretical knowledge" and "practical skills", thus implying that a degree in marketing needs to be planned as a coherent programme consisting of subjects resulting in graduates that are both trained and educated. Additionally, marketing education should preferably also include financial subjects such as customer profitability analysis.

Note

1. The former definition from 1985 was as follows: "Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange and satisfy individual and organizational objectives." This definition had been accepted the previous 50 years.

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(The Appendix Tables follow overleaf.)

Appendix

Items (variables)	Symbol	Mean	SD	Skewness	Kurtosis
Marketing implies that business management is based on customers needs, demands, and wishes	I_1	5.29	1.40	−0.70	−0.03
Marketing is closely related to corporate strategy, e.g. mission, vision, business ideas and business philosophy	I_2	4.99	1.39	−0.77	0.91
In practical life, there is no difference between marketing and sales	I_3	3.87	1.66	0.20	−0.85
Marketing is a business function parallel to, e.g. purchase and production	I_4	5.05	1.45	−0.97	0.53
Marketing is a collective term for all efforts to increase sales volume	I_5	5.56	1.32	−1.36	2.48
Marketing is closely related to profitability	I_6	4.82	1.43	−0.53	−0.14
Marketing, market orientation and customer orientation are synonymous concepts	I_7	4.44	1.71	−0.26	−0.90
Marketing is closely related to customer satisfaction, customer loyalty and customer profitability	I_8	4.70	1.37	−0.20	−0.46
What theorists call marketing, practitioners call sales	I_9	4.12	1.67	0.24	−0.71
Marketing implies reciprocity, i.e. both buyer and seller should be satisfied (buyer in terms of customer satisfaction and seller in terms of customer profitability)	I_{10}	5.26	1.35	−0.48	−0.58
Marketing implies that more importance is attached to profitability than to sales volume	I_{11}	3.90	1.57	0.04	−0.63
Marketing implies trust-building (in relationships) by keeping promises	I_{12}	5.22	1.45	−1.09	1.20
Marketing has a stronger ethical basis than sales	I_{13}	4.17	1.66	−0.21	−0.70
Regarding marketing the focus is on developing long-term customer relationships	I_{14}	5.34	1.45	−1.11	1.11
Marketing implies more focus on long-term profitability than short-term profits	I_{15}	5.23	1.52	−1.15	1.40

Table AI.
Descriptive statistics for the 15 items related to the marketing concept ($n = 105$)

Items (variables)	N	Mean	SD	Skewness	Kurtosis
Average yearly sales growth during the last three years (per cent) (sales growth)	94	34.69	94.47	8.47	77.68
Average yearly surplus rate during the last three years (per cent) (surplus rate)	83	7.34	12.15	5.87	42.15
Average yearly ROCE during the last three years (per cent) (ROCE)	54	14.03	16.66	3.43	14.75

Table AII.
Descriptive statistics for the three validating measures of performance

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