

# What Does Marketing Orientation Mean in Practice? *Some Empirical Evidence*

by<sup>1</sup>

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## 1. Introduction

The concept of marketing orientation has been the focus of several research efforts. However, most of these empirical studies that have addressed the issue, mainly attempted to investigate for a possible relationship between marketing orientation adoption and company performance.

More specifically, taking **either** a **behavioural** (Narver and Slater 1989, Kohli and Jaworski 1992, Diamantopoulos and Hart 1993, Greenlay 1995) **or** a **cultural** (Hooley et. al. 1989) posture regarding the meaning of marketing orientation, researchers in the field of marketing examined for a possible association between marketing orientation development and the company's financial performance. As a consequence, a significant body of literature was developed that pointed to the positive effect that is exercised on the company's financial position when fostering a marketing oriented approach in business.

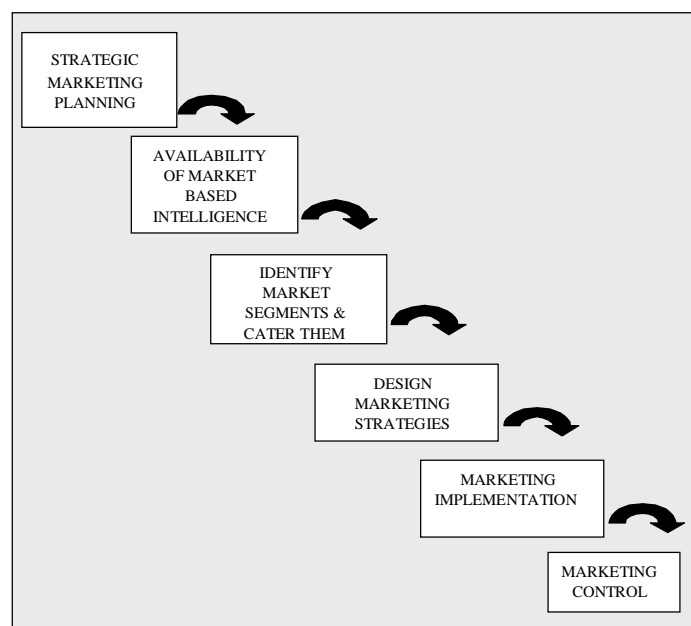
However, little attempt has been made to collect empirical evidence that demonstrate how marketing orientation differs from other business orientations in daily business practices. This

is probably due to the eagerness to provide a conceptualisation of marketing orientation and to substantiate with empirical evidence its association with company performance, In fact, with the notable exemption of the work of Hooley et. al. (1989), no empirical evidence exists that could provide a clarification of how marketing orientation is actually attained in practice. Having identified this gap in literature, this paper attempts to provide an insight on how marketing orientation is actually implemented in practice.

## 2. A Conceptual Framework of the Marketing Process

Most marketing textbooks (Kotler 1997, Dibb et. al. 1997, Tull and Kahle 1990) follow a more or less similar structure. After some introductory chapters on the importance of marketing, they continue with the importance of strategic marketing planning for shaping the company's future, they present the consequent need to understand the market the company operates, they carry on with the explication of the importance of market segmentation and explain how a company selects and targets specific market segments. Following that, they present the most fundamental decisions the company needs to take with regard to the overall marketing strategy and the marketing mix, then the aspects of implementation of these strategic decisions are offered and they conclude with the concept of controlling the marketing function.

**Figure 1: A Conceptual Framework of the Marketing Process**



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This similarity in structuring marketing textbooks is not by chance. On the contrary, it reflects a sequence of necessary steps a company has to make in order to actually develop marketing orientation in practice and create customer satisfaction. This sequence of steps, depicted in Figure 1, underlies the conceptual framework upon which this research and our hypotheses are based.

### 3. Research Hypotheses

#### 3.1 Strategic Marketing Planning

Management is basically concerned with problem solving, decision making and organising finite resources to achieve prespecified objectives. In other words, planning is about controlling the factors which affect the results of the company's decisions (Jackson 1975).

In general, strategic planning is based on two concepts: the company's market environment and the way the company organises its resources to secure an effective and efficient relationship with the markets in which it operates (Chisnall 1995). In this respect, a marketing oriented company strives to weld together its entire organisation in a single unified and coherent system so that the market's environment is appreciated and customer satisfaction is delivered by the company as a whole (Kotler 1997). Although it has been observed that this welding does not occur too often, it is never stressed enough that strategic marketing planning should be the starting point for all corporate plans (Leontiades 1983). On these grounds we expect that:

H1: *The Marketing Oriented companies, as opposed to the non-marketing oriented ones, will place more emphasis in strategic marketing planning*

#### 3.2 Availability of Market Based Intelligence

The requirement for strategic marketing planning leads directly to the need for an adamantly clear picture of the market environment in which the company operates. Thus, because information on the market, the competition, the customers' needs and so on is beyond any doubt the starting point of any strategic marketing plan, the company's ability to generate knowledge with regard to its market is the prerequisite of any marketing oriented practice (Piercy 1992). Development of a such knowledge calls for the utilisation of various sources of information, e.g. internal accounting, marketing intelligence, market research etc (Piercy 1992). However, because satisfaction of customers' needs and wants is the corner stone of

marketing orientation (Kohli and Jaworski 1990, Shapiro 1988), market research becomes the major source through which this information is developed (Blankenship and Breen 1992).

However, simply researching the customers' needs and wants and trying to understand how they change over time is not enough. Marketing orientation requires that the entire company is mobilised to satisfy these needs and wants. Hence, availability of the information on customers' needs and wants at a company – wide level becomes a mandate for marketing orientation development (Narver and Slater 1989). Hence, we suggest that:

H2: *Marketing oriented companies, in contrast with the non-marketing oriented ones, are heavier users of market research, and*

H3: *Marketing oriented companies, as opposed to non-marketing oriented ones, are more inclined to permeate such information throughout the organisation*

### 3.3 Identify Market Segments and Cater Them

Understanding the customers' needs and wants induce companies to realise that no two individuals are ever exactly the same. This heterogeneity in needs and wants drives companies to search for and identify groups of consumers with rather homogeneous needs and expectations which, when aggregated, they represent potential target markets that the company may attempt to service profitably (Dibb et. al. 1994).

