MARKETING IN DEVELOPING COUNTRIES – AN AUDIT ON THE STATE OF MARKETING ACTIVITIES AND MARKETING ORIENTATION

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A Thesis
In
The John Molson School of Business

Presented in Partial Fulfillment of the Requirements
for the Degree of Master of Science in Administration at
Concordia University
Montreal, Quebec, Canada

December, 2001

0-612-68427-X

ABSTRACT

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According to the two schools of thought on marketing and economic development, marketing can either spur economic development or be spurred by it. As such, there is a hypothesized link between economic development and the level of marketing orientation and activities in developing countries. This thesis aims to determine the level of marketing orientation and marketing activities in developing countries and seeks to investigate the correlation between these levels and the variables that the literature argues are key for economic development. To this end, a model is created based on the literature on economic development and marketing in developing countries – with the independent variables resembling [what is known in emerging market circles as] the 'Washington Consensus'. A survey is carried out using Kotlers' Marketing Audit as the investigative tool and sent to members of the American Marketing Association in developing countries. The data is analyzed by means of factor analysis and multivariate regression analysis. Descriptive statistics and a summary of the Marketing Audit results provide insight into the state of marketing in developing countries. Evidence was found supporting the hypothesis that the variables linked to the economic development of developing countries may also be used to predict the level of marketing orientation and activities in these countries. The implications of this research for academics and practitioners are discussed. Future research suggestions are also provided.

ACKNOWLEDGEMENTS

I would like to thank my entire committee who, as a team, helped guide me through this challenging and, eventually, fulfilling experience. I owe much to Professor Christopher Ross for generously sharing his time, help and guidance and Professor Ramdas Chandra for his valued criticism and constructive 'prodding'! I would also like to thank Professor Annamma Joy who offered her time to read my thesis and add her thoughts, comments and, critically, her support.

I would also like to express my deepest gratitude to my wife Magda, who never allowed me to even *contemplate* giving up – although it sometimes felt as though I was running out of steam. She is constant source of love, inspiration and strength. Also, I would like to thank my other most important source of inspiration: my wonderful niece, Tania, who will always be my 'little baby'. Last – but definitely not least – I would like to thank my wonderful parents for their endless and constant love. To them I will be eternally grateful.

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1.0 Introduction

Our world has undergone massive transformation in the past two decades. With the advent of technology globalization has been transformed from a hopeful ideal to a major force. The "global village" of visionary Marshall McLuhan (1969) is now a reality one takes for granted;

> A Bangkok executive who wants to buy this book[1] can type "*www.amazon.com*" on his keyboard, enter his credit card number, and receive it in a few days thanks to Federal Express. A Cologne, Germany, florist wholesaler who is short of red roses can order and receive a planeload of red roses the next morning from Tel Aviv (Kotler, 1999, pp.4).

This revolution is not exclusive to the first world. Developing countries are also increasingly become more integrated into this new global system. This changing landscape translates into a greater need to understand the changes developing countries are undergoing in order to maximize the benefits derived from increasing interaction with them.

1.1 Overview

In a globalized world, many developing countries are increasingly participating in the new global economic order. Heightened exposure to international competition both abroad and at home has forced many domestic companies in developing countries to improve operating practices and strategies. Understanding how local businesses in

[1] Kotler is referring to his book "Kotler on Marketing – How to Create, Win and Dominate Markets" (1999).

developing countries are affected by factors such as deregulation and Foreign Direct Investment (FDI) has both economic and social implications.

1.1.1 Economic Significance

The movement towards globalization is growing stronger and has becomes the *de facto* business reality for most countries in the world. In this new reality, businesses are moving to take advantage of opportunities that have arisen due to falling trade barriers and breakthroughs in communication technology. For example, it is not uncommon now that a high tech company conducts its R&D in North America, its marketing out of North America and Europe and has factories in China, Taiwan and Brazil.

Many of these opportunities are to be found in developing countries. As they become increasingly integrated in the world economy, their markets and resources are available to the global business community. Furthermore, many developing countries are opening up their economies to multinationals as their governments see their direct investments as their best chance of obtaining development funds now that the cold is over and they can no longer depend on money from either of the Super Powers.

As such, companies in emerging markets are now put in the position to compete, unprotected, against multinationals from developed and developing countries. This brings about many interesting questions: does this mean that the level of customer orientation and marketing activities is correlated to factors that make the country more attractive to multinationals such as the extent that it is open to Foreign Direct Investment

(FDI) and trade? Does a population's level of education or the size of the public sector affect Marketing Orientation or Marketing Activities?

1.1.2 Social Significance

Understanding the correlation between Marketing Orientation and Marketing Activities and factors such as a country's openness to trade and FDI, the level of the population's education etc. is important as it begins to address the connection between a free, open economy and the level of service (and, hence, one aspect of the quality of life) that is being afforded to the population. An open economy, which fosters competition, invariably offers better service to its population in general. With this research, an attempt is made to establish the link between macroeconomic factors such as deregulation and the state of Marketing Orientation and Marketing Activities in developing countries.

1.2 Purpose of this Study

This study is in effect an audit and an attempt to determine whether the major factors which have been linked in the literature to economic development and global integration can be used to predict the level of Marketing Orientation and Marketing Activities in a developing country. However, it should made clear at this point that a distinction should be made between economic growth and economic development. What is attempted is an investigation of economic growth, hopefully affecting one element of economic development. Economic development is a much larger construct that incorporates fields such as welfare and education that are beyond the scope of this paper. When economic development is mentioned in this research, it is specifically economic growth (based on the measures used) that is being discussed.

The factors that have been chosen are ones that governments can control directly such as policy and education rather than those which they cannot (such as natural resources and population size). This research aims to address unanswered questions in the literature on the link between key factors to development and the state of marketing in developing countries.

1.3 Practical and Theoretical Importance

Developing countries are increasingly integrated into the world economy both as sources of production and as markets. As such, the benefits to marketers of gaining a better insight into the factors that most have an effect on the state of Marketing Orientation and Marketing Activities in developing countries is invaluable.

The practical importance of this research affects both policy makers in developing countries and business people targeting these countries. For business people, a greater understanding of the factors affecting Marketing Orientation and Marketing Activities in developing countries could translate into a better understanding of what will be encountered in a prospective market. In the same light, understanding whether links have been found to the presence of FDI and better measures in Marketing Orientation and Marketing Activities may lead policy makers to have more incentive to introduce and manage economic reforms.

The theoretical contribution of this research is to introduce a new area of research to the literature. There is a real absence in the literature not only on the state of Marketing Activities and practices in developing countries, but also on the linkage between the state of marketing and possible factors affecting it (such as trade policy and deregulation).

This paper is presented in six parts. In the first section the literature on marketing and developing countries is presented. It begins with a discussion on the growing importance and integration of developing countries into the world economy and proceeds to make the link between marketing and development by introducing the paradigms of marketing and development. The key aspects of globalization are then addressed. The section concludes with a discussion on the marketing concept and developing countries. The second section of this paper consists of the hypotheses – directly derived from the literature - to be tested and the model from which they are derived. The third section is the methodology of the study. The main statistical techniques employed to the test the hypotheses are factor analysis and multiple regression analysis. This section will be followed by the results. The fifth section of the paper is the analysis and discussion of the results. Finally, this paper concludes with a discussion on the limitations of the study, directions for future research, implications for academics and practitioners and concluding remarks.

2.0 Literature Review

In this section, developing countries and their increasing importance to the world economy and the new economic order is discussed. In an era of globalization, marketing is becoming a key function for companies trying to survive in a new, increasingly aggressive, era of global competition, as companies can no longer count on artificial barriers to stop competitors from attacking their markets and serving their customers.

This section is presented in four parts. In the first section, developing countries and the increasingly important role they are occupying in the world economy is addressed. Many developing countries are becoming increasingly integrated into the world economy, offering their markets and resources to multinational corporations with the aim of obtaining investments to fuel their economic growth. In the second section, a discussion on the Marketing and Development paradigms is undertaken. This is done so as to provide a background of the debate between those that believe that it is the economy that determines the level of marketing within a society and those that believe that it is the level of marketing that determines the state of the economy. This will be followed by a discussion on Foreign Direct Investment and the factors that make an economy attractive to multinationals. Five core aspects will be discussed: foreign direct investment, deregulation, size of the economy, trade and education. Finally, this section concludes with a more focused examination of the state of Marketing Orientation and Marketing Activities in developing countries. As such, the first three sections culminate in a discussion of the state of marketing in developing countries while examining the real forces or impediments behind them.

2.1 Developing Countries and the World Economy

There has been a considerable shift in attention towards developing countries as emerging markets (EMs) as they increasingly constitute the major growth opportunity in the evolving world economic order. Their potential has already effected a shift in attitudes of multinational corporations (MNCs), which now customarily highlight EM investment when communicating with shareholders (Arnold and Quelch, 1998). One strong indicator of this is the large amounts of Foreign Direct Investment that is being channeled into these markets.

2.1.1 Emerging Markets Defined

According to Arnold and Quelch (1998), there is no commonly accepted definition of "emerging market," but there are three aspects of a country's economy that are often included in various definitions. These are:

1. *The absolute level of economic development*

   This is normally indicated by the average GDP per capita, or by the relative balance of agrarian and industrial commercial activity. This overlaps with other categorizations such as "Less Developed Countries" (LDCs) or "Third World Countries."

2. *The relative pace of economic development*

   This is usually indicated by the GDP growth rate.

3. *The system of market governance and the extent and stability of a free-market system*

   If the country is in the process of economic liberalization from a command economy, it is sometimes defined as a "transitional economy."

The first criterion, the absolute level of economic development, is the most frequently used. World Bank data divides countries into categories based on GDP per capita. These categories are low (for 1995, less than $765; sixty-three countries), lower middle ($765 to $3,035; sixty-five countries), upper middle ($3,036 to $9,385, thirty countries) and high (more than $9,386, fifty-one countries). Only three of the "big EMs" fall into the low category (India, Vietnam and China) while four are high-income economies (Honk Kong, Singapore, South Korea and Taiwan) (Czinkota and Renkainen, 1997). Similar categories arise from the categories of the United Nations Statistical Division. They classify as "developing countries" all except twenty five "developed market economy countries" (United States, Canada, the fifteen European Union countries, Iceland, Norway, Switzerland, South Africa, Israel, Japan, Australia and New Zealand). According to these categorizations, only eight hundred million people of the world population of five and a half billion live in developed countries. Given current trends, the proportion of people living in developing countries versus those living in developed countries is predicted to increase in the future.

The second criterion, which seems to come closer to the sense of change implied by "emerging," defines EMs as those countries with growth rates attractive to an investor. Most EMs have experienced annual GDP growth rates of more than five percent since 1990, with rates that approach ten percent in East Asia. However, there are several countries that are classified as EMs which do not fit this criterion. For example, the Russian economy has actually shrunk for most of this period.

The third criterion, governance and stability, may be the most important to prospective foreign investors in EMs, but is much harder to define. These are perhaps best assessed in the national investment risk indices compiled by business information organizations such as The Economist Intelligence Unit (EIU) and Control Risk.

To some extent, since the term has been used loosely in the literature with no absolute definition, these three criteria can be used to better define an emerging market. However, given that these criteria do not effectively distinguish between an emerging economy and a developing country, the terms will be used interchangeably throughout this paper.

2.1.2 Increased Economic Integration

On average, the proportion of global FDI inflows to developing countries has increased from eighteen percent in 1992 to thirty three percent in 1996, when it exceeded $100 billion. These investments are widely regarded as precursors of a major restructuring of the global economy. A recent Delphi study of business, policy and academic leaders placed overwhelming importance on EMs as the source of future growth (Arnold and Quelch, 1998).

Furthermore, the competition among Multinational Companies (MNCs) in maturing markets of the developed economies has forced them to look to emerging markets for growth. One way of better understanding how MNCs' current approach towards emerging markets has changed from that of the past can seen by gauging their participation in the economies of the host countries. With a few notable exceptions, MNCs' participation in these economies before this decade was limited to establishing low-cost offshore production operations, accompanied, in some cases, by opportunistic exports and limited Marketing Activity that was viewed as marginal, experimental or even charitable. However, MNCs now focus on the revenue-generating potential of these markets, and their major basis of competition has shifted to the marketing challenges of creating and capturing their huge latent value (Arnold and Quelch, 1998).

The EMs' attractiveness has been affected by two major factors in the global environment. The first factor is that an identifiable target market has emerged. The early stages of economic development have raised disposable income levels and the increasing reach of international media and MNCs has influenced product awareness and perception. Secondly, the Internet has made it possible for small and medium sized MNCs to reach business customers in EMs that they could not previously serve. It allows them to avoid the relative time and cost of establishing traditional distributorships for markets that may not have been large enough to warrant the investment (Quelch and Klein, 1998).

The attractiveness of emerging markets has not gone unnoticed by governments: they too are jostling for attention in EMs. The U.S. administration's export promotion strategy, for example, is centered on the "Big Emerging Markets Policy". This policy was launched in 1994 after the Department of Commerce was charged with answering the questions of "Where America's growth will lie in the next century?" and "Which markets will hold the most promise?" (Arnold and Quelch, 1998). Also, the European Union-South American trade forum that occurred in July of 1998 was attended by most heads of the European States and was intended to compete for the attention of that emerging continent with the United States. This is not to mention different types of EU and US loans and grants given to companies in major emerging markets as a way of them increasing the future market for their goods as well as ensuring at least some political influence and goodwill in these countries.

One undoubted reason for the greater inclusion and importance of developing countries into the world economy is the increased importance economics plays in our world today. Though something we take for granted, this New World Order where industry "is the key component of power in modern times" is a major factor behind the creation of a more level playing field for developing countries (Spanier, 1990, p.p. 160). And, in this multi-polar world where economic strength is mainly a measure of power, the marketing capability of firms in developing countries are instrumental for these countries' increased participation and influence in the global economic and political scene.

2.2 Marketing and Economic Development – The Relationship

Given that marketing is instrumental to economic development, a discussion on the state of marketing in developing countries must address the main arguments and schools of thought that are linked with the subject. As such, in this section both the predominant perspectives and paradigms found in the marketing and development literature are discussed.

2.2.1 Marketing and Development – The Perspectives

There are two major schools of thought, or perspectives, which address the relationship between marketing and development (Bartels, 1977; Hilger, 1978; Savit, 1988; Taylor and Omura, 1994). Members of one school, known as the *determinists*, believe that the development of marketing is a function of a developing economy. Members of the other school, or the *activists*, believe that improved marketing practices push an economy into growth. A discussion on the factors that affect marketing practices in a developing economy would be incomplete without first addressing these two points of view.

2.2.1.1 The Activist Perspective

The activist school believes that marketing is the most important element in the development process (Savitt, 1988). They believe that marketing is the 'engine' of change that drives the economy from one stage in development to another. Some of the more influential authors in this field are Drucker and Etemad. They believe that as marketing within an economy improves and the right products and services are produced for the right people at the right price in the right place, the economy grows and develops based on that improved marketing performance. Therefore, the key to growth is the concentration on entrepreneurship and business/marketing development.

On the other hand, Firat et al. (1988) argue that the activist perspective does not take into account the completely different context and conditions in developing countries. This view is also supported by Shakleton (1986) who argues that:

> Low savings ratios, inadequate access to capital and education, and the lack of a strong tradition of independent capitalist initiative provide formidable barriers to rapid growth... [It seems] that providing the opportunity for entrepreneurship to flourish is not the same thing as being able to guarantee that it takes root (p.p. 438).

2.2.1.2 The Determinist Perspective

Determinists (as people who believe in the determinist perspective are referred to) argue that changes in marketing occur as a consequence of changes in the economy (Savitt, 1988). Some of the most influential researchers in this field are Arndt, Buckling, Cundiff, Cox and Goldman. According to Cundiff and Hilger (1982), the determinist view has dominated the marketing and economic development literature. The determinist view seems compelling, primarily due to the availability of their research. However, Cundiff and Hilger argue that often the activists can use the very same data used by the determinists to conclude that the development of more sophisticated marketing practices (in this case channels of distribution) caused the increase in economic development.

The determinists have generally focused on the major marketing institutions entrenched in channel structures and seem to have been effective, most of the time, in showing how environmental factors affect channel members (Savitt, 1988).

However, certain authors believe that the debate on whether marketing affects the economy or vice versa is somewhat redundant. Firat et al. (1988) argue that:

> ... it is not possible to separate the marketing structure from the economic structure since marketing organizations are a specific part of a national economy. In other words, marketing and the economy are not exclusive but inclusive; that is, the economic system includes the marketing system. Consequently, it would be absurd to argue that when transformations in marketing occur, it would not affect the economy. Since marketing is part of the economy, transforming marketing, by definition, means that the economy itself is transforming. Even arguing that marketing affects economic change or development, or that marketing is a catalyst becomes useless since it is only an expression of the obvious.

The extension of the logic of this argument leads one to the conclusion that when the economy changes, so does marketing. Therefore, marketing can be seen as a part of the system, affecting and being affected by the economy in a constantly evolving and intertwined manner.

2.2.2 Marketing and Development – The Paradigms

Several paradigms have been used when analyzing marketing's role in LDCs. These are the *modernization*, *institutional* and *radical* paradigms. Most of the literature on marketing and development has been written from one these perspectives, and therefore, it is useful and informative to briefly discuss them.

2.2.2.1 The Modernization Paradigm

This is the most widely used of the three paradigms. The modernization paradigm assumes that countries pass through identifiable stages of growth, along the continuum from "underdeveloped" to "developed". A primary premise of the modernization paradigm is that the experiences of countries that have successfully evolved through the stages of growth are applicable guides for economic policy decisions in countries at earlier stages of development (Taylor and Omura, 1994).

The modernization paradigm looks at development as an evolutionary process. It argues that a LDC must pass through identifiable stages in order to mature into a developed economy. Rostows' (1960) development model has been closely associated with this paradigm. Rostow identifies five stages of growth (Rostow, 1971; Kaynak, 1986): these are the traditional society, the transitional society, the take-off stage, the technological maturity stage and then, finally, the mass consumption stage.

Table 1 – Rostow's Development Model

Stage	Characteristics
Traditional Society	➢ Economic change and improvements are not sufficient to sustain any growth in per capita output, which is low. ➢ Agriculture is dominant in production and resource allocation. ➢ There is little economic exchange in organized markets.
Transitional Society	➢ Society begins to form contacts with outside cultures, partially removing the effect of customer on social structures, the political system and production methods. ➢ Risk takers come forward in society, either privately or with government backing. ➢ There is increased productivity in agriculture. ➢ Modern manufacturing begins to appear on a limited scale. ➢ Low productivity remains the norm.
Take-off	➢ Growth becomes the norm. ➢ Improvements in productive processes lead to the emergence of leading sectors, which help to create external economies for other sectors. ➢ The ability to invest profits from leading sectors in other areas arises. ➢ There is an enormous increase in capital stock. ➢ Income for the masses begins to rise. ➢ The new class of entrepreneurs expands.
Technological	➢ Modern technology is effectively applied to the full range of a society's economic activity.

Maturity	➢ New leading sectors emerge ➢ The economy demonstrates the technological and entrepreneurial skill to produce anything it chooses.
High Mass Consumption	➢ Leading sectors shift toward durable consumer goods. ➢ There is a large rise in per capita income. ➢ There is increased allocation to social welfare programs. ➢ The masses attain purchasing power beyond just food, clothing and shelter.

In the modernization paradigm, it is argued that the socioeconomic well being of the general population is achieved through the trickling down of wealth at the final stage (High Mass Consumption). As noted earlier, the Rostow approach has become popular with people in the marketing community and has been incorporated into various versions of the modernization paradigm (Taylor and Omura, 1994).

2.2.2.2 The Radical Paradigms

The radical paradigms emphasize a world systems perspective in analyzing marketing and economic development. They argue that, after decolonization, many LDCs became dependent on the developed ("core") countries in the world system, around which the LDCs form the "periphery."

In the radical paradigm, the fate of a country is regarded as a function of how 'core' it is from a world perspective (Hopkins and Wallerstein, 1977; Joy and Ross, 1989). The difference between the "core" and "peripheral" countries is thought to be the heritage of the exploitation of the LDCs during colonization. They argue that the structural problems that are present in LDCs often are a result of their position in the world economic system (Flacks and Turkel, 1978; Nash, 1981; Veltmeyer, 1980). Because of their dependency on foreign capital, technology and other resources, they cannot generate internal growth, and at the same time, the "core" country extracts too much from them.

2.2.2.3 The Institutional Paradigm

This paradigm focuses on the societal institutions that shape the rules governing transactions. Arndt (1981) offers an appealing contribution in this area- a political framework that emphasizes the stakeholders in transactions. The extent of power held by various institutions is considered in conjunction with three economic control mechanisms (politics, markets, and hierarchies) which in turn affect the rules governing transactions.

Two concepts central to this paradigm are the polity and the economy (Taylor and Omura, 1994). Polity refers to the power and control system in a society, or those who consistently influence decision-making. Arndt (1981) argues that the polity and the economy must be analyzed simultaneously. Consequently, economic, political, and social relations are all considered.

It is clear from this brief discussion on the perspectives and paradigms of marketing and development that these are inextricably linked. It is based on this premise, on which the literature seems to have reached a consensus, that one can expect that, in the presence certain key factors influencing and supporting development, improvements in Marketing Orientation and activities within developing countries will result. More specifically, a greater push toward integration, mainly in the form of globalization, seems to have a real affect on the state of marketing in developing countries.

2.3 Globalization, the Washington Consensus and Marketing in Developing Countries

It seems that one of the current buzzwords constantly emanating from the mouths of politicians, business people and academics is 'globalization'. It has been used positively, negatively but, mostly, as something one must accept as reality. The process of fading boundaries and proliferation of knowledge and technology is one that may hold the key in developing countries' transition into the twenty-first century. According to a United Nations University Public Forum on *The New Globalism and Developing Countries*, globalization is essentially about interdependence, the depth of which is greater than internationalization. Unlike the previous predominance of "shallow integration" characterized by the trade between buyers and sellers of internationalization, the "deep integration" of globalization is characterized by huge growth in the areas of FDI and in the activities of multinational corporations. According to Dunning and Hamdani (1997), economic growth and knowledge capital are key ingredients to explain the relation of globalization to developing countries.

Unlike the first wave of globalization which started with the end of World War II, the second wave was never created as a matter of public choice (Thurow, 2000). The second wave emerged as corporations responded to profit-making opportunities created by technology leading to the present situation where the relative bargaining power of countries has considerably decreased as countries need corporations more than corporations need countries. According to Thurow (2000), today many countries compete by paying taxes to corporations, as was the case with Brazil recently, which has promised to pay Ford $700 million to get a Ford auto assembly plant. Not surprisingly, to fare well in this third industrial revolution developing countries must be seen as attractive offshore production bases for multinational corporations by providing well-educated workforces, good infrastructure, political stability and willingness to play by market rules (Thurow, 2000). And according to Thurow (2000), there is no other way for countries to get wealthy.

As such, specific aspects of what is commonly referred to as "globalization" (i.e. FDI, deregulation, open trade, etc.) will be the focus of this discussion since they are most likely to have an influence on the state of marketing in developing countries. The link is increasingly undisputed:

> Evidence from recent World Bank studies show that integration in global markets through FDI and trade flows creates economic growth. Trade and investment are the principal mechanisms for the transmission of innovative ides, marketing networks, more effective management practices, new production and packaging techniques, and consumer-friendly design – all prerequisites for competing in global markets (Dohlman and Halvorson-Quevedo, 1997, p.p. 36)

It must be noted, however, that this 'undisputed link' is based on the literature that is strongly in line with what is known today as the 'Washington Consensus'. This philosophy was strongly promoted by the Reagan Administration, the US congress and Federal Reserve, the IMF, the World Bank, and a cluster of influential think-tanks and economists – based in the US capital – and argued that market forces alone would solve all of the developing countries' problems. Also, the Washington Consensus argued that economies that were previously inward looking should be integrated into the international capitalist system through structural adjustment. So prevalent was the consensus in official circles that by the end of the 1980s more than 70 developing nations had embarked on IMF or World Bank reform programs (Tudor, pg. 34, 2000). This philosophy continues to affect the attitudes that are pushing globalization further and further.

Globalization is a process of economic, political, social and cultural change. It is a process that is being driven by an increasing liberalization of restrictions on the mobility of goods, services, capital and technological knowledge. Furthermore, the recent revolution in transport and technologies is speeding up the process (Gupta and Choudry, 1997). As such our world is increasingly intertwined as boundaries become ever more transparent;

> ... AT&T sells telephones produced in Singapore, and IBM sells computers whose parts come from Japan and other Asian countries. ... A German tire company, Continental, which gained access to the American market by buying Uniroyal and Japan's Sumitomo Rubber, has and eighty five percent interest in Britain's Dunlop. Goodyear produces tires in Brazil for sale on the West Coast to compete with Korean tires offered to West Coast distributors ... (Spanier, 1990, p.p. 427).

This increasing liberalization is often involuntary. In the past some governments could control what their citizens wanted or did by controlling 'propaganda' (i.e. what they watched or were exposed to). Now, with the advent of the Internet and satellite TV there is very little that can be done to stop ideas and images coming from all over the world directly into the homes of people in even the poorest and remotest parts of the world.

One telling example is that of Cairo[2], where even in its poorer suburbs people who cannot afford to own satellite dishes can watch foreign programming by visiting a local café or coffee shop. Even if they themselves are not affected directly, the wealthier opinion leaders and role models in their society are - and they in turn influence them. The influx of ideas has wide-ranging affects. People are exposed to new social norms as well as new foreign products and the ways that they are used. They begin to learn about and understand credit card usage since they often have the option of ordering via credit card for what they see on the Internet or infomercials on satellite TV and, suddenly, they have a medium for comparing what they 'have' versus 'what they don't have'. It is not surprising to find that often people want to emulate what is happening in the West and are ready to absorb Western ideas and practices.

According to Punett (1997) today's business environment can be considered global. She defines a global business environment as one that makes it possible for firms to consider the world as a potential market and potential source of supply, with decisions about location done on the basis of global efficiency. A company does not necessarily have to be international to be part of the global system, but it does have to develop strategies that take into consideration international opportunities and threats. Punett (1997) adds that the current business environment is global because of increasingly free movement of goods, services, capital and information around the world.

[2] This paragraph is based on the personal observations of the author who has lived, studied, and worked in a number of countries in the Middle East, including Egypt.

Increased mobility of goods and resources inside and between countries increases both static and dynamic efficiency in production and distribution by stimulating competition, promoting technological change, reaping economies of scale and sharing the benefits of specialization based on comparative and competitive advantages (Gupta and Choudry, 1997). These gains translate into higher growth rates for all participants in the process.

The spreading of free trade zones, trade liberalization initiatives (leading to the establishment of the World Trade Organization (WTO)), and macro-economic policy reforms in several developing countries under the auspices of the World Bank and the International Monetary Fund (IMF) point to the acceptance of the notion of trade liberalization as an 'engine of growth' (Gupta and Choudry, 1997). This widespread push toward liberalization of trade and capital markets "is rapidly dismantling barriers to the international tradability of goods and services and the mobility of capital" (Qureshi, 1996).

Five key factors seem to be of influence as catalysts for change in this new global environment. Specifically, the factors of interest in this study are foreign direct investment, deregulation, size of the economy, trade, and education.

2.3.1 Foreign Direct Investment

Foreign direct investment is one of the characteristics of the "deep integration" brought on by globalization (Dunning and Hamdani, 1997). In the same vein, to benefit from globalization and thus increase the pace of development, countries must succeed in attracting foreign investment (Kotler 1988). According to Kotler (1988), nations benefit from the presence of foreign capital as local businesses become more competitive and there is a spillover of knowledge as nationals working for multinationals receive excellent training and, in time, are re-circulated into the local economy.

As such, FDI is perhaps the most significant of globalization factors and the most likely to directly affect the strategic mix of many of the developing countries. The geographic spread of FDI though uneven, seems almost always to be of benefit to the economic landscape of host countries.

Two main factors help explain the recent shift toward greater acceptance of FDI by developing countries. First, many of these countries experienced a decline in traditional sources of external funding. Two examples include the drying up of Cold War funds injected into Developing countries in exchange for support as well as the readily available commercial bank funds of the 1970's (Wells, 1998). Understandably, many developing countries' governments responded to these changing circumstances by dismantling their restrictions on FDI along with tariffs and quantitative restrictions on imports.

A second factor behind this shift in attitude may be due to a new level of confidence on the part of the host government officials who are increasingly more educated- often having received that education in the home countries of the investors. Confident of their ability to understand the behavior and language of business managers, government officials may now believe that they can manage the types of problems that used to frustrate them in the past (Wells, 1998).

Before the dismantling of restrictions on FDI, local businesses were often protected from competition with foreign investors by numerous barriers. Complicated government procedures were needed to acquire approval for the entry of foreign firms. Sometimes, the power to grant permission to invest used to be centralized in a board of investment, or investors might require the approval of a number of agencies or departments. Often, transparent rules closed certain sectors to FDI outright. In many cases, closed sectors included infrastructure, but also industries in which state firms were involved, or where domestic enterprises seemed competent. Where transparent rules did not exist, certain sectors were in practice shut to foreign investors. In other places, foreign investors sometimes had to invest jointly with local firms in order to have their plans for investment approved. Over the past decade, under new development strategies, the rules and the screening organizations have been disappearing (Wells, 1998).

As a result, during the past decade and a half, there has been a striking growth of Foreign Direct Investment (FDI), or investment by transnational corporations or multinational enterprises into foreign countries with the purpose of controlling assets and managing production activities in those countries. Between the years 1980-97, global FDI outflows increased at an average rate of about thirteen percent a year, compared with average rates of seven percent both for world exports of goods and non-factor services and for world GDP (at current prices) during 1980-1996. In 1998, global FDI flows increased for the seventh consecutive year, and outflows for the third consecutive year, to reach some $430-440 billion (Mallampally and Sauvant, 1999). Before this period, MNCs had to contend with a political ownership constraint, and as a result, foreign direct investment was rare before 1989 and started to grow only since then (Lankes and Venables, 1996; Marin and Schnitzer, 1998).

The increase in direct investment flows has allowed for a major expansion of international business activity by trans-national corporations. These MNCs now have an estimated $3.4 trillion invested in about 499,000 foreign affiliates throughout the world. The value of sales by their foreign affiliates has increased more rapidly than foreign trade (world exports), reaching an estimated $9.5 billion by 1997 (Mallampally and Sauvant, 1999). An example of an increasingly popular location for large-scale foreign investment is Shanghai where over fifty percent of the world's top industrial corporations are now present. This figure is especially significant when one takes into account the fact that the city's per capita income has risen from $300 in 1978 to more than $3,000 in 1997 (McClenahen, Lima, Graham, Clark, and Lindquist, 1999).

As the amount of FDI flows has grown, it has become more widely dispersed among home (outward investor) and host (recipient) countries. Developing countries' share in total FDI inflows rose from twenty-six percent in 1980 to thirty seven percent in 1997, and their share in total outflows rose from three percent in 1980 to fourteen percent in 1997. Industrial countries as a group attract the larger share of such investment, but their share is decreasing, as developing countries become increasingly attractive destinations for investment (Mallampally and Sauvant, 1999).

As previously mentioned, FDI has become a major source of private external finance for developing countries. It differs from other major types of external private capital flows in that it is motivated by the investors' long term profit-making prospects in production activities that they directly control. However, foreign bank lending and portfolio investment are not invested in activities controlled by banks or portfolio investors and are often motivated by short term profit considerations that can be influenced by a variety of factors (interest rates, for example) and are prone to herd behavior.

It is interesting to note that new development strategies have also led to changes in the currency regimes. More realistic exchange rates have affected FDI. Reductions in capital controls are thought to encourage investment by guaranteeing that earnings can be repatriated- if materialized. On the other hand, the widespread reduction of restrictions on portfolio investment seems to have led to instability in exchange rates. The recent instability- first in Mexico and then in South East Asia (followed by Russia and Brazil) are a testament of this and may shake the commitments of developing countries to their openness (Wells, 1998).

Given the differences among developing countries and their economic environments, it is not surprising to find that the spread of FDI is somewhat uneven. Even though to varying degrees, the benefits of such investments seem to almost always accrue to host countries.

2.3.1.1 The Distribution of Foreign Direct Investment by Geographical Region

Among developing countries the distribution of global FDI inflows is uneven. In 1997, for example, developing Asia received twenty-two percent; Latin America and the Caribbean, fourteen percent and Africa, one percent. In relative terms, however, the picture looks different: expressed as a ratio of gross fixed capital formation, FDI inflows to Africa were seven percent in 1996, compared with thirteen percent in Latin America and the Caribbean and seven percent for the developing Asia. In other words, inflows to Africa have a greater impact on countries of that continent in relative terms than the absolute figures suggest (Mallampally and Sauvant, 1999).

2.3.1.2 'Spill-Over' Benefits of Foreign Direct Investment

Even though FDI usually means investment in production facilities, its' significance and effect on developing countries is far more reaching. Foreign Direct Investment adds to investible resources and capital formation, but more importantly, it is also represents the transfer of production technology, skills, innovative capacity, and organizational and managerial practices between locations, as well as the accessing of international marketing networks. Initially, it is the affiliates of the MNCs that benefit directly, but these assets can also be transferred to local firms and the wider economies of host countries if the environment is conducive. The attributes of FDI that enhance productivity and competitiveness will spread based on the supply and distribution links between foreign affiliates and domestic firms, and the capabilities of domestic firms to capture spillovers (that is, indirect effects) from the presence of and competition from foreign firms (Mallampally and Sauvant, 1999).

Trade liberalization, FDI and consequent transfers of technology, combined with deregulation and privatization have resulted in added benefits. Not only do they mean that foreign firms' access to markets for goods and services and to immobile factors of production has been facilitated but also there is an increase in competitive pressures in previously protected markets (Mallampally and Sauvant, 1999).

It also seems that the competition to attract foreign investors has resulted in more countries paying greater attention to the removal of obstacles that impede business while trying to make themselves more 'investor-friendly'. For example, an increasing number of bilateral investment treaties and double-taxation treaties have been negotiated between countries. By the end of 1997, one thousand five hundred thirteen bilateral investment treaties and one thousand seven hundred ninety-four double taxation treaties were in effect. One hundred fifty three of the bilateral investment treaties and one hundred eight of the double taxation treaties were concluded in 1997 alone. Both types of treaties reflect the growing role of FDI in the world economy and host countries' desire to facilitate it (Mallampally and Sauvant, 1999; Wells, 1998).

Equally important, with FDI policy frameworks becoming more similar, developing countries have tried to increase their attractiveness by developing incentives for foreign investors. These include investment promotion, investment incentives, and improvements in amenities (Mallampally and Sauvant, 1999). Wells (1998) adds that now governments seem less likely to try to restrain the actions of multinationals, and are more willing to constrain themselves instead.

As a result, at present, economic considerations remain the most important factor in determining the location of FDI. These economic considerations can be divided into three groups:

1. Those concerning the availability of resources and assets to be found at a particular location,
2. Those concerning the market-size for goods and services, and
3. Those concerning cost-advantages of productions.

The relative importance of many of the factors that attract investment to certain locales, such as abundant natural resources; large host country markets; or low cost, flexible labor, seems to be changing. This is happening as MNCs, within the context of a globalizing and liberalizing world economy, increasingly pursue new strategies to enhance their competitiveness (Mallampally and Sauvant, 1999).

2.3.2 Deregulation

Increased liberalization of markets has made globalization possible (Dunning and Hamdani, 1997). As such, emerging markets' increased attractiveness is in part largely the result of a number of economic liberalization measures that have been adopted in the past decade. The end of the Cold War and the consequent reduction in aid from the superpowers prompted many of these changes. In other words, with the end of the Cold War many developing countries saw previous injections of aid dry up. This was especially the case with the demise of Communist governments as the Soviet Union began to crumble (Arnold and Quelch, 1998). With the introduction of liberalization measures, developing countries have in most part evolved from the often inefficient processes of protectionism to the creation and fostering of more competitive playing fields. The implementation of liberalization measures as well as increasing the pace of privatization of state enterprises increasingly ensures developing countries' attractiveness to foreign investors.

Developing countries previously were characterized as having various features that were not conducive to increased investments and efficient market performance. Among these negative features were high political risk, poor infrastructure, high trade barriers, and low growth rates (Bartlett, 1990; Kolde, 1982). The difficult environment in developing countries had been blamed for limited foreign investments (Agodo, 1978) and foreign firms' poor market performance (Collins, 1990).

An amelioration of these adverse conditions has been necessary to improve the chances of attracting foreign investment since scrutiny of the local market conditions by marketers and business people is of primary importance when making the decision of which country to better invest in. Wells (1998), for example, recommends that foreign companies entering LDCs examine, among other things, the political roles of the various parties and protection offered by the legal system. In terms of finance, he adds that a marketer should look at currency instability, exchange controls, the development of local capital markets, rules on collateral, and the peculiar tax institutions and administrative capabilities of the host country.