Having the satisfaction of the customers' needs as the primary objective, and possessing the necessary information as to the nature of these needs and wants, the company is able to plan ahead as to which of these segments will eventually cater and how. In doing so, it develops a market segmentation strategy (Kotler 1997). In this respect, Baker et. al. (1986) have pointed to the need of developing a marketing strategy for delivering customer satisfaction through efforts that nurture pre-specified demands while Hooley, Lynch and Speherd (1990), have shown how marketing oriented companies attempt to create "competitive space" in order to create customer value and sustainable profitability. Besides, both empirically derived and normative work has substantiated the positive effect of implementing strategies of market segmentation in customer satisfaction and profitability (Peters and Waterman R 1982, Chaganti and Chaganti, 1983, Brooksbank 1990 and 1991) while Doyle and Wong (1998) have shown that professional marketing accentuates the use of a systematic approach to market segmentation. On these grounds we expect that:

H4: *Marketing Oriented companies, in contrast with the non-marketing oriented ones, make conscientious efforts to identify market segments and cater for their needs.*

### 3.4 Design Marketing Strategies

However, putting marketing orientation in practice requires specific strategic outcomes that are reflected upon the company's marketing mix. Baker et. al. (1986) assert that having acquired the necessary market information, several aspects of the company's strategic decisions can be influenced. These are, product portfolio, pricing and promotional decisions.

Starting with the product portfolio decisions, for marketing oriented companies continuous innovation and new product development is a key activity in managing their product portfolio. In fact, marketing oriented companies are more likely to emphasise continuous innovation and new product development (Witcher B, 1985). On the other hand, it has been established that marketing orientation has a positive impact on the performance of a new product in the market and its acceptability by the company's customers (Gima 1995).

In the same pattern are also the findings of Cooper and Kleinschmidt (1987) who have heavily researched the success factors of new product development. Their work has shown that many of the factors underlying the success of new product are associated with the company's ability to understand the needs of the market and cater for them ("goodness-of-fit" factor of success). On this reasoning we expect that:

H5: *In selecting new products for introduction into the market place, marketing oriented companies, in contrast with the non-marketing oriented ones, will place more emphasis on market/customer – related considerations.*

However, new product development, alone, no longer provide the basis for a competitive edge (Butz and Goodstein, 1996). Instead, what everyone seems to agree on is the need of creating a customer value delivery approach, provided of course that the company holds the required information that allows the understanding of its market (Narver and Slater 1989, Gale 1994). In delivering customer value, two blocks of issues must be addressed: The value the company creates through its products, services, image, and personnel and the cost the customer has to suffer for obtaining this value (Kotler 1997). A central variable associated with the cost the customer suffers is the company's pricing strategy for its products or services. Apparently, the latter has to be in congruence with the customers' perception of the value the company offers. Yet, most of the companies still adopt different aspects of a cost-plus approach in pricing their products or services (J. Winkler 1992). Such practices may be the

result of either the company's inability to understand customers' values, due to lack of pertinent information or the company's unwillingness to comply with the customers' values and preferences, because its culture prioritise other objectives than those related to matching customers' demands, or both. In any occasion, this signalises a lack of marketing orientation in developing the company's pricing strategy. Hence, we suggest that:

H6: *In setting their pricing strategies, Marketing Oriented companies, as opposed to non-marketing oriented ones, are more likely to price their products based on the value the market accredits them.*

Finally, another aspect of the company's marketing strategic decisions that, according to Baker et. al. (1986), is heavily influenced by the results of the market research activities is the company's promotional decisions. One particular aspect of the promotional decisions in which market research can play an important role is the one referring to the company's communication effectiveness and, in particular, to promotional budgeting (Blankenship and Breen 1992).

Several studies (Blasko and Patti 1984, Lynch and Hooley 1989, Keown, E. Synodinos and L. Jacobs, 1989) have shown an improvement of the quality of the budgeting methods used, with traditional methods (*e.g. as a percentage of sales*) being replaced by more market-adaptive ones (*e.g. depending on the company's objectives for a particular product in a specific market environment*). However, according to Piercy (1987) budgeting decisions are of political nature and the allocation of resources reflects the comparative importance and power of Marketing within a company. Hence, we expect that:

H7: *In designing their promotional budget, Marketing Oriented companies, as opposed to non-marketing oriented ones, will use more market-adaptive methods for resource allocation decisions.*

### 3.5 Marketing Implementation

Unless plans are executed properly, simply designing marketing strategies and plans does not ensure that customer satisfaction is delivered. Apparently, the Marketing/Sales Department should be actively involved during the development of the company's strategic plans. Yet, Piercy (1992) suggests that in order to ensure that the prioritisation of the company's strategic objectives reflect the significance owed to satisfying the customers' needs, the Marketing/Sales Department has to play a leading role during the formation of the company's strategy and in deciding the company's strategic objectives. Hence, it is only natural to as-

sume that the key role in developing market-oriented strategic plans and ensuring that these plans reflect the market conditions as well as the needs and wants of the customers must be played primarily by the Chief Marketing Executive (Lear 1963). On these grounds we expect that:

H8: *In Marketing Oriented companies, as opposed to non-marketing oriented ones, the Marketing/Sales Department plays a leading role in strategic planning.*

The execution of the strategic plan requires that several marketing tasks are carried out. Hooley et. al. (1989) have suggested that marketing oriented companies are inclined to allow the Marketing/Sales Department to maintain a larger number of marketing tasks – activities under its direct authority and control. Hence, we would expect that:

H9: *In Marketing Oriented companies, in contrast with the non-marketing oriented ones, a larger number of marketing tasks – activities will be under the control of the Marketing/Sales Department.*

In conceptualising the marketing orientation concept, Narver and Slater (1989) did so on a triangular basis: Customer focus, Competitor focus and Departmental Co-ordination. Within this framework, when the entire company embraces the marketing orientation concept, the various functional departments are expected to work closely and harmonically with the Marketing/Sales Department to create satisfaction (Witcher 1990). This echoes the call by Kotler (1997) for welding the entire company towards the objective of meeting customers' needs and wants. Hence, we expect that:

H10: *In Marketing Oriented companies, as opposed to non-marketing oriented ones, organisational structures will warrant a higher degree of co-ordination between the Marketing/Sales Department and the other functional departments.*

### 3.6 Marketing Control

Any introductory text-book in management would stress the importance of controlling the implementation of any given task. McDonald and Leppard (1993) as well as Kotler (1997) present various techniques of controlling the marketing function and practices. They both suggest that a Management Information System (MIS), which is capable of analysing marketing information and provide the company with the necessary feedback for marketing controlling purposes, is required. Most companies would not hesitate to assert the ability of their MIS to provide them with information that allows them to control their activities.

According to Turner (1991), except from the information that relates to financial indices and financial performance, the company also needs to generate customer-related and competition-related intelligence. Such information allows the company to gain a more holistic and dynamic depiction of its present condition, monitor deviations from its strategic marketing objectives and develop corrective actions. This kind of information can be generated from the company's own records (Traynor and S. Traynor 1989, Taylor 1992, Kotler 1997), provided that the company has ensured that its MIS monitors such intelligence. On these grounds we expect that:

*H11: Marketing Oriented companies, as opposed to non-marketing oriented ones, will build their MIS giving more emphasis on its ability to generate customer- and market-based intelligence.*

Certainly, intelligence generation alone does not complete the control function. The notion of control encompasses the implementation of corrective actions, when necessary, in order to eliminate deviations from the primary strategic objectives and maintain convergence to the company's goals. Within this framework, Narver and Slater (1990) have long postulated responsiveness to intelligence as a central notion of the marketing orientation concept. Hence, we expect that:

*H12: Marketing Oriented companies, as opposed to non-marketing oriented ones, will show greater responsiveness to the intelligence generated by their MIS.*

## 4. Research Methodology

### 4.1 Sample and Data Collection Method

The hypotheses put forward in this paper were assessed against data from 444 Greek companies as part of a much wider examination of marketing attitudes and practices in Greece. For that purpose, a cross sectional sample was chosen with the intention to increase the generalisability of the findings. At the same time, it was necessary that certain marketing skills should be present among the companies in the sample. Thus, we ensured that larger companies would be adequately represented in the sample since, it was felt that, the larger the company the higher the probability to possess these skills. Consequently, the sample was defined to comprise the following companies:

- all manufacturing companies with more than 40 employees (n=1,843)



- a random sample of 600 manufacturing companies with fewer than 40 employees (n=3,362)
- all service companies with more than 20 employees (n=1,157),

as described in the mailing lists of ICAP<sup>2</sup>. This procedure produced a sample of 3,500 companies. However, changes in addresses and/or the close-down of some of these companies, eventually reduced the original sample down to 3,200 companies. Clearly, including in the sample such a large number from such diversified industries increases the levels of heterogeneity in the sample. Although increased heterogeneity has been argued to induce negative effects on the quality of the findings (Dubinsky and Ingram 1982, Bilkey 1978) cross-sectional samples with increased levels of heterogeneity are frequently used in research efforts in order to increase the researchers' ability to generalise, Hooley, Lynch and Shepherd 1989, Kohli and Jaworski 1992).

In order to collect the data, a detailed and lengthy questionnaire was designed. In doing so, particular emphasis was given in avoiding leading questions as well as complex or sensitive ones (*especially in the beginning of the questionnaire*) that could influence the respondent negatively (Golden 1992). Prior to mailing it, the questionnaire was extensively pre-tested in order to increase the content validity of the research instrument. For that purpose, 12 personal interviews were conducted with Marketing Managers who had agreed to provide assistance and comments on the development of the questionnaire.

The initial mailing and follow-up efforts generated 452 responses. However, 9 of those responses were excluded from the analysis due to excessive missing data, thus reducing the effective sample to 444 cases, giving a response rate of approximately 14%. A higher response rate was probably impossible because of the length of the questionnaire (*12 pages*) and the confidential nature of the information requested in some questions. Besides, in research designs in which cross-section samples are used (Cavusgil 1984, Tull and Hawkins 1987, Churchill 1991, Kohli and Jaworski 1992) response rates ranging from 12% to 20% are generally considered acceptable.

Respondents within companies were selected to have a deep knowledge of the company's overall marketing culture and practices. At the same time, they had to be senior enough to provide information on the company's strategies. Consequently, the Marketing Manager (*or*

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<sup>2</sup> The Gallup's subsidiary in Greece.

the Sales Manager where a Marketing Manager did not exist) was the appropriate person to contact.

The choice to use the single respondent approach was compelled by both the size of the sample and the respondent's familiarity with the research topic and the information sought. The large size of the sample rendered the mailing of additional questionnaires to more respondents per company prohibitive in financial terms. Besides, similar studies in the broader field of marketing have also employed the key respondent approach without any flaws to the reliability of the data (Narver and Slater 1989, Donaldson 1995).

## 4.2 Variables Measurement

### 4.2.1 Measurement of Marketing Orientation

In order to measure the respondents' level of marketing orientation adoption, they were presented with the 15 statements that Hooley et. al. (1989) have found to adequately describe different attitudinal approaches to marketing. Then, using a Likert scale (1=«I Fully Disagree» to 5=«I Fully Agree») they were asked to indicate the degree of agreement or disagreement with each statement. As it has been reported elsewhere (Avlonitis and Gounaris 1997), the analysis of the 15 statements, using factor and cluster analysis resulted in five clusters presented in Table 1.

According to the data presented in Table 1, the Marketing Oriented companies appear to believe that marketing is primarily a company culture with a priority in satisfying customers' needs while encompassing certain activities, such as collecting market information and intelligence on competitors, so that the company can adapt to the market and offer customer satisfaction. For these companies, creating relations with customers helps in better understanding their needs while, proper product positioning and product image improves their ability to satisfy more than the core need (e.g. psychological needs, social needs etc.).