As a result of this need to seem more attractive to foreign investors, economic development theorists, in the 1980s, began advising governments of developing countries to adopt market reform measures (Barlett, 1990; Killick et al., 1984; Lever and Hume, 1986; Okoroafo and Kotabe, 1993). Many of the developing countries took the advice. They introduced economic policies designed to liberalize their economies- specifically, they floated their foreign currencies, lowered tax rates, eliminated controls on trade and offered investment incentives (Hemboldt and Hardy, 1986; Mallampally and Sauvant, 1999). Many of these reforms were instituted under the auspices of the IMFs' Structural Adjustment Program (Okoroafo and Kotabe, 1993). It was hoped that, when the reforms were introduced, an attractive business environment would lead to better firm performance (Collins, 1990) and increased entry commitments (Harrell and OKeifer, 1981). According to Qureshi (1996),

> By promoting efficiency and productivity and providing a friendlier environment for exports and foreign investment, outward-oriented reforms have been key to recent improvements in the developing countries' economic prospects (p.p. 31).

The overwhelming consensus today is that the private sector supercedes its public counterpart in terms of effectiveness and efficiency. Some go as far as to claim that the private sector is the main engine of globalization (Dunning and Hamdani, 1997). Indeed, privatization has turned into a worldwide phenomenon, in both developed and developing countries. According to Kotler (1999),

> ... [It is a] strong force ... where publicly held companies and agencies have been turned over to private ownership and management, in the belief that they would be better managed and more efficient (p.p. 4).

Over the last decade, privatization of state owned enterprises (SOEs) has been occurring at an increasing rate, particularly in developing countries (Boubakri and Cosset, 1998). The share of these countries in global privatization revenues has actually risen from seventeen percent in 1990 to twenty-two percent in 1996 (The Economist, March 22, 1997). Though becoming ever more prevalent, privatization is not always a completely voluntary exercise. Often privatization in developing countries is implemented as an integral part of a structural adjustment program (which includes measures such as liberalization of trade and payment system) under the pressure of international agencies such as the World Bank and the IMF (Boubakri and Cosset, 1998). However, even when involuntary, the long-term benefits of transferring ownership from the state to private hands seems to contribute to the well being of economies.

Significant benefits are thought to accrue from privatization: "the process of privatization should bring an improvement in profitability, operating efficiency, capital investment spending, real sales, employment level, and dividends" (Boubakri and Cosset, 1998, p.p. 1083-1084). Privatization typically transfers both control rights and cash flow rights to the managers who then show a greater interest in profits and efficiency than did the politicians (Boycko et al., 1996). Following privatization, firms are under greater pressure to employ their human, financial, and technological resources more efficiently because of a greater stress on profit goals and a reduction of government subsidies (Boycko et al., 1996; Kikeri et al., 1992). In addition, privatization – when correctly conceived and implemented – should foster efficiency and stimulate investments and, therefore, new growth and employment (Kikeri et al., 1992).

Unfortunately, not all countries can benefit from the process of privatization equally. Embryonic financial markets, a weak regulatory capacity and a public sector that accounts for a large share of the GDP inhibit the privatization efforts of most developing countries (Boubakri and Cosset, 1998). Furthermore, many of these countries, especially those with low per capita income, lack some of the main ingredients for a successful privatization such as competent managers, entrepreneurs, and capital (Vernon-Wortzel and Wortzel, 1989).

In many instances, privatization is beneficial to an economy at both the company level and the macro level. It replaces politicians with professional managers and withdraws governments from tasks that are more efficiently handled by the private sector. This increases competition (as there are no unfair trade rules protecting the public enterprises) and better rationalizes a society's resources as private sector companies are no longer competing for resources with the government.

It is interesting to note that before the liberalization programs, marketing decisions were made in an environment with limited competition. Government enterprises (usually monopolies) made decisions in a "sellers market." For example, products were developed and sold without any consideration to the fact of whether or not they matched consumer needs (Okoroafo and Kotabe, 1993). The changes in environment helped to transform these once-protectionist economies into one where multiple producers competed for the attention of consumers (Gillespie and Alden, 1989). In other words, deregulation is a powerful agent of increased competition as "protected companies, often monopolies, suddenly confront new competitors" (Kotler, 1999, p.p. 4). As such, as the role of government changes from operators of companies to regulators, a more level and competitive playing field is created (Romano, 1997).

2.3.3 Size of the Economy

A country's economic present and potential wealth is an important factor in its ability to attract investment and, therefore, integrate into the world economy. As such, one will find that those countries which participate least (or not at all) in global integration are those dependent on primary commodities with small and often inefficient manufacturing sectors ("Participation of Developing Countries in World Trade", 1996). At the same time, the increasing integration of developing countries into the global market is accompanied by an influx of foreign capital by means of foreign direct investment and multinational corporations.

In a study on the attractiveness of countries to FDI, Jackson and Markowski (1996), found that "FDI responds positively to the size of the host market, and to economic growth of the host..." (pp. 117). In other words, "them that have it, gets it" (Jackson and Markowski, 1996, pp. 126). Foreign direct investment is motivated largely by investors' long-term prospects for making profits in production activities that they directly control (Mallampally and Sauvant, 1999). As such, one of the most important factors in determining the location of FDI are economic considerations, which come into full play once an enabling FDI policy framework is in place. According to Mallampally and Sauvant (1999),

> … [the economic considerations] may be divided into three groups: those related to the availability of location-bound resources or assets; those related to the size of markets for goods and services; and those related to cost advantages in production" (pp. 37).

The attractiveness of developing countries as more than sources of cheap labor as in the past, is exemplified by the fact that many developing countries are increasingly referred to as "emerging markets". Increasingly one hears of "emerging markets" rather than "less developed countries", "newly industrializing countries" or even "Third World countries". While the former emphasize these countries' sources of cheap raw materials and labor , "emerging markets" emphasizes the notion of "markets" (Arnold and Quelch, 1998, pp. 8). As such the strategy of investors has changed, where the focus is "on the revenue-generating potential of these markets, and their major basis of competition has shifted to the marketing challenges of creating and capturing the huge latent value" (Arnold and Quelch, 1998, pp. 8).

As the role of developing countries is redefined and they increasingly are sought out as opportunities for investment, the process of global integration proceeds at top speed. According to the United Nations Development Program's new Human Development Report 1999, while global integration is proceeding "at breakneck speed and with amazing reach", its rewards are not shared equally among developing countries. (Ayres, 1999, pp. 8). In other words, globalization is often a process that where power is concentrated and the poor are marginalized. According to the report, the countries making up the richest fifth of the world's people enjoy eighty two percent of the expanding export trade, while those at the bottom fifth of the world's population have barely more than one percent" (Ayres, 1999).

Clearly, the process of successful integration and globalization is one that increasingly discriminates between rich and poor countries. According to Qureshi (1996),

> The financial integration of developing countries presents a ... diverse picture. About ninety percent of private capital flows to developing countries in 1991-1994 was concentrated in a dozen countries, mostly middle income countries of East Asia and Latin America, with the exception of two large low-income countries – China and India. For most low income countries, official flows remain dormant. The dynamic East Asian economies provide the most notable example. Poor countries in sub-Saharan Africa and elsewhere are, in general, the least integrated internationally, and there is a risk that globalization may widen international disparities. Fast-integrating East Asia posted annual growth of eight percent in the past ten years, whereas lagging sub-Saharan Africa had annual growth of less than two percent (pp. 31-33).

Many developing countries do not benefit from the increase in global trade and investment flows. According to Dohlman and Halvorson-Quevedo (1997), while net foreign investment from OECD countries to the developing world increased by two hundred and seventy percent, the bulk of it went to a handful of Asian and Latin American countries. Similarly, while developing countries' share of trade is increasing, Africa's share of the total is a meager 1.8% (Dohlman and Halvorson-Quevedo, 1997).

This inequality seems to generate further inequality. Evidence from the World Bank supports the notion that developing countries' integration into the world through FDI and trade flows fuels economic growth and employment (Dohlman and Halvorson-Quevedo, 1997). As agents of integration, increased trade and investment provide the means for the transfer of innovative ideas, marketing networks, new production and packaging techniques, more effective management practices, and consumer friendly design (Dohlman and Halvorson-Quevedo, 1997). Increased wealth and the competitive edge gained from this learning and transfer of knowledge in turn make countries more attractive to investors. It is a healthy cycle that generates growth and promotes further integration into the world economy. Unfortunately, in the poorest developing countries (for instance sub-Saharan Africa and South-west Asia), the human, institutional and industrial capacities are inadequate to accommodate the demands of the global market place and have opportunities pass them by (Dohlman and Halvorson-Quevedo, 1997).

This is quite the quagmire considering that the obstacles poor developing countries face can be crippling (Dohlman and Halvorson-Quevedo, 1997). Some of the most common problems include: undiversified export base limited to commodities; limited or inefficient industrial capacity; inadequate infrastructure; nascent or weak entrepreneurial forces; shortage of managers, engineers and technicians; weak institutions; and poorly developed human capital.

Not only is it true that developing countries are diverse and experiencing very different levels of development and growth - the global economic reality is strongly discriminating. According to Thurow (2000), to participate in what he refers to as the "third industrial revolution" developing countries must be considered attractive offshore production bases for investors. And to fit the bill, they must be willing to play by market rules and offer a relatively well educated workforce and good infrastructure. This is increasingly a matter of survival given that today countries (and developing countries are no exception) need corporations more than corporations need countries. It is not uncommon to find cases where countries pay taxes to corporations in order to win a bid for a plant.

In simple economic terms, wealth generates wealth (Thurow, 2000). The economic returns of capital are up, while the return on labor is down. In the same light, skilled workers command higher wages than unskilled workers. This is not surprising given the demand and scarcity conditions associated with capital and skilled labor. And given the higher returns, the countries that have them, have more tangible means of building wealth and in turn becoming even more attractive to investors. Integration into the world economy is invariably tied to wealth and the resources countries have to make themselves attractive to investors.

2.3.4 Trade

Developing countries (including transitional economies) are a driving force in globalization (Qureshi, 1996). The share of trade (exports plus imports) in the GDP of developing countries has risen rapidly from approximately thirty-three percent in the mid-1980s to forty-three percent in 1996 and could surpass fifty percent in the next decade. According to Qureshi (1996), this acceleration marks a sharp break from past trends and reflects the adoption of outward-oriented reforms by a growing number of developing countries as well as a transition of the formerly planned economies toward a market economy. Trade block membership also increasingly accounts for this acceleration in share of trade, and greater integration into the world economy. As such, developing countries are becoming more important and having greater a impact on their developed counterparts.

While the developing world as a whole is becoming internationally more integrated, the level and pace of integration varies widely across countries (Qureshi, 1996). In trade the contrast is most marked between East Asia and Africa. East Asia's integration in world trade has risen rapidly and in a sustained manner, whereas in sub-Saharan Africa, the ratio of trade to GDP had been falling until recently and is still well below its level of twenty years ago. Trade integration of other regions – Latin America, South Asia, Eastern Europe, and Central Asia – has accelerated, but only relatively recently, with the shift toward outward-oriented reforms and the beginning of systemic transformation.

With the increase in trade it is not surprising that trade bloc memberships are on the rise. In fact, "the past decade has seen an unprecedented move toward free trade in the developing world" (Hanson, 1996, p.p. 1266). Some of the larger trade blocs include: the Andean Group (Bolivia, Colombia, Ecuador, Peru, and Venezuela) in South America, the Gulf Cooperation Council (GCC) in West Asia, the South Asian Agreement for Regional Cooperation (SAARC) in South Asia, MERCOSUR in South America, and the Association of South East Asian Nations (ASEAN). The existence and increasing power of regional blocs provides more opportunities for developing countries to maintain/increase their global competitiveness.

The growing international role of developing countries also means that they will have a greater economic impact on industrial countries (Qureshi, 1996). For example, about one-fifth of industrial countries' exports went to developing countries in the late 1980s. By 1996, this share had risen to one-fourth, and it is likely to exceed one-third by the end of the next decade. In 1991-93, when most of the world was mired in a recession, markets in developing countries absorbed three-quarters of the increase in world exports, thus fueling growth in the industrialized countries.

The new opportunities are accompanied by tough new challenges of economic management (Qureshi, 1996). Integration requires adopting and maintaining a liberal trade and investment regime. In trade, competition is increasingly stiff, and the rapidly changing possibilities for trade favor the more agile. Policy makers are increasingly confronted with the need to maintain the confidence of the markets, both domestic and international. In this setting, sound economic policies command a rising premium; the payoffs are larger, but so are the penalties for policy inaction or errors. As mentioned earlier, globalization increases competition between policy regimes; with greater capital mobility, investors are exploring opportunities worldwide and assessing a country's policies not only in the absolute but also relative to those of other countries.

2.3.5 Education

Having a relatively educated population can be an attractive selling point for countries in a globalized world. Skilled labor, rather than the cheap labor sought in the past, is increasingly an important locational advantage for countries (Dunning and Hamdani, 1997). According to Dunning and Hamdani (1997), FDI is increasingly moving toward complex manufacturing and services, rather than concentrating in the unskilled labor intensive or resource-extracting industries it did in the past. As such, the introduction of more efficient production processes, the challenge of competing with global players and the widespread use of information technology require increases and developments in education levels and attainment. According to Carrington and Detragiache (1999),

> Perhaps the oldest question in economics is why are some countries rich while others are poor. Economic theory has emphasized that differences in the educational levels of the population are an important part of the answer and that improved schooling opportunities should raise incomes in developing countries (p.p. 46).

According to human capital theory, investment in education is an investment in the economy and is valued by its contribution to an individual's worth as measured by income (Kempner, 2000). Economic development, especially in the information age, needs workers who are capable of understanding and adopting new technologies, marketing techniques and management methods. These workers have to be able to learn, so that with time, the developing country's human capital pool is raised to the point that it can compete with others in a global market place.

Not only is it necessary for workers to be educated so as to adopt newer technologies and learn, but the level of education in a society will affect the diffusion of new product ideas, the proper use of available products, and the effectiveness and composition of marketing efforts. The level of education of a society's consumers will also increase their expectations in terms of quality of products and services that they receive. The relationship between education and the setting of a higher standard was observed in a study by Ross and McTavish (1986). The authors found that educators in developing countries with a higher GNP tended to perceive marketing know-how as more applicable than those in countries with a lower GNP. According to Akaah, Riordan and Dadzie (1988), "this suggests that corporations operating in richer Third World countries would be more likely to perceive marketing know-how as applicable than those operating in poorer Third World countries" (p.p. 136).

Unfortunately, highly educated workers are scarce in developing countries (Carrington and Detragiache, 1999). "In Asia, for every five openings, there's one qualified graduate" (Grossman, 1997, p.p. 105). Furthermore, for companies working in developing countries, the problem is compounded by two phenomena – worker retention and the brain drain. Both are significant problems that affect both companies and economic development.

Retaining workers is a challenge in developing countries: "Once you have recruited and trained workers, you may not be able to keep them. It would not be unusual for a Chinese manager to move every 12 months, doubling his salary each time" (Grossman, 1997, p.p. 105). Some companies try to get around the labor shortage by using U.S. expatriates executives. As a short-term solution, this may be the best alternative. Experts agree that local talent is needed for long-term success, but expatriates can help accelerate the learning curve of developing executives and managers.

The 'brain drain' also has negative affects – which are not limited to the companies operating in developing countries - but also have an impact on their societies at large.

> While there is little doubt that highly educated workers in developing countries are scarce, it is also true that many scientists, engineers, physicians and other professionals from developing countries work in Canada, the United States and Western Europe (Carrington and Detragiache, 1999, p.p. 46).

Some countries experience an incredibly high level of loss in human capital – seventy percent of individuals with a tertiary education in Guyana have moved to the United States. Fifteen percent in the Islamic Republic of Iran and eight to nine percent in Taiwan Province of China have done the same. The fraction of the population in Iran with a tertiary education living in OECD countries is about twenty-five percent; for Korea, fifteen percent; and for the Philippines, about ten percent.

It is not surprising that the level of education and the availability of highly educated and skilled workers will affect the economic development in developing countries. As is the case at the national level, at the firm level, the ability to produce, attract and retain available talent is going to be increasingly important for companies in developing countries embracing competition.

2.4 The Marketing Concept and Developing Countries

The link between marketing and development is one that gains increasing importance in an era of globalization. According to Spanier (1990),

> A global strategy is becoming imperative for companies seeking to survive and prosper in an increasingly *interdependent* economy, in which each

> nation, to assure national prosperity, must participate. ... Transnational joint ventures, mergers licensing, production, and marketing arrangements among manufacturers which result in market entry, technological exchange, and lower production costs in the competitive global economy obviously place companies that do not establish similar links in a potentially dangerous situation (p.p.427-428).

Though benefiting greatly from the sharing of knowledge with the West, there are major problems that marketers can encounter in emerging markets. These include non-existent or poorly developed distribution systems, relatively few communication channels, and both a lack of regulatory discipline and an inclination to alter business regulations often and unpredictably. Furthermore, EMs are characterized by "high levels of product diversion within or between countries, widespread product counterfeiting, and opaque power and loyalty structures within complex networks of local business and political players" (Arnold and Quelch, 1998, p.p. 9).

Following a brief examination of the reasons put forth to explain some of the problems encountered by marketers in developing countries, this section explores the state of Marketing Orientation and Marketing Activities in the developing countries in greater detail.

Kotler, (1988) discusses some of the broader factors that plague marketing and economic growth in developing markets. He begins by asking why it is that some countries, while resource-poor, attained high growth rates (e.g. Taiwan) while others which are resource-rich (e.g. Brazil) have only grown modestly? Here are some of the possible reasons he offers to explain this phenomena:

1. Developing country economies tended to be characterized by a high degree of government ownership, central planning, and bureaucracy. These dampen incentives and lead to high waste and cost.
2. A high degree of political instability usually discourages private investment and causes capital flight.
3. A high degree of corruption, nepotism and tax evasion hurts economic growth. In some lesser-developed countries (LDCs) corruption is a major cost of doing business.
4. Anti-business ideologies and protest movements slow economic growth. Government and labor policies have often been anti-business.
5. The lack of work, saving and investment ethic has handicapped development in a number of Developing economies.
6. A shortage of well-trained public and private managers and leaders in LDCs has often put the brakes on economic growth. Too many countries confuse management with administration. As a result, vast paper-shuffling administrations emerge instead of a management that can possibly introduce intelligent strategies into the organization. There are too few well-trained managers, and lower management and supervisory levels receive very little training.
7. The widespread use of import substitution policies gives birth to high-cost domestic industries that need continuous protectionism to survive.

Kotler (1988) also addresses the issue from the LDCs' perspective. He argues that if they were asked for the reasons that economic growth has been slow, they would likely give other reasons. These might include:

1. Multinationals from the West have tended to exploit the Developing countries in which they function. LDCs' argue these multinationals charge high prices, pay low wages, and export the natural and financial wealth of host countries.
2. The industrial countries place high trade barriers against Developing countries manufactured goods to protect their domestic industries from low-cost competition. This further prevents developing countries from earning foreign exchange and achieving the necessary international economies of scale.
3. World prices of primary products (which are the main export of Developing countries) have continuously slipped relative to manufactured products, meaning that developing countries have to work harder just to stay in the same place.
4. Third World countries carry so much foreign debt that they use most of their earned foreign exchange in order to pay interest on their debt.

Not surprisingly, companies in developing countries must contend with the challenges all business face plus those that exist in an environment of underdevelopment. Specifically, it is not uncommon to find that, in general, the Marketing Orientation and Marketing

Activities of organizations in developing countries are often negatively affected by these conditions.

2.4.1 Marketing Orientation

Since about the 1960's Marketing Orientation has been viewed as a successful business strategy by academics and practitioners (Horng and Chang, 1998). For the past three decades the subject of market orientation in one form or another (e.g. Levitt, 1960; Kotler, 1977; Shapiro, 1988; Webster, 1988) has been the focus of theory and practice in marketing (Slater and Narver, 1992).

The marketing concept is usually defined to include three components: customer focus, inter-functional coordination, and profitability (Felton 1959; Konopa and Calabro, 1971; McNamara, 1972; Houston, 1986; McCarthy and Perreault, 1993; Kotler, 1994). However, profitability can be regarded as a result of market orientation rather than a element of it (Kohli and Jaworski, 1990).

Market orientation is not simply a concern of the marketing department but should be company wide. In this view, marketing becomes everybody's job, which potentially diffuses the marketing function's role but increases marketing's influence (Greyserm 1997). As McKenna (1991, p. 68) notes, "Marketing is everything and everything is marketing", or as Haeckel (1997, p. ix) states, "Marketing's future is not a function of business, but is the function of business".

Webster (1988) discusses four barriers to implementation of a Marketing Orientation:

1) an incomplete understanding of the marketing concept itself;
2) the inherent conflict between short-term and long-term sales and profit goals;
3) an overemphasis on short term measures of management performance; and
4) top management's own values and priorities concerning the relative importance of customers versus the firm's other constituencies.

Kohli and Jaworski (1990) define market orientation as the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of intelligence across departments, and organization-wide responsiveness to this intelligence. Narver and Slater (1990) maintain that market orientation consists of three behavioral components: customer orientation, competitor orientation and inter-functional coordination. Ruekert (1992) defines market orientation similarly but adds an explicit focus on strategic planning by business units. Shapiro (1988) argues that three characteristics make a company market driven: 1) information on all important buying influences permeates every corporate function; 2) strategic and tactical decisions are made interfunctionally and interdivisionally; and 3) divisions and functions make well coordinated decisions and execute them with a sense of commitment.

Furthermore, market orientation is the organizational culture and climate (Deshpande and Webster, 1989) that most effectively encourages the behaviors that are necessary for the creation of superior value for buyers and, consequently, continuous superior profit for the business (Aaker, 1988; Kotler, 1984; Kotler and Andreasen, 1987; Peters and Austin, 1985; Peters and Waterman, 1982; Shapiro, 1988; Webster, 1988). The content of market orientation is consistent with implementation of the marketing concept. For example, intelligence generation (a requirement for market orientation) is searching and collecting information regarding the market place, which should include consumer behavior and competing actions. Therefore, a customer focus (a component of the marketing concept) should be consistent with intelligence generation, and consequently, with market orientation (Horng and Chen, 1998).

Horng's and Chen's (1998) research on small and medium sized businesses in Taiwan found that weaknesses in implementing the marketing concept include difficulties in several areas: conducting market research to discover customer needs, formulating one year marketing plans, stressing long term planning, and integrating the marketing functions. Market orientation per se consists of intelligence generation, intelligence dissemination, and responsiveness. Two antecedents to these are a focus by top management on a market orientation and an organizational system that is in keeping with this orientation. Emphasis by top management is a result of the manager's experience, education and leadership style.

Also, Horng and Chen found that an organization's Marketing Orientation is a critical determinant of its business performance, employees' organizational commitment and 'esprit de corps'. According to Kohli and Jaworski (1990) "a market orientation appears to provide a unifying focus for the efforts and projects of individuals and departments within the organization, thereby leading to superior firm performance." (p.p. 13)

However, a facet of a firm's organization for market orientation is that its organization may be dependent on the external environment in which it is operating, not merely management philosophies. Negandi and Reiman (1972) state that the external environment is the primary determinant of the optimum organizational structure of an enterprise. In addition, while stable economic environments call for centralized structures, dynamic environments require a decentralized structure. The implication of their observation is that environment-organization strategy that works in developed countries does not precisely work in developing countries (Han, 1997).

In summary, a market orientation is considered necessary for a firm's long-term profitability. However, a company's philosophy and organization are often a function of the external environment of the firm. Shortages in human capital (e.g. trained marketing managers) and lack of a distribution infrastructure are examples of two factors that can have a huge impact on the *actual* (as opposed to the *desired*) market orientation of a firm.

2.4.2 Marketing Activities

There has been very little research written on the implementation of Marketing Activities in developing countries. Marketing Activities "consist of objective setting, planning, coordination and integration, motivation, and evaluation and control" (Akaah et al., 1988, p.p.135). As such, micro-marketing issues, such as the firms' adherence to marketing missions, goals and objectives or the marketing-sales relationship seem to have taken the back seat to more macro-marketing issues such as the role of marketing in development. The relationships between environment, strategy, and performance have been discussed in many fields (e.g., organizational behavior, economics, marketing, and finance). Unfortunately, despite the extensive investigation of the variables in industrial countries, there is little empirical evidence of these relationships for developing countries. This is partly due to the fact that only recently have developing nations presented an environment whereby such relationships can be tested (Okoroafo and Kotabe, 1993).

It seems that most of the literature on Marketing Activities in developing countries is prescriptive or hypothetical, focusing on what firms in developing countries will have to do or should do, with very little on what they are actually doing. The following paragraphs address some of the more concrete examples from the literature on the experience of developing countries in the areas of market research, communication and new product development.

There is some evidence that a shift to a "buyers' market" environment needs effective Marketing Activities (Dadzie et al., 1988). Firms in this new environment seek to enhance product quality due to its positive effect on ROI (Schoeffler, 1977). Strategic planning will also be emphasized. Silverblatt and Korgaonkar (1987) showed that as the environment becomes increasingly turbulent, firms focus on decentralization and their strategic market plans become more complete and long-term oriented. Planning invariably leads to improved market performance (Martin and Kenter, 1988).

Organizations diversify their operations (Johnson and Thomas, 1987) or try to gain control of their environments to deal with uncertainty (Smart and Vertinsky, 1984). They aim to gain control over suppliers and distributors (Porter, 1985), price products competitively and provide better services to customers (Kotler, 1991). Businesses strive to improve products by improving their manufacturing processes and efficiency. Firms operating in a competitive environment are forced to carry out more research to obtain information that is needed to aid marketing decisions. Weitz and Anderson (1981) add that one of the ways of dealing with turbulent environments is to have the needed information available at the place in the organization where key decisions are made.

One of the problems with the study of Marketing Activities in developing countries is that the concept of marketing is based on responding to the needs of the consumers. In order to do so, a firm must conduct market research. Obviously, there are many businesses that are quite successful in developing countries, though they exist alongside those many 'golden opportunities' that fell flat. Furthermore, in markets that were previously dominated by government monopolies, a few large businesses, or characterized by scarcity, it is not surprising that research has for the most part not been a priority.

Until recently, marketing research has been somewhat concentrated in the developed world. According to Honomichl (1986) a bit more than fifty percent of the world's expenditures for marketing, advertising and public opinion research is in the United

States and Canada, with the U.S. accounting for about forty-six percent of the total world share. Europe accounts for over one-third of the worldwide expenditures, while approximately one-half of the European expenditures are divided between the United Kingdom and Germany. About one-sixth of the global expenditures are made by France, while one-ninth is carried out by Italy.

Research expenditures for the Asia/Oceania Countries are estimated to be slightly below four hundred million dollars, with about two thirds of this attributed to Japan and one-fifth to Australia. The developing countries of Central and South America are estimated to account for three percent of the worldwide research expenditures. About three-fifths of the expenditures in Central and South America were attributed to Mexico, with Brazil accounting for almost one-fourth (Honomichl, 1986).

Africa is estimated to account for below one-half of one percent of worldwide expenditures, while South Africa accounts for about ninety four percent of that. Egypt conducts about one million dollars worth of research. Middle Eastern countries as a whole are estimated to account for about one-fifth of one percent of the world wide research expenditures, with Saudi Arabia accounting for almost one-half of this amount (Honomichl, 1986).

Technology has also been a factor in the improved Marketing Activities. With the increase in globalization and proliferation of mass communication and electronic media, it is not surprising that marketing communication in many developing countries is evolving at a very rapid pace. One very interesting case is that of India, an underdeveloped country both economically (GDP per head is $380) as well as socially (HDI ranking is 44.6) that boasts an advanced communications system (Merchant, 1990). India's communication system has developed significantly not only in the areas of postal delivery, but also in terms of telecommunications and electronic communication. According to Merchant (1990), courier services in India are abundant, with all leading service providers being represented at major business centers across the country. In terms of telecommunications, which started out like most underdeveloped countries, India's telephone exchanges now offer the best service in terms of calling efficiency (Merchant, 1990). The system is also fairly sophisticated. A 1-1600 standard (very much like the 1-800 in the U.S.), electronic billing, touch phone, conferencing (audio, and video), voice mail, fax machines, mobile phones and pagers are some of the features and facilities that are available for marketers to explore in India.

The increased sophistication of the communication systems has lead to an increase in the business and marketing tools available. With the Internet becoming ever more popular, E-mail addresses are finding their way into business cards and mass media advertising (Merchant, 1990). Also, corporate and large scale-marketing organizations are investing in database compilations and in mailing lists compiled from directories, yellow pages, association lists, club memberships, and stock exchange related materials (Merchant, 1990). Finally, mass media options (print and electronic) are widely available, with over twenty thousand periodicals published each year (Merchant, 1990).

This scenario can also be seen in other parts of the developing world. Some authors go as far as to argue that many of the developing countries will one day have communication infrastructures that are more developed than some of the European countries. This is because they are in a position to invest in the state of the art technology that is both better and cheaper than the older systems that are currently being used in some of the European countries. This is mainly due to the fact that developing countries have the added benefit of building a completely new infrastructure that is based on newer technology without having to try to adapt the old technology to work with the new.

In terms of new product development in developing countries - it is not afforded as high a priority as in developed countries. As a result, products from other markets, especially when dealing with multinationals are often adapted for the developing world.

In adapting products, the core product manufactured by the multinational in a developed country often remains the same, while additional aspects (such as life expectancy, packaging and labeling) are adapted to fit the local environment. Some of the more likely modifications include:

(i) generally higher durability, since developing countries, not unnaturally in conditions of scarcity, have embraced planned obsolescence and a throw-away attitude to a much lesser extent;
(ii) fewer numbers and versions of products to match lower income levels and, often, poor storage facilities;
(iii) more robust products requiring less maintenance, to take account of lower skills and the desire for durability;
(iv) simplification of markings to match literacy levels and
(v) more manual versions if the technical infrastructure is poor or if convenience products and labor-saving devices are not relevant in a cheap labor situation (Kinsey, 1988, p.p. 12-13)

In sum, Marketing Activities are greatly affected by the economic and regulatory environment in which a company operates "being highly susceptible to environmental effects" (Ojah and Han, 1997, p.p. 41). As such, it is not surprising that the policies of governments in developing countries have a significant relationship to the changes in business environments (Cho, 1992; Han and Ojah, 1995; Ojah and Han, 1997). An understanding of this should ensure that businesses are in a better position to adapt their activities in order to overcome the obstacles encountered.

Given the link between marketing and development, one should find that where globalization has had a more extensive influence, the Marketing Orientation and Marketing Activities of countries fare better. In other words, a developing country that has a higher level of education or attracts higher levels of FDI should exist alongside more developed Marketing Orientation and activities of companies.

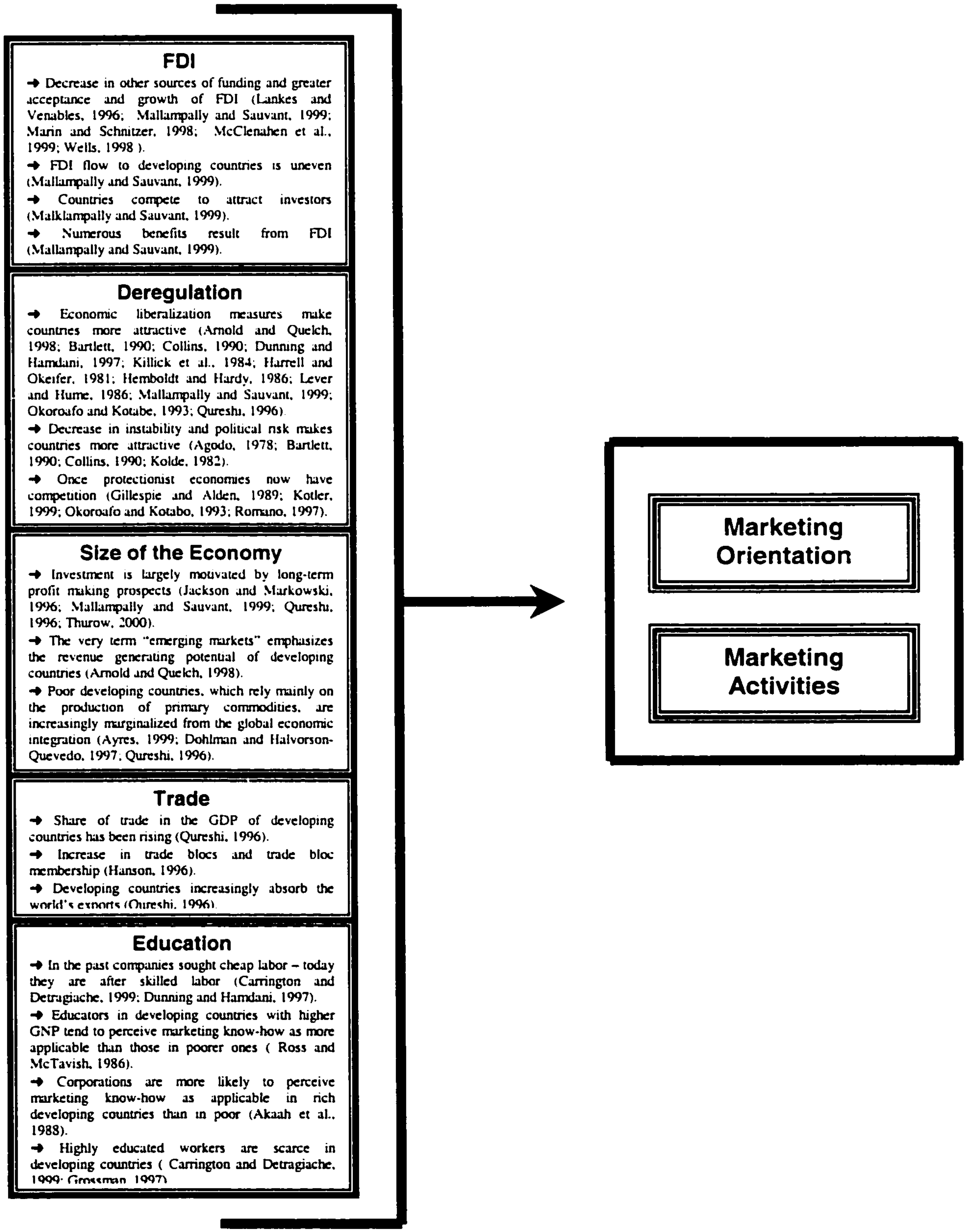
3.0 Research Questions and Hypotheses

This study is an attempt to establish a link between key factors in the globalization literature and the state of Marketing Orientation and Marketing Activities in developing countries. The conceptual model behind the hypotheses that follow is constructed based on the literature review. The data for Marketing Orientation and Marketing Activities is derived from a survey conducted in 1997 that was designed as a marketing audit of developing countries. As such, it is expected that an examination of the levels of FDI, deregulation, size of the economy, trade and education can be used to predict the level of Marketing Orientation and Marketing Activities in a developing country.

From the model, one can see that a combination of globalization factors – namely FDI, deregulation, size of the economy, trade, and education – is expected to predict the state of marketing in developing countries. For example, respondents from countries that receive greater levels of FDI should mark higher scores in their questionnaire responses. Therefore, based on the literature which attributes many benefits to the increased integration of developing countries into the world economy, it is expected that the level of the independent variables FDI, deregulation, size of the economy, trade and education in a developing country will have a significant impact on the dependent variables; Marketing Orientation and Marketing Activities.

As capital, goods, and know how becomes increasingly mobile in our age of globalization, developing countries have much to gain from this increased integration into the world economy. As a result, it is expected that the level of the independent variables FDI, deregulation, size of the economy, trade and education in a developing country will have a significant impact on the dependent variables; Marketing Orientation and Marketing Activities.

Figure 1 - Key Globalization Factors and the Marketing Concept



The following hypotheses do not comprise an exhaustive list of relationships that are believed to exist between the level of Marketing Orientation, Marketing Activities and increased global integration, but rather, are felt to be some of the most referred to factors that are associated with globalization and developing countries. A brief description of each of the five hypotheses is presented.

3.1 Hypothesis 1

> H1: *The more a developing country is open to FDI, the better will be its marketing orientation and the more intense will be its marketing activities.*

FDI consists of the transfer of capital and technology from one country to another. In the literature there is much praise for FDI as producing secondary (apart from the obvious infusion of investment and technology) benefits for local industry.

Due to the increase in FDI in the past decade, these transfers of capital are often seen as a restructuring of the global economy (Arnold and Quelch, 1998). For example, Kotler (1988) argues that FDI produces a spillover of knowledge when local nationals who were employed by multinationals re-join the local labor pool, giving local businesses a chance to capture some of their skills in order to become more competitive. Therefore, a country that is open to FDI will not only attract necessary investment capital but will also obtain many spillover benefits, one of which is an increase of the skill level in the labor pool.

Besides the general increase in funds and know how that are the principal components of FDI, it can have wide ranging effects on the marketing landscape of developing countries. FDI is one of the main means of transferring innovative ideas, marketing networks, more effective management practices, new production and packaging techniques and consumer friendly design (Dohlman and Halvorson-Quevedo, 1997). Furthermore, Mallampally and Savant (1999) argue that FDI adds to investible resources and capital formation and represents the transfer of production technology, skills, innovative capacity, and organizational and managerial practices to host countries. It also allows host countries the ability to access international marketing networks. Therefore, the infusion of capital, technology and know how in developing countries will create superior products, increase competition within the local market, increase distribution capacity and know-how and transfer management knowledge from the investing country.