**Table 1: Company Profiles Based on Company's Attitudes Towards Marketing**

Variables (% of Companies, n=444)	Marketing Oriented (24,2%)	Product Oriented (20,2%)	Sales Oriented (14,5%)	Production Oriented (11,5%)	Agnostics (29,6%)	F	Sign.
Marketing is ...							
• SUPPORTING SALES	(3,084)	4,025	[4,526]	3,888	[4,353]	28,790	0,000
• PROMOTING PRODUCTS	(2,894)	3,367	3,929	3,733	[4,086]	22,168	0,000
• SATISFYING CUSTOMERS' NEEDS	[4,705]	4,291	(3,421)	4,405	4,396	41,388	0,000
• BETTER LEFT IN SALES & MARKETING DPTs	(2,852)	(3,088)	[3,842]	3,288	3,594	10,482	0,000
• MARKET ANALYSIS	[4,357]	[4,468]	(3,350)	3,977	4,267	23,206	0,000
• NOT EXISTENT	(1,315)	2,329	2,245	(1,666)	[3,034]	46,214	0,000

• A COMPANY CULTURE	<b>[4,094]</b>	(2,835)	(2,175)	3,650	3,267	<b>38,491</b>	<b>0,000</b>
• BUILD PRODUCT POSITIONING & IMAGE	<b>[4,126]</b>	(3,075)	3,631	3,800	3,775	<b>14,909</b>	<b>0,000</b>
• DESIGN & PRODUCTION MANAGEMENT	2,789	<b>[3,758]</b>	2,245	<b>[3,706]</b>	(1,873)	<b>51,512</b>	<b>0,000</b>
• DECISIONS ON PRODUCTION QUALITY & QUANTITY	3,452	<b>[3,974]</b>	(2,473)	<b>[3,841]</b>	(2,519)	<b>34,033</b>	<b>0,000</b>
• MAINTAIN CUSTOMERS CONTACTS	3,200	2,265	<b>[4,105]</b>	(1,911)	3,732	<b>61,436</b>	<b>0,000</b>
• INTELLIGENCE ON COMPETITION	<b>[4,210]</b>	3,949	(3,140)	(2,666)	3,965	<b>34,692</b>	<b>0,000</b>
• ADAPT TO THE MARKET	<b>[4,378]</b>	4,139	(3,333)	(3,111)	4,163	<b>29,687</b>	<b>0,000</b>
• CREATE CUSTOMER RELATIONS	<b>[4,126]</b>	(2,949)	<b>[4,263]</b>	(2,688)	3,956	<b>48,237</b>	<b>0,000</b>
• A CONFUSING CONCEPT	(1,663)	2,493	2,877	(1,666)	<b>[3,163]</b>	<b>34,875</b>	<b>0,000</b>

Figures represent the average of each variable in each cluster. Maximum values are in brackets while minimum in parentheses (based on Duncan's multiple range test,  $p < 0,10$ ). Significance level is based on one-way analysis of variance

The second cluster consists of Product Oriented companies. These companies emphasise on collecting market information for the purpose of managing the production and taking decisions regarding the quality and the quantity of the production. Nonetheless, no particular emphasis is placed on associating these efforts with the objective of offering satisfaction to specific customer's needs. Hence, they seem to fit the definition of "*product orientation*" offered by Kotler (1997), i.e. gaining a competitive advantage through attempts to increase the attraction of the product (e.g. additional features, use of modern technology), while neglecting to specify customer's needs and a manner to serve these specific needs better than competition.

Sales Oriented companies perceive marketing as a sales-support function which is better left to the Marketing/Sales department(s). They also neglect any analysis of the market and reject marketing as a company culture. Sales Oriented companies try to create relationships with their customers and maintain regular contacts not as means of increasing their understanding of their customers' needs but rather as a way to increase the effectiveness of their sales effort.

The fourth cluster consists of the Production Oriented companies. These companies hold the attitude that their marketing effort should focus on decisions regarding the management of their production process and the quality and the quantities of the production output. They see no benefits in engaging with activities such as market analysis, collecting intelligence from competitors and adapting to market conditions. Finally, the fifth cluster, Agnostics, describes those companies which have a general picture of marketing as something that has to do with the sales function. In general, marketing remains a confusing concept to them that they do not apply to their business activities.

#### 4.2.2 Strategic Marketing Planning

In order to investigate the emphasis placed on Strategic Marketing Planning (SMP) activities, respondents were asked to indicate, using a 4-point scale (ranging from 1 = «Little or None» to 4 = «Heavily Involved in SMP»), to what extent does their company get involved in designing such plans (*mean* = 2,41, *stand. Deviation* = 1,16).

#### 4.2.3 Availability of Market Based Intelligence Generation and Dissemination

To assess the extent to which the companies in the study generated intelligence from market research studies we asked the respondents to indicate, using a 3-point scale (ranging from 1= “Not at All”, to 3 = “Systematically”) how often they design and implement such market studies (*mean* = 1,84, *stand. Deviation* = 0,79).

As far as the degree of information dissemination is concerned, we employed the measurement developed by Kohli and Jaworski (1992) and asked the respondents to use a 5-point scale, ranging from 1 («*It Does Not Represent Our Company At All*») to 5 («*It Fully Represents Us*»), to describe the extent to which the intelligence they generate is diffused at a company-wide level (see Appendix for measurement items and descriptive statistics).

#### 4.2.4 Identify Market Segments and Cater Them

In order to examine whether the companies in the sample design and implement segmentation strategies, we asked them to indicate, using a 3-point scale (1 = “Not at All”, 2 = “Partly”, 3 = “To a Large Extent”), if their marketing mix is predominately designed to cater for the needs of specific customer segments (*mean* = 1,96, *Stand. Deviation* = 0,82).

#### 4.2.5 Marketing Strategy Design

With regard to Product Portfolio Decisions, we focused on the criteria against which new products are selected for introduction in the market. More specifically, we presented the respondents with a list of 15 criteria suggested in the literature and asked them to indicate, using a 4 point scale ranging from 1 (“Little-No Important”) to 4 (“Very Important”), the importance of each criterion in evaluating a new product and deciding whether to launch it or not. Their answers were factor analysed and this analysis produced 4 distinct blocks of evaluation criteria (see Table 2): Market Considerations, Competitiveness Considerations, Financial Considerations and Economic Performance Consideration. Factor scores were calculated and used in the subsequent analysis.