Two measures are used to test this hypothesis. The first is Factor #5 from the Heritage Foundation's Index of Economic Freedom: Capital Flows and Foreign Investment (Holmes et al., 1997). The variables included in this measure are:

- Foreign investment code
- Restrictions on foreign ownership of business
- Restrictions on the industries and companies open to foreign investors
- Restrictions and performance requirements on foreign companies
- Foreign ownership of land
- Equal treatment under the law for both foreign and domestic companies
- Restrictions on the repatriation of earnings
- Availability of local financing for foreign companies

Based on the above items, the countries are thus rated according to the following scale:

> 1 **Very low** Open and impartial treatment of foreign investment; accessible foreign investment code. Almost no restrictions on foreign investment save only national security-related fields.
>
> 2 **Low** Restrictions on investments in few sectors, such as utilities, companies vital to national security, and natural resources; limited, efficient approval process.
>
> 3 **Moderate** Restrictions on many investments, but official policy that conforms to established foreign investment code; bureaucratic approval process.
>
> 4 **High** Investment permitted on a case-by-case basis; possible presence of bureaucratic approval process and corruption.
>
> 5 **Very High** Government that seeks actively to prevent foreign investment; rampant corruption.

The second measure is Foreign Direct Investment Net Inflows from the *World Development Indicators database* (World Bank Group, 2000). According to the World Bank definition, foreign direct investment is net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments (World Bank Group, 2000).

3.2 Hypothesis 2

> H2: *The less regulated a developing market is, the better will be its Marketing Orientation and the more intense will be its Marketing Activities.*

Deregulation is hailed as contributing to ending the inefficient processes of protectionism and for fostering competition. As developing countries introduce political (Bartlett, 1990; Kolde, 1982) and economic (Hemboldt and Hardy, 1986; Mallampally and Sauvant, 1999) measures to manage instability and liberalize their economies they attract foreign investors and encourage competition. There is a shift toward increased openness where multiple producers compete for consumers (Gillespie and Alden, 1989). This can have significant effects on marketing in developing countries. For example, in countries where starting a business requires relatively less red tape, competing products and services can be introduced quickly as entrepreneurs attempt to capitalize on an a need that they believe is unfilled. This can lead to superior offerings, new distribution channels, and innovative product/service ideas. Furthermore, business efficiencies are improved as de-regulation removes artificial barriers – and business are allowed to sell to new markets, set their own price levels, hire and fire as they need, and compete based on their own abilities and strengths (Boukbari and Cosset, 1998). Therefore, deregulation may allow companies to offer new products (and at a faster rate), sell to new segments, utilize different distribution channels, and sell at the price level that they choose. To take advantage of and control this new environment where both companies and customers have the freedom of choice, the level of marketing orientation and sophistication must increase.

Furthermore, one of the main aspects of deregulation is increased privatization of public enterprises and this (privatization of state owned enterprises) has been occurring at an increasing rate during the past decade (Boubakri and Cosset, 1998). For marketing, this means that government companies are now left to compete without the 'helping hand' of the government. This 'helping hand' usually meant that other companies were not allowed to compete directly with the public enterprise – usually leading to lack of choice and inferior products and services. Also, large public enterprises usually 'crowded' out other private sector companies as the limited resources within developing countries were channeled towards the former.

The deregulation measure used to test this hypothesis is Factor #9 from the Heritage Foundation's Index of Economic Freedom: Regulation (Holmes et al., 1997). The variables included in this measure are:

- Licensing requirements for operating a business
- Ease of obtaining a business license
- Corruption within the bureaucracy
- Labor regulations, such as established work weeks, paid vacations, and maternity leave, as well as selected labor regulations
- Environmental, consumer safety, and worker health regulations
- Regulations that impose a burden on business

Based on the above items, the countries are thus rated according to the following scale:

1 **Very low** Existing regulations straightforward and applied uniformly to all businesses; regulations not much of a burden for business; corruption nearly nonexistent.

2 **Low** Simple licensing procedures; existing regulations relatively straightforward and applied uniformly most of the time, but still burdensome in some instances; corruption, although possible, rare and not a problem.

3 **Moderate** Complicated licensing procedure; regulations impose substantial burden on business; existing regulations may be applied haphazardly and in some instances are not even published by the government; corruption can be present and poses some minor strain on business.

4 **High** Government-set production quotas and some state planning; major barriers to opening a business; complicated licensing process; very high fees; bribes sometimes necessary; corruption present and burdensome; regulations impose a great burden on business.

5 **Very high** Government impedes the creation of new businesses; corruption rampant; regulations applied randomly.

3.3 Hypothesis 3

H3: *The greater the size of a developing country's economy, the better will be its Marketing Orientation and the more intense will be its Marketing Activities.*

Investors respond positively to the size and economic wealth of a host market as they seek to maximize its revenue generating potential (Jackson and Markowski, 1996; Arnold and Quelch, 1998). In fact, according to Thurow (2000), in order to be considered attractive offshore bases for investors developing countries increasingly need to offer the skilled workers, infrastructure, market rules and profitable market that but a few of emerging markets can afford.

Specifically, market size can affect marketing activities in a developing country in several ways. For example, developing countries with large internal markets may develop strong local products and brands to satisfy local demand. The size of the market justifies the expenditure. A case in point is Brazilian clothes designers such as Rosa Cha (swimwear) and Zoomp (jeans), who after developing in their local markets now compete internationally, and are considered luxury goods. Both brands are selling in ultra upscale London stores (Harvey Nichols) and have appeared in international magazines such as Cosmopolitan (US edition).

Also, large markets may allow for more competition, as they are often much harder to control – either by the government or by large local companies that maintain a near monopoly in their market segment. Marketing activities are improved as entrepreneurial companies launch new products and the level of competition increases within the market. Again, local marketing know-how is developed to create products with local (and international) appeal, and to distribute, price and promote them properly. Therefore, the size of the market should have an affect on the level of marketing sophistication present within the developing country.

Two measures are used to test this hypothesis. The first measure of size of the economy used is Gross Domestic Product (GDP) Purchasing Power Parity from the CIA World Fact Book for 1997.

The second measure used to test this hypothesis is GNP Atlas Method, from the *World Development Indicators database* (World Bank Group, 2000). According to the World Bank definition,

> GNP per capita is the gross national product, converted to U.S. dollars using the World Bank Atlas method, divided by the midyear population. GNP is the sum of gross value added by all resident producers plus any taxes (less subsidies) that are not included in the valuation of output plus

net receipts of primary income (employee compensation and property income) from nonresident sources. Data are in current U.S. dollars. GNP, calculated in national currency, is usually converted to U.S. dollars at official exchange rates for comparisons across economies, although an alternative rate is used when the official exchange rate is judged to diverge by an exceptionally large margin from the rate actually applied in international transactions. To smooth fluctuations in prices and exchange rates, a special Atlas method of conversion is used by the World Bank. This applies a conversion factor that averages the exchange rate for a given year and the two preceding years, adjusted for differences in rates of inflation between the country and the G-5 countries (France, Germany, Japan, the United Kingdom, and the United States) (World Bank Group, 2000).

3.4 Hypothesis 4

H4: *The more open a developing country is to trade, the better will be its Marketing Orientation and the more intense will be its Marketing Activities.*

Developing countries' share of trade (Qureshi, 1996) and trade bloc membership (Hanson, 1996) has been rising in the past two decades. Given that increases in trade invariably mean increases in competition, companies in developing countries will be forced to become more agile and efficient to compete (Qureshi, 1996).

A country that allows free international trade, importing and exporting, will expose its own products and services to international competition. This competition often leads to superior offerings as products will have to be at least of equal quality to those from other countries in order to compete effectively in international markets. Not only does the product itself have to be of a certain quality, but also distribution, market research and promotion must be more sophisticated. For example, marketing intelligence has to be generated on domestic and international competition, strategic alliances formed with distributors in foreign countries, and promotion conducted internationally. Therefore, a freer trading regime will inevitably lead to an increase in marketing sophistication in a developing country as local companies adapt to meet international competition.

Two measures are used to test this hypothesis. The first trade measure used to test this hypothesis is Factor #1 from the Heritage Foundation's Index of Economic Freedom: Trade Policy (Holmes et al., 1997). The variables included in this measure are:

- Average tariff rate
- Non-tariff barriers
- Corruption in the customs service

Based on the above items, the countries are thus rated according to the following scale:

1 **Very low** Average tariff rate of less than or equal to 4 percent.

2 **Low** Average tariff rate of greater than 4 percent but less than or equal to 9 percent.

3 **Moderate** Average tariff rate of greater than 9 percent but less than or equal to 14 percent.

4 **High** Average tariff rate of greater than 14 percent but less than or equal to 19 percent.

5 **Very high** Average tariff rate of greater than 19 percent.

The second measure used to test this hypothesis is Trade as a Percentage of GDP (purchasing power parity) from the *World Development Indicators database* (World Bank Group, 2000). According to the World Bank definition, the trade in goods as a share of PPP GDP is the sum of merchandise exports and imports (measured in current

U.S. dollars) divided by the value of GDP converted to international dollars using purchasing power parity rates (World Bank Group, 2000).

3.5 Hypothesis 5

> H5: *The higher a developing country's educational levels, the better will be its Marketing Orientation and the more intense will be its Marketing Activities.*

As countries increasingly compete for foreign investors there is a greater need to encourage the development of a skilled workforce (Dunning and Hamdani, 1997). While there is a real shortage of highly educated workers in developing countries (Carrington and Detragiache, 1999; Grossman, 1997), in the information age, there is a growing demand for workers capable of understanding and adopting new technologies, marketing techniques and management methods.

In terms of Marketing, the level of education in a society will affect the diffusion of new product ideas, the proper use of available products, and the effectiveness and composition of marketing efforts. The level of education of a society's consumers will also increase their expectation in terms of the quality and sophistication of the products and services that they receive. As the consumers become more educated and sophisticated, pressure will be put on companies – both private and public – to improve their offerings. This will require an improvement of marketing activities and a strong focus on marketing orientation.

Two measures are used to test this hypothesis. The first measure of education used to test this hypothesis is the Adult Literacy Rate from the United Nations Human Development Report 1998.

The second measure used to test this hypothesis is Secondary School Enrolment from the *World Development Indicators database* (World Bank Group, 2000). According to the World Bank, Secondary education completes the provision of basic education that began at the primary level, and by offering more subject or skill orientated instruction using more specialized teachers, lays the foundations for lifelong learning and human development. Secondary school enrollment is measured as the ratio of the number of children of official school age (as defined by the national education system) who are enrolled in school to the population of corresponding official school age.

As basic elements of a developed nation, it is expected that these factors are correlated with the levels of Marketing Activities and Marketing Orientation in developing countries.

4.0 Methodology

A marketing audit, or an assessment of the state of marketing in developing countries, can contribute invaluable information to the literature on marketing and development. Kotler and Turner (1995) define a marketing audit as:

> ... a comprehensive, systematic, independent, and periodic examination of a company's – or business unit's – marketing environment, objectives, strategies, and activities with a view to determining problem areas and opportunities and recommending a plan of action to improve the company's marketing performance (pp. 732).

Though not a marketing audit in the traditional sense (i.e. which starts with a meeting between the company officer and the marketing auditor and ends with a presentation of findings and recommendations by the marketing auditor) it seeks to make an appraisal of the general state of marketing in developing countries (Kotler and Turner, 1995). Also, the purpose of this audit is broader in scope, attempting to diagnose the state of marketing in developing countries by gathering information about companies in developing countries in general, rather than company specific information from individual companies.

The goal of this section is to outline the proposed course for hypothesis testing. It consists of three parts. Initially, the research design is explained – i.e. the purpose of the study. Secondly, the data collection is discussed, namely, the sample, survey instrument and administration of the survey. Finally, in the data analysis section the statistical techniques proposed to analyze the data are discussed.

4.1 Research Design

The goals of this research are twofold: hypothesis testing and exploratory. While the hypotheses do attempt to establish causation, due to the absence of previous research attempting to measure the state of marketing in developing countries, this is in essence an exploratory study. The purpose of this research is therefore to test the hypothesis as well as attempt to determine directions that can be followed in future research.

The data in this study was collected by questionnaire (See Appendix 1). While for exploratory purposes interviews with open-ended questions would have produced the most meaningful data, this was difficult due to financial, time and geographical constraints.

Due to the large number of variables in the model, a factor analysis is used as the first step in the data analysis. The factor analysis is used in order to reduce the data into smaller, more meaningful components. The factors from the factor analysis are then used as the dependent variables in the multiple regression equations that are used to test the hypotheses.

4.2 Data Collection

This study is based on existing data previously collected by Prof. Christopher Ross in 1997. Questionnaires were sent out in an attempt to construct a picture of the state of marketing in developing countries. The sample, survey instrument and administration of the survey are discussed below.

4.2.1 The Sample

This study is based on a non-probability sample of convenience. One important reason for this choice is cost and time (Cooper and Emory, 1995). A convenience sample was drawn from the membership list of the American Marketing Association (AMA), the Academy of Marketing Science and the International Society for Marketing and Development. These lists were consulted with the goal of extracting the names and addresses of members from developing countries.

Participants in the sample were selected due to the fact that the membership lists from which the samples were drawn consisted of both professionals and academics. They were believed to have an "insider's perspective" on marketing practices in developing countries, especially their own.

Probability sampling allows for the researcher to use a random selection to eliminate or reduce sampling bias, consequently ensuring that the sample is representative of the population from which it is drawn (Cooper and Emory, 1995). As a result, given that this is a non-probability sample of convenience, generalizations of the results will only be made modestly and where facts from the literature review offer substantial backing.

4.2.2 Survey Instrument

A questionnaire was mailed along with a covering letter and self-addressed envelope. No postage was prepaid.

The content of the questionnaire was adapted from Kotler's (1985) Marketing Audit. The items in the audit were changed into interrogative form that addressed the companies that the respondents were familiar with, as opposed to merely the organization where the respondent was employed. Given that the questions are based on a tool that has been widely applied at an individual firm level content validity should be ensured. According to Cooper and Emory (1995) "if the instrument contains a representative sample of the universe of subject matter of interest then the content validity is good" (p. 149).

The questionnaire (see Appendix 1) is divided into four main sections: Marketing Orientation, Marketing Activities, Marketing Functions and Marketing Development. Each of these sections consisted of a number of items (twenty-one items for Marketing Orientation, thirty-two items for Marketing Activities, twenty-eight items for Marketing Functions, eleven items for Marketing Development) which respondents were asked to respond to on a Likert scale (from 1 to 5). The Marketing Orientation and Marketing Activities sections were used for this study. The data obtained from the marketing audit part of the questionnaire is interval and as such the arithmetic mean is used as a measure of central tendency (Cooper and Emory, 1995). The items attempt to address all marketing aspects in an organization such that an effective audit may be able to diagnose the overall state of marketing in that organization. As such, while the questionnaires were completed by individuals employed in organizations in developing countries, the responses and information provided are examined on a country-based level such that the information provides insight not into a specific organization but to the country as a whole. The last part of the questionnaire sought information about the respondents such as age, title in the organization and number of employees in the organization. The data collected in this section of the questionnaire is mainly nominal (for example, title in the organization) and ratio (for example, number of employees in the organization) (Emory and Cooper, 1995).

4.2.3 Administration of the Survey

The survey was sent my mail and responses were received within an average of six months later. In May of 1997 three hundred and thirty questionnaires were mailed out and sixty-nine returned, resulting in a response rate of twenty-one percent.

Reliability is concerned with the "degree to which a measurement is free of random or unstable error" (Cooper and Emory, 1995, p.p. 153). In other words, a reliable instrument is robust and thus works well under different conditions and at different times (Cooper and Emory, 1995). Given that the questions were based on the marketing audit, it is expected that, if a similar study is repeated, the questionnaire will yield similar results.

4.3 Data Analysis

The analysis of the data collected will address the main goals of hypothesis testing and description. As a result, the data will be analyzed and presented in four parts.

The first section consists of descriptive statistics and has the goal of providing a more vivid picture of the sample in this study. The information is presented at the individual level (i.e. providing more information on individual respondents) and at the organizational level.

The second section consists of a presentation of the audit results, derived by means of obtaining the frequencies of responses in SPSS. This section essentially provides a picture of the results per questionnaire item, for the Marketing Orientation and Marketing Activity section. This allows a general insight into the state of marketing of developing countries, as respondents' views are grouped per Likert scale response (i.e. "strongly disagree" to "strongly agree").

The third section consists of the data analysis technique of factor analysis. A factor analysis is conducted on each of the two sections relevant to this paper (i.e. Marketing Orientation and Marketing Activities). A factor analysis is a complex associational technique which can be used for data reduction by allowing for a larger number of data on a related topic to be grouped into a smaller number of composite variables (Morgan and Griego, 1998). As such,

> ... the two primary uses for factor analysis – summarization and data reduction – can be achieved. In summarizing the data, factor analysis derives underlying dimensions that, when interpreted and understood, describe the data in a much smaller number of items than the original individual variables. Data reduction can be achieved by calculating scores for each underlying dimension and substituting them for the original variables (Hair, Anderson, Tatham, and Black, 1995, p.p. 367).

Given that the sample is greater than fifty, the sample size of sixty-nine is adequate (Hair et al., 1995). A factor analysis is therefore conducted on the Marketing Orientation and Marketing Activity portions of the questionnaire separately. All of the questionnaire items pertaining to each section are included in the analysis. The principal component method and varimax rotation were used. Given that only eigen values greater than one are significant, those below one were suppressed (Hair et al., 1995). The criteria for determining the sample sizes necessary for each factor loading value to be considered significant as described in Hair et al. (1995, p.p. 385) is as follows:

Factor Loading	Sample Size Needed for Significance
.30	350
.35	250
.40	200
.45	150
.50	120
.55	100
.60	85
.65	70
.70	60
.75	50

As such, the factor loading used in this study is the .65 criteria given a sample size of sixty nine in order to meet the "objective of obtaining a power level of eighty percent and the use of a .05 significance level" (Hair et al., 1995, p.p. 385).