As far as the pricing decisions are concerned we focused on the methods the companies use to decide on pricing issues and asked the respondents to indicate whether their pricing strategy is predominately designed (a) “*On a Cost Plus Basis*”, (b) “*On What the Competitors Charge Basis*”, and (c) “*On What the Market Can Bear Basis*”.

**Table 2: New Product Development Criteria – Factor Analysis**

Factors	Variables		Loadings
F1: N.P.D. Market Considerations (25,2% of variation)	NEEDS OF TARGET MARKET	(3,255)	0,744
	GROWTH OF TARGET MARKET	(3,172)	0,738
	COMPANY STRATEGIC OBJECTIVES	(3,182)	0,645
	TARGET MARKET ECONOMIC ABILITY TO BUY	(3,244)	0,631
	PRODUCT CANIBALISATION	(2,852)	0,603
	TRENDS IN FOREIGN MARKETS	(2,765)	0,433
F2: N.P.D. Competitive Considerations (12,3% of variation)	PRODUCT IMMUTABILITY	(2,489)	0,891
	COMPETITIVE REACTIONS	(2,603)	0,809
	INNOVATIVE CHARACTERISTICS	(3,116)	0,542
F3: N.P.D. Financial Considerations (8,4% of variation)	ABILITY TO SELF-FINANCE	(3,000)	0,812
	EXTERNAL FINANCING	(2,744)	0,776
	LEVEL OF TOTAL INVESTMENT	(3,260)	0,643
	ABILITY TO PRODUCE WITH CURRENT CAPACITY	(3,229)	0,396
F4: N.P.D. Economic Performance Considerations (7,6% of variation)	LEVEL OF TOTAL INVESTMENT	(3,260)	0,415
	LEVEL OF EXPECTED RETURN	(3,554)	0,748
	LEVEL OF EXPECTED SALES	(3,605)	0,690
Kaiser-Meyer-Olkin Measure of Sampling Adequacy = 0,757, Bartlett Test of Sphericity = 1221,606, sign = 0,000. Numbers in parenthesis indicate the items' mean value in the sample			

Finally, with regard to promotional decisions, the focus was on the methods that the companies of the sample use to decide their promotional budget: More specifically, we asked the respondents to indicate whether their promotional budget is predominately (a) “*Based on previous experience*”, (b) “*Reflecting their Economic Ability*”, (c) “*Set as a Percentage of Sales*”, (d) “*Designed to maintain Parity to Competitors' Spending*” and (e) “*Dependent on the Products' Objectives*”.

#### 4.2.6 Marketing Implementation

The evaluation of the Marketing/Sales Department contribution to the company's strategic planning was achieved by asking respondents to indicate the role that the Department of Marketing/Sales, vs. the other Departments of the company, plays in their strategic planning process by using a 4-point scale (1 = “Little or none”, 2 = “Provides Feedback”, 3 = “Equally to the Other Departments” and 4 = “Leading”) (*mean* = 2,78, *Stand. Deviation* = 0,79).

The number of marketing tasks – activities for which the Marketing/Sales Department actually holds responsibility was measured by building an extensive list of 16 marketing tasks and asking the respondents to indicate which functional department (*Production, R&D, Mar-*

keting/Sales, Finance, Personnel, Purchasing, Administration, Data Processing & Software Development) holds the main responsibility. Then, for each company, we calculated the sum of activities (ranging from 0 to 16) for which the Marketing/Sales Department holds the responsibility (*mean = 3,51, Stand. Deviation = 3,83*).

As far as the degree of co-ordination between the Marketing/Sales Department and the company's other departments is concerned, we asked the respondents to indicate, using a 5-point scale ranging from 1 ("Low") to 5 ("High"), how well the Department of Marketing/Sales co-operates with the other functional departments of the company. Then, for each company we calculated the average degree of co-ordination as the result of the sum of the degree of co-ordination between Marketing/Sales and each individual department divided by the number of functional departments the company maintained (*mean = 3,65, Stand. Deviation = 0,70*).

#### 4.2.7 Marketing Control

As we have already mentioned, with regard to marketing control the focus is on the dimensions that the company's MIS covers and the extent to which the company exhibits responsiveness to the information generated by the MIS and takes corrective actions.

With regard to the dimensions covered by the MIS, we presented the respondents with a list of 24 topics that a Management Information System may cover and asked them to indicate, using a 4-point scale (*ranging from 1 = "Minimum Informed" to 4 = "Very Well Informed"*), how well informed they are about these topics. Their answers were factor analysed and this analysis produced 5 distinct areas – topics of information: Customer Related information, Competition Related information, Market Environment Related information, Sales Force and Promotion Related information and Product Related information (see Table 3). Again, factor scores were calculated and used in subsequent analysis.

**Table 3: Topics Covered by the Company's Management Information System – Factor Analysis**

Factors	Variables		Loadings
F1: Customer Related Information (45,6% of variation)	CUSTOMERS OPINION ON COMPANY PRODUCTS	(2,961)	0,755
	CUSTOMERS BUYING CRITERIA	(2,907)	0,738
	CUSTOMERS NEEDS	(2,899)	0,717
	CUSTOMERS BUYING HABITS	(2,952)	0,692
	CUSTOMERS SOURCES OF INFORMATION	(2,519)	0,668
	PREFERENCE vs. COMPETITION	(3,095)	0,662
F2: Market Environment Related Information (7,8% of variation)	MARKET TRENDS	(3,288)	0,720
	ECONOMIC INFLUENCES	(2,935)	0,680
	TECHNOLOGICAL DEVELOPMENTS	(3,207)	0,673
	KEY FACTORS FOR SUCCESS	(3,047)	0,620
	SEGMENTS POTENTIALITY	(2,516)	0,519
	SALES BY PRODUCT	(2,891)	0,475
F3: Competition Related Information (5,6% of variation)	COMPETITORS CREDIT POLICIES	(3,055)	0,829
	COMPETITORS PRICING OBJECTIVES	(2,619)	0,791
	COMPETITORS' PRODUCTS PRICES	(3,444)	0,578
	COMPETITORS CHANNELS	(2,789)	0,554
	COMPETITORS MARKETING POLICIES	(2,510)	0,526
F4: Sales Force and Promotion Related Information (4,7% of variation)	PRODUCTIVITY BY SALESMAN	(2,807)	0,841
	EXPENDITURES BY SALESMAN	(3,002)	0,825
	SALEMEN RELATIONS WITH CUSTOMERS	(2,920)	0,699
	DISTRIBUTORS NEEDS	(2,869)	0,429
	ADVERTISING EFFECTIVENESS	(2,375)	0,424
F5: Product Related Information (3,4% of variation)	PRODUCT QUALITY vs. COMPETITORS	(3,252)	0,804
	PRODUCT ADVANTAGES vs. COMPETITORS	(3,345)	0,715
	COMPETITORS' PRODUCTS PRICES	(3,444)	0,468
Kaiser-Meyer-Olkin Measure of Sampling Adequacy = 0,931, Bartlett Test of Sphericity = 5340,280, sign = 0,000. Numbers in parenthesis indicate the items' mean value in the sample			