The fourth data analysis technique, multiple regression, directly follows the factor analysis. Its purpose is to "predict an interval scale dependent variable from a combination of several interval scale and/or dichotomous independent/predictor variables" (Morgan and Griego, 1998, p.p. 139). In this study the main objective is to determine which factors are related to the state of marketing in developing countries and can thus be used as predictors. In order to not rely on one single source of data, two sets of independent variables were used with which two separate regressions were run. The first set of variables is a mixture of data from the Heritage Foundation, the CIA World Fact Book and the United Nations Human Development Report, while the second is heavily reliant on World Bank data. One variable, the measure for regulation from the Heritage Foundation, is used in both regressions, as no comparable measure in the World Bank data was found. To facilitate further discussion each of the two sets of independent variables that were used in the regressions are referred to as "Set A" and "Set B" as follows:

Table 2 – Independent Variable Sets

SET	HYPHOTHESIS MEASURE	VARIABLE NAME	SOURCE
SET A	FDI	Capital Flows and Foreign Investment	Heritage Foundation Index of Economic Freedom
	Regulation	Regulation	
	GDP	GDP Purchasing Power Parity	CIA World Fact Book 1997
	Trade	Trade Policy	Heritage Foundation Index of Economic Freedom
	Education	Adult Literacy Rate	United Nations Human Development Report 1998
SET B	FDI	Foreign Direct Investment Net Inflows	World Development Indicators Database
	Regulation	Regulation	Heritage Foundation Index of Economic Freedom
	GDP	GNP Atlas Method	World Development Indicators Database
	Trade	Trade as a % of GDP (Purchasing Power Parity)	
	Education	Secondary School Enrolment	

A concern for the generalizability of the results was at the forefront when determining the number independent variables to be included. The rule of thumb of the ratio never falling below five "meaning that there should be five observations for each independent variable in the variate" was followed to reduce "overfitting" and improve generalizability (Hair et al., 1995, pp. 105).

With these goals in mind the "enter method" on SPSS is used, where all variables are considered at the same time (Morgan and Griego, 1998). According to Hair et al. (1995), this is perhaps the simplest and most demanding approach for specifying the regression model as the "analyst has total control over the variable selection" (pp. 115). The step wise method was not an option given that the recommended level ratio of dependent variables to independent variables increases to fifty to one (Hair et al., 1995).

Another observed concern is with the R^2 in order to not "overfit" the data. Rules of thumb range from "ten to fifteen observations per predictor to an absolute minimum of four observations per predictor" (Hair et al., 1995, 119). With a sample size of sixty-nine and five independent variables, the most stringent guidelines are observed.

The results of these methods are presented in the next section and discussed in greater detail in the following section.

5.0 Results

The results are presented in four sections. In the first section the descriptive statistics on respondents are discussed. The second section addresses the results of the marketing audit. The third section presents the results of the factor analysis along with new factors for further testing. Finally, the fourth section consists of the results of the multiple regression analysis.

5.1 Descriptive Statistics

The descriptive statistics of the sample are examined to provide the reader with a vivid picture of the sample respondents of this study. The information is provided in two parts. In the first, the sample is discussed at the individual level, and information is provided on the age groups of respondents, the highest level of education attained by the respondents, the occupational group of the respondents, and their seniority within the organization. In the second part, the sample is discussed at the organizational level, and information is provided on the geographical location of the firm, size of the firm (by number of employees), type of organization, and respective type of industry.

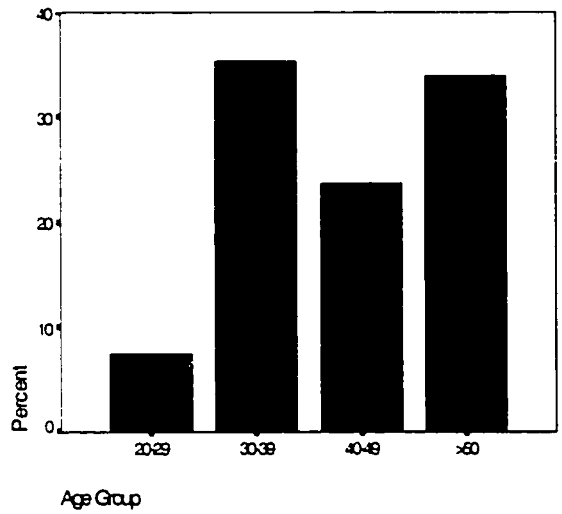
The statistical information was obtained by using the *Frequencies* technique on SPSS. Means, medians and frequency distributions form the basis of the following discussion as well as the bar charts included to provide a visual description of the data's distribution.

5.1.1 Individual Descriptives

The individual descriptives consist of age group, educational attainment, occupational group, and seniority level within the organization.

5.1.1.1 Age Group

Figure 2 - Age Group

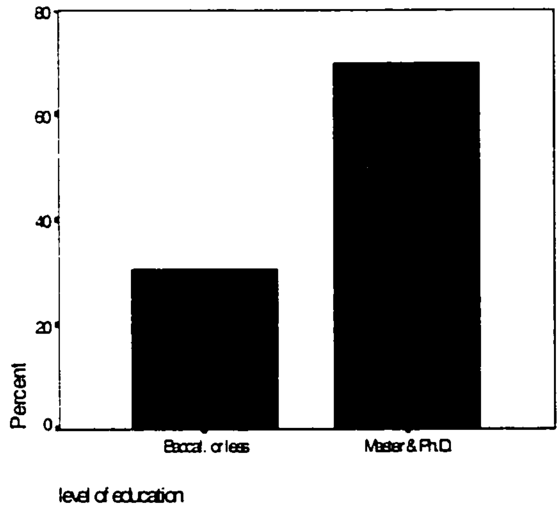


Of the sample, 7.4% of the respondents were between 20-29, 35.3% were between 30-39, 23.5% were between 40-49 and 33.8% were 50 and over.

5.1.1.2 Educational Attainment

A large proportion of the sample had a Master's degree or higher. Specifically, 30.4% of the respondents had a B.A. or less, and 69.9% of respondents had an M.A. and/or a Ph.D.

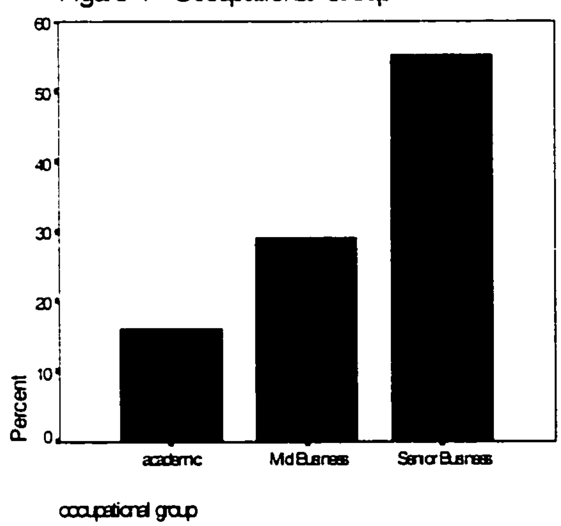
Figure 3 - Educational Attainment



5.1.1.3 Occupational Group

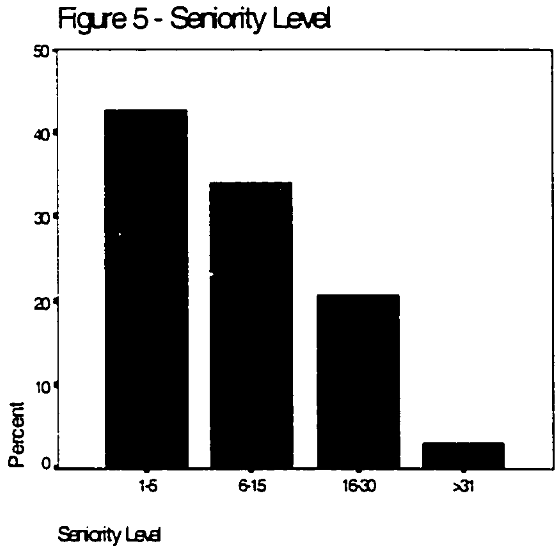
The majority of the sample is comprised of business people and a minority of

Figure 4 - Occupational Group



academics. Specifically, while only 15.9% of respondents were academics, 29% were in mid business and 55.1% in senior business positions.

5.1.1.4 Seniority Level



A vast majority of the respondents (almost 80%) had been with the organization fifteen years or less. Specifically, 42.6% had been with the organization from 1-5 years, 33.8% had been with the organization from 6-15 years, 20.6% had been with the organization from 16-30, and 2.9% of respondents had been with the organization for 31 years and over.

5.1.2 Organizational Descriptives

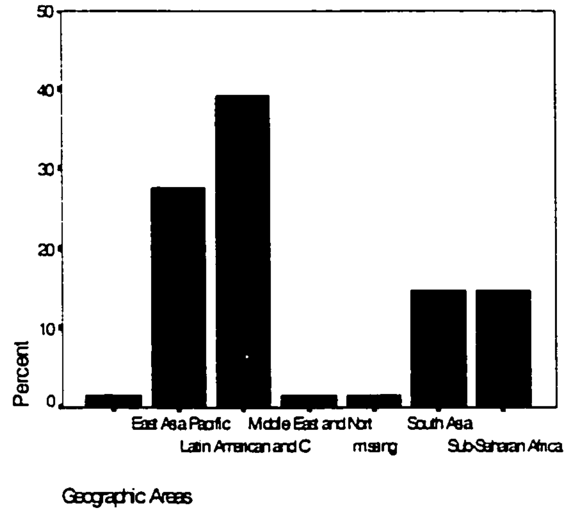
The organizational descriptives consist of geographical location of firm, size of organization, type of organization and type of industry.

5.1.2.1 Geographic Location

Higher concentrations of respondent organizations were in East Asia Pacific, Latin America and the Caribbean. Specifically, 29% of the organizations were located in East

Asia Pacific, 39.1% were located in Latin America and the Caribbean, 1.4% were located

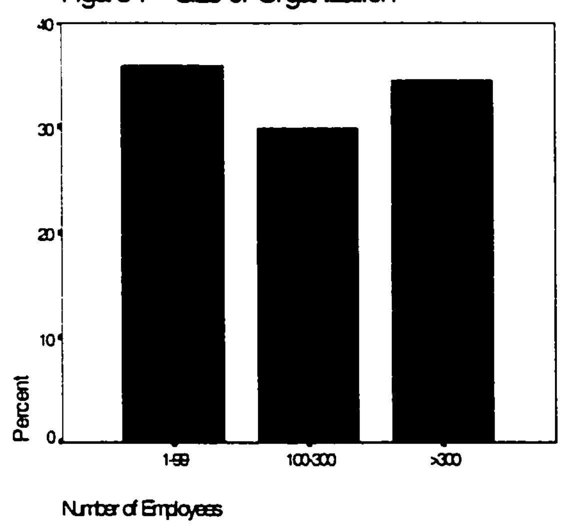
Figure 6 - Geographic Location



in the Middle East and North Africa, 14.5% were located in South Asia, and 14.5% were located in Sub-Saharan Africa.

5.1.2.2 Size of Organization

Figure 7 - Size of Organization



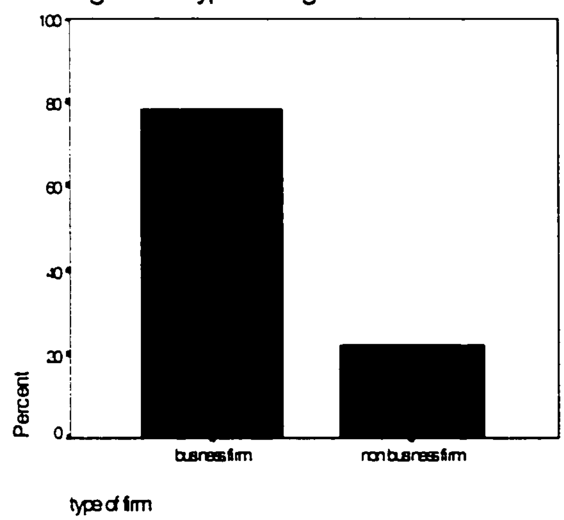
The majority of the organizations surveyed had up to ninety-nine employees.

Specifically, 35.8% of the organizations had 1-99 employees, 29.9% of organizations had 100-300 employees and 34.3% of the organizations had more than three hundred employees (up to 4000).

5.1.2.3 Type of Organization

A large number of the organizations surveyed consisted of business organizations.

Figure 8 - Type of Organization

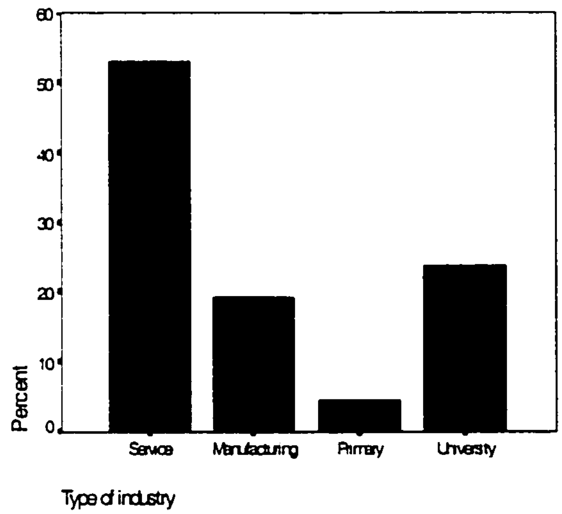


Specifically, 77.9% were business firms while 22.1% were non-business firms.

5.1.2.4 Type of Industry

The most dominant presence in the survey consisted of organizations in the service industry and universities. Specifically, 52.9% of organizations surveyed were in the service sector, 19.1% were in the manufacturing sector, 4.4% were in the primary sector, and 23.5% were universities.

Figure 9 - Type of Industry



The responses point to a diverse sample in most areas. This may help ensure the generalizability of results to a wider and more diverse audience.

5.2 Audit Results

The results of the marketing audit are discussed for each of the two sections of interest: Marketing Orientation and Marketing Activities.

5.2.1 Marketing Orientation

In this section of the questionnaire, the majority of respondents (See Appendix 2) responded with a 'neither agree nor disagree' (neutrally) to roughly half of the items (ten out of twenty one). In other words, in only *half* the items did the majority of the respondents agree or disagree – and where they expressed an explicit opinion. It is these latter items that provide useful information for the marketing audit of developing countries.

A list of the items in which there is clear agreement/disagreement follows:

1. The managers with whom I am familiar recognize the importance of designing their organization to serve the needs and wants of chosen markets.

2. The managers with whom I am familiar develop different product and service offerings for different market segments.

3. The managers with whom I am familiar do not develop different marketing plans for different segments of the market.

5. The organizations with which I am familiar integrate and control their major marketing functions at a very senior level.
7. The organizations with which I am familiar have an well-organized new product development process.

8. The organizations with which I am familiar do not conduct regular (at least once every two years) marketing research studies on customers.

10. The organizations with which I am familiar do not conduct regular (at least once every two years) marketing research studies on their channels of distribution.

12. The organizations with which I am familiar know the sales potential and profitability of their different products.

15. The organizations with which I am familiar do little or no formal marketing planning.

16. The organizations with which I am familiar do little or no contingency thinking and planning.

17. The managers with whom I am familiar understand the importance of having a clear, well-reasoned marketing strategy.

Findings for Marketing Orientation in Developing Countries:

Managers in developing countries seem to understand and implement the concept of marketing segmentation. The managers recognize the importance of designing their organizations to serve the needs and wants of chosen customers as well as of developing different marketing plans and product/service offerings for different market segments. The respondents also seem to feel that most organizations that they are familiar with understand the importance of having a clear and well reasoned marketing strategy and conduct formal market and contingency planning.

Furthermore, the respondents also agreed that most organizations with which they are familiar did not have a well organized new product development process. The organizations also did not carry out regular market research on their channels of distribution. They did, however, carry out regular market research on customers, understand the sales potential and profitability of their different products and control their marketing functions at a very senior level.

5.2.2 Marketing Activities

In the Marketing Activities section, the respondents answered that they neither agreed nor disagreed with the majority of the questionnaire items. They only expressed explicit opinions on twelve out of thirty two items.

A list of the items with which the respondents agreed or disagreed follows:

1. The organizations with which I am familiar have a business mission that is clearly stated in market-oriented terms.

4. Given their resources, competitive position and the opportunities available the organizations with which I am familiar do not have appropriate marketing objectives.

8. The organizations with which I am familiar have difficulty optimally allocating resources to the major elements of the marketing mix.

9. The organizations with which I am familiar do not budget sufficient resources to accomplish their marketing objectives.

12. In the organizations with which I am familiar good communication between marketing and sales is virtually non-existent.

14. The marketing staff in most organizations with which I am familiar needs more training.

15. The marketing staff in most organizations with which I am familiar needs to be evaluated more frequently.

25. In the organizations with which I am familiar management periodically analyzes the profitability of its products.

26. In the organizations with which I am familiar management periodically analyzes the profitability of its salespeople territories.

27. In the organizations with which I am familiar management periodically analyzes the profitability of their markets.

29. In the organizations with which I am familiar management periodically examines its marketing costs.

30. The organizations with which I am familiar are not well organized to gather, generate, and screen new product ideas.

Findings for Marketing Activities in Developing Countries:

The majority of the respondents believe that the organizations with which they are familiar have a business mission that is clearly stated in market-oriented terms. They also believed that given their competitive position and the opportunities available to them, the firms did have appropriate marketing objectives.

The respondents also agree, however, that these organizations do not budget sufficient resources to accomplish their marketing objectives and have difficulty optimally allocating their resources to the major elements of the marketing mix.

The majority of the respondents disagree with the statement that the communication between marketing and sales in the organizations with which they are familiar is virtually non-existent but strongly agree with the statements saying that the marketing staff need more training and need to be evaluated more often. The respondents also feel that the organizations with which they are familiar periodically analyze the profitability of their products, sales people territories, and markets. The organizations also periodically analyze their marketing costs. However, the respondents also feel that the organizations with which they are familiar are not well organized to gather, generate and screen new product ideas.

5.3 Factor Analysis

The results of the factor analysis are presented in two parts: Marketing Orientation and Marketing Activity. The main purpose of this section is to obtain the factor scores that will be used in the final part of this section – multiple regression analysis.

5.3.1 Marketing Orientation

According to Morgan and Griego (1998), the Kaiser-Meyer-Olkin (KMO) of sampling adequacy must be greater than .70 and the Bartlett test should be significant (i.e. less than

.05). For the Marketing Orientation section the KMO was .87441 and the Bartlett's test had a significance of .00000, and therefore both necessary assumptions were met. Three factors emerge, all with loadings of .65 and greater. These three factors account for 63.5% of the variance.