As far as the responsiveness they show to the information generated by the MIS, we used the measurement developed by Kohli and Jaworski (1989) and asked the respondents to use a 5-point scale, ranging from 1 («*It Does Not Represent Our Company At All*») to 5 («*It Fully Represents Us*»), to describe the extent to which their company responds to intelligence (see Appendix for measurement items and descriptive statistics).

## 5. Data Analysis

One Way Analysis of Variance and Chi Square Test were used, where appropriate, in order to test the hypotheses put forward in this paper. In other words, these methods were used in order to investigate whether or not statistically significant differences existed among the various company orientations *vis-à-vis* the marketing practices examined in this paper.

## 5.1 Strategic Marketing Planning

From Table 4 it is clear that *Marketing Oriented* companies place a greater emphasis and make more systematic use of strategic marketing plans. On the contrary, *Sales Oriented*, *Agnostics* and *Product Oriented* companies are the ones which are the least concerned with developing such plans. Hence, we accept H1.

**Table 4: Emphasis on Strategic Marketing Planning – ANOVA**

	Marketing Oriented	Product Oriented	Sales Oriented	Production Oriented	Agnostics	F	Sig.
Emphasis on Strategic Marketing Planning	[3,141]	(2,215)	(1,952)	2,906	(2,079)	19,094	0,000

Figures represent the mean of each variable in each cluster. Maximum values are in brackets while minimum in parentheses (based on Duncan's multiple range test,  $p < 0.10$ ). Significance level is based on one-way analysis of variance

## 5.2 Availability of Market Based Intelligence

Table 5 summarises the results of the analysis we performed concerning the availability of market based intelligence, i.e. the use of market research and the degree of market information dissemination at a company – wide level.

The results presented in Table 5 clearly show the heavier use of market research by the *Marketing Oriented* companies.

**Table 5: Use of Market Research and Intelligence Dissemination - ANOVA**

	Marketing Oriented	Product Oriented	Sales Oriented	Production Oriented	Agnostics	F	Sig.
Use of Market Research	[2,371]	1,835	(1,476)	1,981	1,772	9,421	0,000
Intelligence Dissemination	[4,125]	3,890	(3,014)	3,544	3,341	14,726	0,000

Figures represent the mean of each variable in each cluster. Maximum values are in brackets while minimum in parentheses (based on Duncan's multiple range test,  $p < 0.10$ ). Significance level is based on one-way analysis of variance

From Table 5 it can also be seen that Marketing Oriented companies are more inclined in disseminating this information at a company-wide level. These findings support the notion that marketing oriented companies are more inclined in collecting market-based information and in disseminating this information at a company-wide level so that the entire company becomes aware of the market conditions and gains strategic insights concerning the behaviour required to adapt to the market. On these grounds, H2 and H3 are accepted.

## 5.3 Identify Market Segments and Cater Them

The analysis concerning the identification of market segments and the use of market segmentation strategies in catering for their needs is presented in Table 6.

**Table 6: Use of Market Segmentation Strategies – ANOVA**

	Marketing Oriented	Product Oriented	Production Oriented	Sales Oriented	Agnostics	F	Sig.
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Use of Market Segmentation	<b>[2,313]</b>	2,118	2,108	(1,533)	1,827	10,093	0,000
Figures represent the mean of each variable in each cluster. Maximum values are in brackets while minimum in parentheses (based on Duncan's multiple range test, p<0,10). Significance level is based on one-way analysis of variance							

It is clear that the *Marketing Oriented* companies place more emphasis in segmenting their markets and tailoring an appropriate marketing mix for each target-segment. On the contrary, market segmentation is least used by the *Sales Oriented* companies. On these grounds we accept H4.

## 5.4 Marketing Strategy Design

### 5.4.1 Product Portfolio Decisions

The analysis regarding the criteria used in deciding whether or not to introduce a new product into the market place is presented in Table 7. It is clear that *Marketing Oriented* companies are, more than any other type of company, focusing on Market Considerations, along with Economic Performance Considerations when deciding to introduce a new product.

**Table 7: Criteria Employed in Deciding the Commercialisation of a New Product – ANOVA**

New Product Development Criteria	Marketing Oriented	Product Oriented	Production Oriented	Sales Oriented	Agnostics	F	Sig.
Market Considerations	<b>[0,454]</b>	-0,037	0,168	-(0,597)	-0,011	9,872	0,000
Competitiveness Considerations	0,168	-0,031	0,089	-0,124	-0,073	0,939	0,441
Financial Considerations	-(0,211)	-0,002	-0,011	0,129	0,086	1,205	0,308
Economic Performance Considerations	<b>[0,155]</b>	0,011	0,080	-(0,203)	-(0,053)	3,777	0,005
Figures represent the mean (factor score) of each variable in each cluster. Maximum values are in brackets while minimum in parentheses (based on Duncan's multiple range test, p<0,10). Significance level is based on one-way analysis of variance							

On the contrary, *Sales Oriented* companies are the ones who are the least concerned with such criteria. Interestingly enough, the Competitive Considerations is of equal importance to all type of companies while Financial Considerations which are referring to the financial support required by the product are important for all but the *Marketing Oriented* companies, probably due to their financial strength which results from their market performance.

To summarise, the findings presented in Table 7 show that *Marketing Oriented* companies are the only ones that place increased emphasis on market considerations when evaluating new products and on this basis we accept H5.

### 5.4.2 Pricing and Advertising Decisions

The findings presented in Table 8 show the results of the analysis we performed in order to investigate whether any significant differences existed in the methods employed by companies with different orientation when deciding setting their prices and their promotional budget.

**Table 8: Methods Employed for Price Setting and Promotion Budgeting Decisions – Chi Square Test**

	Marketing Oriented	Product Oriented	Production Oriented	Sales Oriented	Agnostics	Total Sample	X <sup>2</sup>	Sig.
<b>PRICING METHOD</b>							35,9	0,000
Cost Plus	38%	57%	68%	54%	68%	58%		
Follow competition	16%	22%	9%	37%	12%	19%		
What market bears	45%	21%	22%	10%	20%	24%		
<b>PROMOTION BUDGETING METHOD</b>							73,17	0,000
Previous Experience	12%	21%	25%	44%	27%	23%		
Economic ability	22%	30%	11%	25%	36%	27%		
Percentage of sales	26%	25%	40%	10%	19%	23%		
Parity to competition	0%	1%	0%	6%	1%	2%		
Product objectives	41%	23%	24%	14%	17%	26%		

As it can be seen from Table 8, the “cost plus” approach in setting prices is mainly used by *Agnostic* and *Production Oriented* companies. A pricing approach based on the prices set by the competitors is primarily used by *Sales* and *Product Oriented* companies and it is the *Market Oriented* companies which set the prices predominately on the basis of the market and the value that the product has for the customers. On these grounds, we accept H6.

Similarly, in deciding about the promotional budget, past experience is basically used by *Agnostic* companies, *Production Oriented* and *Sales Oriented* ones. The company’s economic ability is mainly employed by the *Agnostics*, and the *Product Oriented* companies, while, setting the promotion expenditure as a percentage to sales is an approach mainly employed by *Production Oriented* companies. *Sales Oriented* companies are found to favour the “parity-to-competition” approach more than any other type of companies. It is mainly the *Marketing Oriented* companies that formulate on their promotional budget according to the product’s objectives and the required promotional support for achieving these objectives. Hence, we also accept H7.

## 5.5 Marketing Implementation

When it comes to the marketing implementation, Table 9 shows the results concerning the Marketing/Sales Dept’s participation in strategic planning, the extent of responsibility that the Marketing/Sales Department retains for implementing various marketing activities and the degree of co-ordination of the Marketing/Sales Department with the other functional Departments of the company.

**Table 9: Marketing Implementation – ANOVA**

	Agnostics	Production Oriented	Sales Oriented	Product Oriented	Marketing Oriented	F	Sig.
Marketing/Sales Department Participation In Strategic Planning	(2,576)	2,784	(2,457)	2,576	[3,077]	6,175	0,000

Activities Monitored By the Marketing/Sales Department	(2,506)	(2,436)	(2,186)	4,622	<b>[6,439]</b>	15,270	0,000
Co-ordination Between Departments	3,575	<b>[3,830]</b>	3,579	(3,385)	<b>[3,890]</b>	2,668	0,035
<small>Figures represent the mean of each variable in each cluster. Maximum values are in brackets while minimum in parentheses (based on Duncan's multiple range test, p&lt;0,10). Significance level is based on one-way analysis of variance</small>							

From the results presented in Table 9 is clear that the *Marketing Oriented* companies are the ones that actually allow the Department of Marketing/Sales to lead the process of strategic planning. In the same direction are also the findings pertaining to the number of marketing activities for which the Marketing/Sales Department holds the main responsibility of execution: In the *Marketing Oriented* companies, a larger number of marketing activities is indeed under the direct control of the Marketing/Sales Department. On these grounds H8 and H9 are accepted.

Nonetheless, hypothesis H10 seems to be only partially supported by the data. As it can be seen from Table 9, the *Marketing Oriented* companies have indeed succeeded in co-ordinating the company's functional Departments with that of Marketing/Sales. However, the *Production Oriented* companies are found to have an equally high degree of co-ordination. Because the Marketing/Sales Department of the *Production Oriented* companies is literally deprived from authority over a significant number of marketing tasks, it appears that it is a Department of little power within the company's hierarchy and, hence, it is forced to work in co-ordination with the Department that actually leads the company's strategic direction, possibly the Production Department.

This is not a major surprise. Indeed, Narver and Slater (1989) have shown that co-ordination is not a prerequisite of marketing orientation. This research has come to the same conclusion since the extent of co-ordination between the Marketing/Sales Department with the other functional departments is a characteristic of the *Marketing Oriented* companies but other company orientations achieve similarly high levels of co-ordination, although within a different context

## 5.6 Marketing Control

Finally, Table 10 summarises the analysis we carried out in order to investigate the emphasis placed by the company's MIS regarding different topics of information as well as the company's responsiveness to this information.

**Table 10: Information Generated by the MIS and Company Responsiveness – ANOVA**

	Production Oriented	Sales Oriented	Product Oriented	Marketing Oriented	F	Sig.
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Information Generated by the MIS							
• Customer Related Information	-(0,083)	-0,014	-0,441	0,067	<b>[0,352]</b>	5,138	0,001
• Competition Related Information	-(0,336)	0,175	-0,083	-0,008	0,261	4,875	0,001
• Market Environment Related Information	-(0,335)	-(0,113)	-(0,370)	0,252	<b>[0,549]</b>	10,789	0,000
• Sales Force and Promotion Related Information	-(0,249)	0,380	0,274	-0,178	0,168	5,315	0,000
• Product Related Information	-(0,019)	0,099	-(0,326)	<b>[0,177]</b>	<b>[0,141]</b>	2,039	0,089
Response to Intelligence	3,094	3,290	2,758	3,705	<b>[4,195]</b>	16,902	0,000

Figures represent the mean (factor score) of each variable in each cluster. Maximum values are in brackets while minimum in parentheses (based on Duncan's multiple range test, p<0,10). Significance level is based on one-way analysis of variance

From Table 10 it is clear that the *Marketing Oriented* companies are the ones which have designed their MIS to provide intelligence on customer and market issues. This is apparently not the case with companies of different orientation. On this basis we accept H11.