Table 3 - Factors for Marketing Orientation Questionnaire Items

Description	Questionnaire Item	Factor Loading
Organization-Wide Dissemination of Market Knowledge and Thought	18 - In the organizations with which I am familiar the marketing thinking and orientation at the top is well communicated throughout the organization.	.83449
	12 – The organizations with which I am familiar know the sales potential and profitability of their different products.	.79837
	19 – In the organizations with which I am familiar the marketing thinking and orientation at the top is well implemented down the line.	.79339
	13 – The organizations with which I am familiar know the sales potential and profitability of their different channels of distribution.	.67559
	17 – The managers with whom I am familiar understand the importance of having a clear, well-reasoned marketing strategy.	.67107
	11 – The organizations with which I am familiar know the sales potential and profitability of their different market segments and customers.	.67043
Regular Market Research	9 – The organizations with which I am familiar do not conduct regular (at least once every two years) marketing research studies on competitors.	.86414
	8 – The organizations with which I am familiar do not conduct regular (at least once every two years) marketing research studies on customers.	.80217
	10 – The organizations with which I am familiar do not conduct regular (at least once every two years) marketing research studies on their channels of distribution.	.79486
Market Segmentation and Differentiation	2 – The managers with whom I am familiar develop different product and service offerings for different market segments.	.78353
	3 – The managers with whom I am familiar do not develop different marketing plans for different segments of the market.	-.68052
	1 – the managers with whom I am familiar recognize the importance of designing their organization to serve the needs and wants of chosen markets.	.65038

5.3.2 Marketing Activity

For the Marketing Activity section the KMO was .82146 and the Bartlett's test had a significance of .00000, and therefore both necessary assumptions where met. Five factors emerge, all with loadings of .65 and greater. These five factors account for 63.6% of the variance.

Table 4 - Factors for Marketing Activity Questionnaire Items

Description	Questionnaire Item	Factor Loading
Marketing Intelligence and Planning	19 – The organizations with which I am familiar have a marketing intelligence system which produces accurate, timely and sufficient information.	.73344
	20 – The organizations with which I am familiar have a well-conceived and effective marketing planning system.	.70069
	23 – The organizations with which I am familiar set sales quotas on a proper basis.	.68799
	22 – The organizations with which I am familiar carry out their market measuring in a competent manner.	.65293
Periodic Analysis of Profitability and Cost of Marketing Activity	27- In the organizations with which I am familiar management periodically analyzes the profitability of their markets.	.75618
	26 – In the organizations with which I am familiar management periodically analyzes the profitability of its salespeople territories.	.74809
	29 – In the organizations with which I am familiar management periodically examines its marketing costs.	.72035
	28 – In the organizations with which I am familiar management periodically analyzes the profitability of its channels of distribution.	.70677
Training and Evaluation of Marketing Staff	14 – The marketing staff in most organizations with which I am familiar needs more training.	.86688
	15 – the marketing staff in most organizations with which I am familiar needs to be evaluated more frequently.	.82245
Relationship of Objectives to Product Life Cycle	5 – The organizations with which I am familiar have difficulty relating their marketing objectives to different stages of the life cycle for their products.	.75412
Implementation and Use of Results of Market Research	16 - In the organizations with which I am familiar top decision-makers regularly use the results of market research studies.	.79280
	17 – In the organizations with which I am familiar top decision-makers regularly ask that market research be undertaken.	.67757

The factors that emerge from the factor analysis are used in the multiple regression as dependent variables. Together, these factors capture both the larger picture of the

Marketing Orientation and Marketing Activities items in covered in the questionnaire and of Marketing Orientation and Marketing Activities in general.

5.4 Multiple Regression

To test the five hypotheses in this study, the data was analyzed for relationships between each of the two sets of independent variables and the eight dependent variables. The eight dependent variables are the factors obtained from the factor analysis. The results of the regression analysis are summarized in Tables 5 and Table 6 below.

'Set A' Independent Variables

A preliminary examination of the F-tests and their significance indicates that the overall models in Set A were a poor fit and that the variance explained by the independent variables **jointly** was not significant. Only one regression model was nearly significant: Marketing Intelligence and Planning (F=0.101). A possible reason for the limited success with the results of the Set A independent variables is that many of them are derived from the same source – the Heritage Foundation Index of Economic Freedom (1997). This may have created an element of multicollinearity in the results.

T-tests

However, taking a closer look at the individual independent variables and their t-tests, some interesting results emerge:

- Trade contributed significantly to the prediction of Market Intelligence and Planning (sig. t=0.017, coefficient=0.396) and Regular Market Research (sig. t=0.033, coefficient= -0.362).
- Education could be considered a weak predictor of whether companies in developing countries were able to understand the Relationship between (marketing) Objectives and the Product Life Cycle (sig. t=0.084, coefficient=0.261).

Table 5 – Results of Regression Analysis, Set A

Dependent Variable	Independent Variable	Coefficient	T (Sig T)	Adj. R^2	F	Sig. F
Organization-Wide Dissemination of Market Knowledge and Thought	Foreign Investment	-1.666	0.358	-0.015	0.796	0.556
	Trade	-0.088	0.603			
	Education	-0.035	0.818			
	Regulation	0.247	0.223			
	GDP	-0.199	0.184			
Regular Market Research	Foreign Investment	0.161	0.370	0.005	1.073	0.384
	Trade	-0.362	**0.033***			
	Education	-0.148	0.325			
	Regulation	-0.142	0.479			
	GDP	-0.069	0.638			
Market Segmentation and Differentiation	Foreign Investment	0.238	0.193	-0.034	0.560	0.730
	Trade	0.019	0.909			
	Education	0.060	0.697			
	Regulation	-0.199	0.331			
	GDP	0.042	0.780			
Marketing Intelligence and Planning	Foreign Investment	-0.156	0.369	0.065	1.937	**0.101***
	Trade	0.396	**0.017***			
	Education	0.016	0.911			
	Regulation	-0.137	0.480			
	GDP	-0.137	0.339			
Periodic Analysis of Profitability and Cost of Marketing Activity	Foreign Investment	-0.234	0.204	-0.046	0.406	0.843
	Trade	-0.002	0.990			
	Education	0.088	0.565			
	Regulation	0.202	0.325			
	GDP	0.063	0.674			
Training and Evaluation of Marketing Staff	Foreign Investment	0.110	0.538	0.002	1.026	0.410
	Trade	-0.247	0.142			
	Education	-0.185	0.222			
	Regulation	0.150	0.454			
	GDP	-0.001	0.994			
Relationship of Objectives to Product Life Cycle	Foreign Investment	-0.223	0.214	0.011	1.152	0.343
	Trade	0.239	0.154			
	Education	0.261	**0.084***			
	Regulation	0.172	0.390			

	GDP	-0.057	0.699			
Implementation and Use of Results of Market Research	Foreign Investment	-0.020	0.912	-0.009	0.878	0.501
	Trade	0.163	0.334			
	Education	0.213	0.162			
	Regulation	0.172	0.393			
	GDP	-0.102	0.492			

'Set B' Independent Variables

While the independent variables in Set B are alternate measures to the same five hypotheses, the results of the regressions presented a much better fit. Primarily, the percentage of variance explained by three (out of the eight) independent variables was significant or near significant.

F-tests

The F-tests represent the extent to which the independent variables together contribute to the prediction of the dependent variable. Some of the results were significant or near significant:

- The variance explained by the independent variables was significant for Market Intelligence and Planning (sig. F=0.017) indicating that the five independent variables **together** contributed significantly to the prediction of the dependent variable.
- The variance explained by the independent variables was near significant for Organization-Wide Dissemination of Market Knowledge and Thought (sig. F=0.102) and Regular Market Research (sig. F=0.072) indicating that the five independent variables **together** contributed to predicting the dependent variables albeit weakly.

T-tests

An independent variable with a significant score on the t-test indicates that there is a significant correlation between the independent and dependent variables – and that the independent variables can be used as a predictor of the dependent variable. A closer look at the Set B independent variables and the t-tests showed some interesting results.

- The size of a developing country's GDP (sig. t=0.003, coefficient= -3.041) is a significant predictor of the factor Organization-Wide Dissemination of Market Knowledge and Thought.
- The amount of Foreign Investment (sig. t=0.016, coefficient= -2.482) in a developing country and the size of its GDP (sig. t=0.048, coefficient=2.020) individually contribute significantly to the prediction of the factor Regular Market Research while Trade Policy (sig. t=0.057, coefficient=1.943) is a near significant predictor.
- Trade policy (sig. t=0.013, coefficient= -2.560) and size of a developing country's GDP (sig. t=0.010, coefficient= -2.648) contribute significantly to the prediction of factor Market Intelligence and Planning while a country's Regulation score (sig. t=0.062, coefficient= -1.900) contributes near significantly.
- Trade policy (sig. t=0.075, coefficient= -1.812) and Education (literacy) (sig. t=0.084, coefficient= -1.755) are also near significant predictors of factor Implementation and Use of Market Research and Results.

Table 6 – Results of Regression Analysis, Set B

Dependent Variable	Independent Variable	Coefficient	T (Sig T)	Adj. R^2	F	Sig. F
Organization-Wide Dissemination of Market Knowledge and Thought	Foreign Investment	1.408	0.164	0.065	1.932	**0.102***
	Trade	0.107	0.915			
	Education	-0.168	0.867			
	Regulation	0.599	0.551			
	GDP	-3.041	**0.003***			
Regular Market Research	Foreign Investment	-2.482	**0.016***	0.078	2.139	**0.072***
	Trade	1.943	**0.057***			
	Education	0.302	0.764			
	Regulation	1.517	0.134			
	GDP	2.020	**0.048***			
Market Segmentation and Differentiation	Foreign Investment	0.520	0.605	-0.064	0.190	0.965
	Trade	-0.462	0.645			
	Education	0.165	0.870			
	Regulation	-.0546	0.587			
	GDP	-0.350	0.728			
Marketing Intelligence and Planning	Foreign Investment	1.296	0.200	0.131	3.014	**0.017***
	Trade	-2.560	**0.013***			
	Education	-0.845	0.401			
	Regulation	-1.900	**0.062***			
	GDP	-2.648	**0.010***			
Periodic Analysis of Profitability and Cost of Marketing Activity	Foreign Investment	1.149	0.255	-0.042	0.462	0.803
	Trade	0.654	0.516			
	Education	0.776	0.441			
	Regulation	0.905	0.369			
	GDP	-1.062	0.292			
Training and Evaluation of Marketing Staff	Foreign Investment	-1.123	0.266	0.006	1.076	0.382
	Trade	-0.744	0.460			
	Education	-1.469	0.147			
	Regulation	-0.399	0.691			
	GDP	1.141	0.258			
Relationship of Objectives to Product Life Cycle	Foreign Investment	-0.591	0.557	-0.071	0.111	0.990
	Trade	0.176	0.861			
	Education	0.341	0.735			
	Regulation	0.253	0.801			
	GDP	0.097	0.923			
Implementation and Use of Results of Market Research	Foreign Investment	1.299	0.199	0.048	1.681	0.152
	Trade	-1.812	**0.075***			
	Education	-1.755	**0.084***			
	Regulation	-1.106	0.273			
	GDP	-1.457	0.150			

6.0 Analysis and Discussion

In this section the findings are discussed in detail. The independent variables are discussed in relation to the hypotheses.

6.1 *Examining the Independent Variables and the Hypotheses*

Each set of the independent variables and the hypotheses presented previously are discussed in light of the multivariate analysis results.

6.1.1 Foreign Direct Investment

> H1: *The more a developing country is open to FDI, the better will be its marketing orientation and the more intense will be its marketing activities.*

FDI was correlated to the three items in marketing orientation:

1. Dissemination of Market Knowledge and Organization-Wide Thought
2. Regular Market Research
3. Market Segmentation and Differentiation

As well as correlated to each of the five items in Marketing Activity:

1. Marketing Intelligence and Planning
2. Periodic Analysis of Profitability and Cost of Marketing Activity
3. Training and Evaluation of Marketing Staff
4. Relationship of Objectives to Product Life Cycle
5. Implementation and Use of Results of Market Research

The total amount of FDI inflows was found to be a significant predictor (sig. t=0.016)[3] of whether companies in a developing country undertook regular market research (a component of Marketing Orientation). FDI was unrelated to any of the Marketing Activities factors.

According to the results, FDI can be used to predict whether companies in a developing country will undertake regular market research. One explanation of this relationship between FDI and regular market research may be found in the 'spill over' benefits of FDI. According to Kotler (1988), nations benefit from the presence of foreign capital as local businesses become more competitive and there is a spillover of knowledge as nationals working for multinationals receive excellent training and, in time, are re-circulated into the local economy. Also, according to Mallampally and Sauvant (1999) Foreign Direct Investment represents the transfer of production technology, skills, innovative capacity, and organizational and managerial practices between locations. As regular market research is a practice used to aid and improve management decisions in more developed economies, it is understandable that this practice would be transferred to subsidiaries in developing countries.

Furthermore, as previously mentioned, FDI has become a major source of private external finance for developing countries. It differs from other major types of external private capital flows in that it is motivated by the investors' long term profit-making prospects in production activities that they directly control. Multinationals make

[3] The correlation appears to be negative (coefficient –2.482) due to the questions being phrased in the negative 'The companies and organizations DO NOT conduct regular market research on customers'.

available the resources required for them to function in developing countries. The availability of resources – both human and material – will have an effect on whether companies in developing countries can undertake regular research. Foreign subsidiaries with their higher paid staff and (partially) foreign management will be in a relatively better position to conduct regular market research. Not only do the managers of subsidiaries understand the need of conducting regular research - their staff, who may be among the best the local labor pool has to offer - will probably be able to understand and use it to aid their decision making.

To conclude, the finding that FDI is a significant predictor of whether companies will conduct regular market research is a good omen for developing countries. As market research and intelligence are critical components of customer orientation (Hang and Chen, 1998), it can be hoped that with time and through greater FDI, companies in developing countries will be able to thoroughly embrace the marketing orientation concept. By doing so, companies in developing countries will inadvertently increase the value of their products and services – and, therefore, their performance (Kohli and Jaworski, 1990).

6.1.2 Regulation

> H2: *The less regulated a developing market is, the better will be its Marketing Orientation and the more intense will be its Marketing Activities.*

Deregulation was correlated to the three items in Marketing Orientation:

1. Dissemination of Market Knowledge and Organization-Wide Thought

2. Regular Market Research
3. Market Segmentation and Differentiation

As well as correlated to each of the five items in Marketing Activities:

1. Marketing Intelligence and Planning
2. Periodic Analysis of Profitability and Cost of Marketing Activity
3. Training and Evaluation of Marketing Staff
4. Relationship of Objectives to Product Life Cycle
5. Implementation and Use of Results of Market Research

According to the literature, increased liberalization of markets has made globalization possible (Dunning and Hamdani, 1997). As such, emerging markets' increased attractiveness is in part largely the result of a number of economic liberalization measures that have been adopted in the past decade. However, the results showed no significant relationship between the measure of regulation (from the Heritage Foundation) used in this research and the level of Marketing Orientation and the quality of Marketing Activities in developing countries.

However, regulation was found to be a weak predictor (sig. t=0.062) of Market Intelligence and Planning, a component of Marketing Activities[4]. This statistically weak relationship between a country's regulation score and the factor Market Intelligence and Planning does indicate that heavy government regulations do influence the Marketing Activities of companies in developing countries. This is unfortunate as, according to the literature, the difficult regulatory environment in developing countries has been blamed for limited foreign investments (Agodo, 1978) and foreign firms' poor market performance (Collins, 1990).

[4] The correlation appears negative (-1.900) due to the American Heritage Foundation attributing LOWER scores to countries with more liberal regulatory environments.

Increased deregulation and free markets are beneficial to economic development. According to Qureshi (1996), by promoting efficiency and productivity and providing a friendlier environment for exports and foreign investment, outward-oriented reforms have been key to recent improvements in the developing countries' economic prospects (p.p. 31). By cutting back on regulation, governments unleash the entrepreneurial drive and competition that promotes greater management discipline and planning – as well as helps spark the spontaneous innovation that occurs under the heat of duress.

Companies who are sustained in environments that are over-regulated and/or lack competition have little need for market intelligence or market planning. This type of indifferent and detached environment is illustrated by Okoroafo and Kotabe (1993) who point out that in some developing countries products were developed and sold without any consideration to the fact of whether or not they matched consumer needs. In more competitive environments, marketing intelligence and planning become much more important. Therefore, for companies in developing countries to develop and utilize effective market planning and intelligence systems - and to improve the overall level of their marketing activities - governments in these countries should strive to reduce regulation and allow for greater competition.

6.1.3 Size of Economy

> H3: *The greater the size of a developing country's economy, the better will be its Marketing Orientation and the more intense will be its Marketing Activities.*

Gross Domestic Product (Purchasing Power Parity) was regressed to the three items in Marketing Orientation:

1. Dissemination of Market Knowledge and Organization-Wide Thought
2. Regular Market Research
3. Market Segmentation and Differentiation

As well as correlated to each of the five items in Marketing Activity:

1. Marketing Intelligence and Planning
2. Periodic Analysis of Profitability and Cost of Marketing Activity
3. Training and Evaluation of Marketing Staff
4. Relationship of Objectives to Product Life Cycle
5. Implementation and Use of Results of Market Research

The size of a developing country's Gross Domestic Product was found to significantly predict two factors of Marketing Orientation: Organization-Wide Dissemination of Market Knowledge and Thought (sig. t=0.003) and Regular Market Research (sig. t=0.048). Gross Domestic Product did not have any significant relationship with any of the factors that comprise Marketing Activities.

Interestingly, the correlation between GDP and the Organization-Wide Dissemination of Market Knowledge and Thought is negative. This negative correlation (-3.041) indicates that as a developing country's GDP increases the perceived market knowledge of its managers' decreases and a company's internal communication decrease. Conversely, a significantly positive correlation was found between the size of a developing country's GDP and whether or not companies in that country conduct regular market research.

The finding that the size of a country's GDP is a predictor of Marketing Orientation may be due to several reasons. Primarily, as previously discussed. foreign direct investment and the transfer of knowledge from developed countries to developing countries. In a study on the attractiveness of countries to FDI, Jackson and Markowski (1996), found that "FDI responds positively to the size of the host market, and to economic growth of the host..." (pp. 117). In other words, "them that have it, gets it" (Jackson and Markowski, 1996, pp. 126). As the transfer of knowledge is a spillover benefit of FDI, and a large GDP is attractive to foreign investors, then can be argued that countries with higher GDP will attract more FDI and will utilize more advanced marketing tools (such as research).

Secondly, large markets in developing countries may be more profitable than their smaller counterparts. These markets will also be more competitive as the larger size translates for more room for a greater number of participants. Therefore, companies in larger markets will usually have a less dominant position in their market, be subject to more competition and also have the need/resources to carry out regular market research.

In summary, GDP contributes significantly to the prediction of the level of Marketing Orientation to be found in a developing country. Precisely, the size of developing country's GDP helps predict the perceived level of market knowledge of companies in that country, the extent of communication within these companies and whether they are likely to conduct regular market research.