Similarly, *Marketing Oriented* companies are also the ones that are characterised by the greatest responsiveness to the intelligence they collect and, on this basis, we also accept H12.

## 6. Discussion, Limitations and Future Research

The data presented in this paper help to explain the findings presented in the literature (Narver and Slater 1989, Hooley, Lynch and Shepherd 1989, Kohli and Jaworski 1992, Diamantopoulos and Hart 1993, Greenlay 1995, Avlonitis and Gounaris 1997) which demonstrate a positive association between marketing orientation adoption and company performance.

As the analysis has shown, Marketing Orientation in practice can be perceived as a sequence of necessary actions that must guide the behaviour of a marketing oriented company.

The first action in this sequence appears to be the design of a strategic marketing plan which aims to ensure that the entire company adopts a single, coherent, direction which leads to the achievement of the company's corporate strategic objectives through the satisfaction of its customers' needs and adaptation to the market conditions.

For this purpose, ensuring the availability of market based intelligence is critical. As the analysis has shown, this market based intelligence is secured by systematically collecting information concerning the customers' needs and wants, the competition and all relevant data that a market research study can produce. These studies assist the company in understanding – evaluating the market conditions and its position in the market. Once such information is collected the next task is to ensure that the entire company is aware of this information.

Based on this information, truly *Marketing Oriented* companies design strategies for segmenting the market which, consequently, result in a targeted market or markets for which a specific marketing mix, is eventually developed. This marketing mix comprises of products that meet the needs and the wants of the market, of pricing approaches that are based on the value the market accredits to the company's products and promotional support which is provided according to the products' objectives and requirements.

The implementation of the company's marketing mix, is facilitated by having the Marketing/Sales Department leading the process of corporate strategic planning and ensuring that the Marketing/Sales Department maintains the major authority over marketing tasks – activities that are derived from the marketing strategies the company has built.

Finally, marketing orientation comprises a significant effort for sustaining the company's degree of adaptation to the market. The success of this controlling task requires a Management Information System that generates adequate information regarding the company's customers and the markets in which the company participates.

However this information is not merely produced and then ignored. Marketing Orientation also calls for prompt action and initiation of efforts to correct deviations from marketing objectives. In fact, the success of the marketing controlling function is manifested on the company's responsiveness to this information and the extent to which corrective action is timely taken.

The findings of this research have significant implications for both academics and practitioners. The contribution for academia rests on the fact that it is the first effort to produce a more comprehensive understanding of why marketing orientation leads to improved company performance.

In fact, our work depicts very specific daily practices that allow a more complete and integrated articulation of marketing orientation in practice. At the same time it becomes crystal-clear why marketing orientation has been found to be associated with superior company performance: Having the necessary attitude, the company place emphasis on certain practices which, axiomatically, ensure adaptation to the market conditions. For this adaptation the company is rewarded with superior performance.

Our findings have also value for practitioners because they provide them with a blue-print of specific actions they need to take in order to develop a marketing oriented behaviour. In

fact, the findings of this research may be seen as a check list of activities that a company has to develop in order to convey its marketing orientation in practice. Our findings are especially helpful for managers whose company has not yet developed a marketing orientation and wish to increase their company's adaptation to the market by developing a more marketing oriented approach.

Unavoidably, the research and the conclusions presented in this paper are not free of limitations. However, future research may easily address them and, hence, assist in the understanding of the marketing orientation behaviour.

One first limitation concerns the context of the study (Greece) which put constraints on the generalisability of the results to other companies and other national contexts. However, the use of a country other than United States or Central Europe increases our understanding of the how marketing orientation is practised and helps to demonstrate the universality and global importance of the concept. Future research that replicates this study in other national contexts would be welcome and would further improve our understanding of the practical context of marketing orientation.

Another direction for future research is the need to further elaborate on the practical implication of marketing orientation adoption. For instance, when it comes to marketing strategy development, what are the implications of marketing orientation adoption for the channels of distribution? Given the fact that, in many markets, the channels of distribution are more or less established, what are the limits of a marketing oriented company in manipulating them? And towards what objectives should any potential action be directed?

Future research may also attempt to assess the relative importance of the different aspects of the practice of marketing orientation in delivering customer satisfaction. There is a possibility that not all of the different tasks bear the same weight in translating the company's marketing oriented attitude in concrete behaviour in the market. Investigation of this relative importance of the different marketing actions would allow us to assist companies in prioritising their actions to implement a marketing orientation.

## APPENDIX

	Means	Standard Deviations	Variable to Scale Corre- lation	Cronbach's Alfa without the variable	Cronbach's Alfa
<u>Scale of Intelligence Dissemination</u>					0,805
• Minimal communication between Marketing and the other departments about market developments	3,606	1,371	0,536	0,781	
• Information on customers' satisfaction is disseminated throughout the organisation and hierarchical levels	2,945	1,397	0,560	0,776	
• Marketing people meet managers from other departments to discuss future needs of the end-users	3,237	1,391	0,670	0,749	
• When something big happens to a major customer or market the whole organisation knows about it in a short term	3,845	1,246	0,548	0,778	
• Marketing employees meet regularly with employees of other functional units to discuss future trends in the market	3,651	1,249	0,628	0,761	
• The various departments are slow to become informed on matters related to competition, customers etc.	3,870	1,234	0,441	0,788	
<u>Scale of Response to Intelligence</u>					0,682
• Employees from different functional units meet frequently to design the company response to changing market conditions	3,434	1,219	0,456	0,566	
• Strategies and plans are based more on the company's production capabilities rather than market research results	2,614	1,329	0,310	0,524	
• There is a tendency to ignore changes in the preference patterns of the end-users regarding the products they buy	3,711	1,253	0,469	0,554	
• New product development procedures are often scrutinised in order to ensure that they produce the right products that will satisfy the customers	3,368	1,391	0,449	0,555	

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