6.1.4 Trade

H4: *The more open a developing country is to trade, the better will be its Marketing Orientation and the more intense will be its Marketing Activities.*

Trade was correlated to the three items in Marketing Orientation:

1. Dissemination of Market Knowledge and Organization-Wide Thought
2. Regular Market Research
3. Market Segmentation and Differentiation

As well as correlated to each of the five items in marketing activities:

1. Marketing Intelligence and Planning
2. Periodic Analysis of Profitability and Cost of Marketing Activity
3. Training and Evaluation of Marketing Staff
4. Relationship of Objectives to Product Life Cycle
5. Implementation and Use of Results of Market Research

Trade contributes significantly to the prediction of Marketing Activities using both Set A and Set B independent variables. More specifically, the type of trade policy followed by a developing country significantly (sig. t=0.017 for Set A and sig. t=0.013 for Set B) predicts the level of Market Intelligence and Planning using both sets of independent variables. An open trade policy and the percentage trade in an economy are both significant predictors of Marketing Intelligence and Planning – and therefore, Marketing Activities. However, the correlation is negative for both sets. In the case of Set A, while the coefficient is 0.396 is positive, the measure indicates that the more restrictive the trade policy, the higher the score for Marketing Intelligence and Planning. This is due to the Heritage Foundation attributing LOWER scores to more liberal trade policies. For Set B, the coefficient for trade is –1.812, indicating that the lower the percentage of trade within a country's GDP, the better the score for Marketing Intelligence and Planning.

This finding is counterintuitive. One would expect that the freer the trade policy pursued by a developing country, the more likely companies there are likely to have more efficient market intelligence and market planning systems and higher quality Marketing Activities. However, a possible explanation would be that larger countries may have a lower percentage of GDP attributed to international trade – as their GDPs are large to begin with.

Using Set A, trade policy is also a significant predictor of Regular Market Research (sig. t=0.033). However, the correlation is negative (-0.362). Taking into consideration that the Heritage Foundation appropriates lower scores to more liberal trade regimes and that the questions on market research are inversed, this means that the more liberal the trade policy adopted by a country, the less likely the companies in that country are to conduct regular market research. Again, this ran counter to what was expected from the literature - as a country with a more liberal trade policy should have superior marketing performance.

More research needs to be done before any conclusions can be drawn on the relationship between trade policy and Marketing Orientation and Activities.

6.1.5 Education Levels

H5: *The higher a developing country's educational levels, the better will be its Marketing Orientation and the more intense will be its Marketing Activities.*

Education levels were correlated to the three items in Marketing Orientation:

1. Dissemination of Market Knowledge and Organization-Wide Thought
2. Regular Market Research
3. Market Segmentation and Differentiation

As well as correlated to each of the five items in Marketing Activity:

1. Marketing Intelligence and Planning
2. Periodic Analysis of Profitability and Cost of Marketing Activity
3. Training and Evaluation of Marketing Staff
4. Relationship of Objectives to Product Life Cycle
5. Implementation and Use of Results of Market Research

Neither literacy levels nor secondary school enrollment - both used as a proxy for education - emerged as strong (significant) predictors of the either the level of Marketing Orientation or Marketing Activities in developing countries. However, education was found to be a weak predictor of whether companies in developing countries were able to relate their marketing objectives to the life cycle product of their products (sig. t=0.084) using Set A independent variables. This may be due to more educated employees being able to 'get their mind around' relatively complex marketing concepts. Also education can be considered a weak predictor of whether companies in developing countries implement and use the results of marketing research (sig. t=0.084)[5].

6.2 Relation of Findings to the Model

In the literature there is widespread evidence that developing countries are increasingly experiencing deep integration into the world economy as the pace of globalization increases. Key factors such as FDI, government deregulation, size of the economy, trade and education, help further propel countries into the global economic scene. In a study on the factors that companies consider when deciding to invest in another country, Porcano (1993) found that "firms appear to be most concerned about the factors that directly affect their ability to produce and sell a quality product – product demand, labor quality and supply, and the location of a country's economy..." (pp. 26). Other studies have identified the importance of good infrastructure (possible only if a country has some degree or wealth) (Lim, 1985; KPMG Peat Marwick, 1991); of product demand and economic conditions of the host country (Ajami and Ricks, 1981; Stevens, 1991); and of avoidance of trade restrictions in the host country (Ingrassia and Chandler, 1992; KPMG Peat Marwick, 1991).

The importance of trade and investment for furthering integration in a world where economic strength is the dominant measure of power is indisputable. Today foreign direct investment is one of the main sources of funding into developing countries (Lankes and Venables, 1996; Mallampally and Sauvant, 1999; Marin and Schnitzer, 1998; McClenahen et al., 1999; Wells, 1998), government deregulation increasingly makes countries attractive to investors (Arnold and Quelch, 1998; Bartlett, 1990; Collins, 1990; Dunning and Hamdani, 1997; Killick et al., 1984; Harrell and Okeifer, 1981; Hemboldt

[5] While this correlation appears negative (-1.755) one should keep in mind that the question is inversed - "Companies and Organizations with which I am familiar with DO NOT conduct regular market

and Hardy, 1986; Lever and Hume, 1986; Mallampally and Sauvant, 1999; Okoroafo and Kotabe, 1993; Qureshi, 1996), the size of the economy of a nation is a potent pull factor for investors (Jackson and Markowski, 1996; Mallampally and Sauvant, 1999; Qureshi, 1996, Thurow, 2000), the share of trade of developing countries is rising (Hanson, 1996; Qureshi, 1996), and the education of the workforce is crucial for the supply of skilled labor (Carrington and Detragiache, 1999, Dunning and Hamdani, 1997).

The findings of this research indicate that there is sufficient evidence to support our literature-based model. According to these findings, there is a significant relationship between the factors that are considered crucial in determining economic success in a global environment (i.e. the ability to attract FDI, deregulation, market size, liberal trade policies, and education) and the level of Market Orientation and quality of Marketing Activities in developing countries.

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research..."

7.0 Conclusion

The relationship between marketing and development will become increasingly important as some developing countries become more integrated into the world economy – and others lag behind in relative isolation. Questions will be asked and formulas sought that will address why it is that some countries are succeeding economically while others seem to be lost in the economic wilderness.

Not surprisingly, the state of a country's internal market and its competitive position in the international market are considered key to economic development. Therefore, local companies and their ability to compete against international rivals are vital to a countries economic destiny. In this battle, marketing becomes crucial. The level of marketing orientation and the quality of the marketing activities of local companies may determine the extent to which they and ultimately, their country succeed. Addressing the components, or factors, that predict the levels of marketing orientation and activities becomes of great importance.

This section begins by addressing the limitations of this study. This is followed by a discussion on suggested directions of future research and implications of such work for academics and practitioners. This section concludes with final remarks on the state of marketing and developing countries.

7.1 Limitations of Study

As with all research, ensuring the tightness of the process and analysis, and minimizing the limitations of this study, was a concern throughout. There are, however, four main limitations of this study: the sample size, the country-of-origin 'mix' of the respondents and the survey instrument.

The first limitation is the size of the sample. With a topic as broad and general as that of marketing in developing countries, a sample size greater than 69 would have been very useful and would have given a greater level of confidence in the results. While the sample size was sufficient to allow that statistical analysis be conducted, it was not large enough for one to feel that the adequate breadth and depth of opinions that would have been obtained from a wider range of countries, with multiple respondents from each country, was obtained.

A second limitation of the study is related to the country-of-origin 'mix' of the sample (Appendix 5). 17.6% of the respondents in the study were from Brazil and another 13.2% were from Hong Kong – economic giants which are relatively affluent and heavily exposed to globalization. This may be too great a representation from two relatively 'non representative' countries and may have skewed the results.

Also, the third limitation involves the survey instrument and the questions asked. The Marketing Audit is an instrument that requires intense face to face interaction between an independent auditor and the management of the firm that is being audited. It is not to be self administered (as this questionnaire was) in order to maintain distance and objectivity. Also, the audit is firm specific – allowing the auditor deep insight into the company and its marketing orientation and practices. The questionnaire that was sent out requested that the respondents give their opinion on the companies and organizations with 'which they were familiar'. This may be too broad a statement that could lead the respondents to answer based on preconceived generalizations and stereotypes. A more objective approach may have been to request that managers critique their own organizations so that the subject of their criticism is limited to something they are very knowledgeable of.

Finally, there is a possibility that the scale of Marketing Orientation may not be applicable to developing countries. Scales developed for western or developed country environments can be problematic in that the constructs that they are attempting to measure are not readily present in developing country environments. Social, cultural and economic structures may differ greatly rendering standard scales somewhat useless when applied in the vastly different contexts. The solution to this may come after more research is conducted on marketing in developing countries and a Marketing Orientation scale can be designed for the specific context of emerging economies given their unique needs.

7.2 Directions for Future Research

Given the emergence of developing countries as important actors in the global economy, the possibilities for future research on marketing and developing countries abound.

Those suggested in this section propose to extend the current research in a more focused, exploratory manner. Three paths are suggested.

One direction for future research involves focusing on a smaller group of developing countries – for example, using three from Asia, three from Latin America and another three from Africa – but ensuring that a large enough sample is obtained so as to get meaningful results. This way, a comparative study may also be undertaken. It would consist of a study replicating the present efforts of identifying the factors having the greatest affect on Marketing Orientation and Marketing Activity, but focusing on a smaller set of developing countries rather than all developing countries.

A second suggestion is to conduct case studies on companies in two different industries in a developing country. For example, one could conduct cases studies of key companies in the telecommunications industry in Brazil (which is currently exposed to global competition) and companies in a manufacturing sector facing less competition. The benefit of such a study would be to better examine the effect that global integration has on the Marketing Orientation and Marketing Activity of local companies in developing countries.

A third proposed direction would be to isolate two industries in a developing country. One would be known to have received a large amount of foreign direct investment while the other would be relatively protected and untouched by globalization. Marketing audits could be sent out to a number of companies in each group and the results could be compared. This may show how FDI and globalization helps specific industries and that the effect is/is not necessarily directly transferrable to the society at large.

7.3 Implications for Academics and Practitioners

This study on marketing and developing countries, given the emergence and increasing importance of developing countries to the global economy, has value to both academics and practitioners. The first section of the research describes the findings of the marketing audit while the second investigates the relationships between the levels of Marketing Orientation and Activities and the factors identified in the literature as critical to the economic development of developing countries. That is – the first section seeks to ***paint the picture*** of what is happening now, while the second tries to ***explain*** the relationships behind the shapes in the painting.

The first section provides important insight into the state of marketing in developing countries as it was in 1997. This information can be used to gain an understanding of the marketing issues that are of concern to managers. For example, one of the issues that seems to be of universal concern in developing countries is the belief that the marketing staff needs more training and evaluation. This was of concern in almost all of the developing countries. The implications of this finding are important as a lack of trained marketers and marketing staff will have an effect on the marketing activities or export efforts of companies in developing countries. Also, managers of multinationals will need to factor this information into any plans for increased activity that they may have for their businesses. The descriptive section contains many of these insights that are of use to academics and practitioners alike.

The second section, which investigates the relationship between the level of Marketing Activity and Marketing Orientation and the variables identified as important for the economic development of developing countries by the literature provides equally interesting findings. From the results of this research, it is clear that policy makers in developing countries need to look at the relationship between the level and quality of marketing activities and their country's economic development. Education, the ability to attract FDI, the extent of government regulation and the openness of trade policy are all variables that can be controlled by government and all of which seem to have an effect on the level of Marketing Orientation and the quality of Marketing Activities. Arguably, these marketing concepts are crucial to a country's overall economic destiny. Manipulating or strengthening any of these variables should have a positive effect on a country's development and competitive position.

7.4 Concluding Remarks

The fact that investment, deregulation, trade, human capital formation and globalization are related cannot be disputed. Globalization is increasingly hailed as an engine of growth and economic development (Erwin, 2000). While the literature argues that there is a link between globalization and development within countries involved in the process, this study reveals a relationship between the variables that are considered important for global integration and the level of Marketing Orientation and the quality of Marketing Activities of developing countries.

The very definition of globalization highlights the effect it has on business, and marketing practices will at one point be effected by it. According to one economist from the Melbourne Business School, one of the aspects of globalization is that it expands on firms' planning, thinking, operating and investing for the future as their reference to markets and opportunities for the world as a whole change (Griswold, 2000).

Globalization emerged as a relatively ad hoc process as the world increasingly moved toward greater integration and trade liberalization. Today the process has gained such momentum that the positive spillover effects of integration on developing countries cannot be overlooked. For example, there seems to be a clear relationship between economic development (as measured in GNP per capita) and one of the leading engines of globalization, trade. According to Mandle (2000), a country's Human Development Index (HDI) is closely related to its export volume and its level of GDP per capita. As such, without international trade poor countries have less of a chance of improving income levels and their HDI scores.

In the same light, Griswold (2000) contends that globalization allows countries to make leaps with regards to technology and learning. In the case of technology, countries benefit from ready made, "off the shelf" developments, which spares them the cost of expensive research and development processes. In the case of learning, as multinationals set up locally and employ and train locals, their knowledge and know-how is invariably transferred. The author also contends that countries open to trade fare better and are more prosperous than their more closed counterparts. In fact, despite recent halting reforms, the poorest regions in the world remain the least friendly to trade, i.e., the Indian subcontinent and sub-Saharan Africa. Studies confirm a strong link between the economic openness of countries and economic growth. As such, it is not surprising that some of the East Asian Tigers reverted their state of poverty of the 1950s to a standard of living rivaling those of the wealthiest countries in the world (Griswold, 2000).

This study confirms the theoretical arguments presented above. Globalization, and the variables associated with it, will effect the level of Marketing Orientation and the quality of Marketing Activities in developing countries. Whether one ascribes to the activist or determinist schools of thought (whether marketing drives the economy forward or is 'dragged' up by it), one cannot argue that economic development and marketing are independent. A valid proposition to be put forward by marketing scholars to politicians in developing countries should now be: "If you want development, teach marketing to as many people as will listen!" Governments in developing countries would do well by offering free marketing workshops and seminars and by making marketing education compulsory in school. Knowledge is power and international business is war. To that point, marketing knowledge may be one of the most crucial, and yet often missing or overlooked, weapons needed by developing countries in their fight for economic development.

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Appendix 1 - Questionnaire

THE PRACTICE OF MARKETING IN NEWLY INDUSTRIALIZED

AND DEVELOPING COUNTRIES

This questionnaire is part of a stream of research into the teaching and practice of marketing in Newly Industrialized and Developing Countries. My objective is to examine opinions about marketing practice. This is for purely research and academic reasons. This questionnaire is divided into four parts, please try to answer all the questions. All responses will be kept strictly confidential.

IN ANSWERING THE QUESTION PLEASE RESPOND IN THE CONTEXT OF THE COUNTRY WHERE YOU CURRENTLY RESIDE. THE QUESTIONS REFER TO THE ORGANIZATIONS WITH WHICH YOU ARE FAMILIAR IN THAT PARTICULAR COUNTRY. IN THE CASE OF MULTINATIONAL COMPANIES, PLEASE REFER TO BRANCHES LOCATED IN YOUR COUNTRY.

Please indicate your responses to the following questions by circling the appropriate number.

1. Strongly Disagree
2. Disagree
3. Neither Disagree nor Agree
4. Agree
5. Strongly Agree

To all questions, please respond in terms of your own practical experience in the country where you currently reside.

MARKETING ORIENTATION

4. The managers with whom I am familiar recognize the importance of designing their organization to serve the needs and wants of chosen markets. 1 2 3 4 5

5. The managers with whom I am familiar develop different product and service offerings for different market segments. 1 2 3 4 5

6. The managers with whom I am familiar do not develop different marketing plans for different segments of the market. 1 2 3 4 5

7. The organizations with which I am familiar take a whole system view (suppliers, channels, competitors, customers, environment) in planning their business. 1 2 3 4 5

8. The organizations with which I am familiar integrate and control their major marketing functions at a very senior level. 1 2 3 4 5

9. In the organizations with which I am familiar marketing management works well with management in other functional areas such as manufacturing, purchasing, physical distribution, finance, accounting and personnel. 1 2 3 4 5

10. The organizations with which I am familiar have a well organized new product development process. 1 2 3 4 5

11. The organizations with which I am familiar do not conduct regular (at least once every two years) marketing research studies on customers. 1 2 3 4 5

12. The organizations with which I am familiar do not conduct regular (at least once every two years) marketing research studies on competitors. 1 2 3 4 5

13. The organizations with which I am familiar do not conduct regular (at least once every two years) marketing research studies on their channels of distribution. 1 2 3 4 5

14. The organizations with which I am familiar know the sales potential and profitability of their different market segments and customers. 1 2 3 4 5

15. The organizations with which I am familiar know the sales potential and profitability of their different products. 1 2 3 4 5

16. The organizations with which I am familiar know the sales potential and profitability of their different channels of distribution. 1 2 3 4 5

17. The organizations with which I am familiar do not attempt to measure the cost effectiveness of different marketing expenditures. 1 2 3 4 5

18. The organizations with which I am familiar do little or no formal marketing planning. 1 2 3 4 5

19. The organizations with which I am familiar do little or no contingency thinking and planning. 1 2 3 4 5

20. The managers with whom I am familiar understand the importance of having a clear, well-reasoned marketing strategy. 1 2 3 4 5

21. In the organizations with which I am familiar the marketing thinking and orientation at the top is well communicated throughout the organization. 1 2 3 4 5

22. In the organizations with which I am familiar the marketing thinking and orientation at the top is well implemented down the line. 1 2 3 4 5

23. The organizations with which I am familiar make effective use of their marketing resources. 1 2 3 4 5

24. The organizations with which I am familiar show a good capacity to react quickly and effectively to on-the-spot developments. 1 2 3 4 5

MARKETING ACTIVITY

28. The organizations with which I am familiar have a business mission that is clearly stated in market-oriented terms. 1 2 3 4 5

29. The organizations with which I am familiar have a business mission that is clearly feasible. 1 2 3 4 5

30. The organizations with which I am familiar do not have clearly stated goals which are used to guide performance measurement. 1 2 3 4 5

31. Given their resources, competitive position and the opportunities available the organizations with which I am familiar do not have appropriate marketing objectives. 1 2 3 4 5

32. The organizations with which I am familiar have difficulty relating their marketing objectives to different stages of the life cycle for their products. 1 2 3 4 5

33. The organizations with which I am familiar have difficulty identifying market segments and choosing the best one to go after. 1 2 3 4 5

34. The organizations with which I am familiar do not have accurate profiles of each target segment.	1	2	3	4	5
35. The organizations with which I am familiar have difficulty optimally allocating resources to the major elements of the marketing mix.	1	2	3	4	5
36. The organizations with which I am familiar do not budget sufficient resources to accomplish their marketing objectives.	1	2	3	4	5
37. The marketing officer, in the organizations with which I am familiar has inadequate authority over company activities that affect customer satisfaction.	1	2	3	4	5
38. Marketing activities, in the organizations with which I am familiar are not optimally structured along functional, product, end-user and territorial lines.	1	2	3	4	5
39. In the organizations with which I am familiar good communication between marketing an sales is virtually non-existent.	1	2	3	4	5
40. Product managers in the organizations with which I am familiar have the authority to plan profits and sales volume.	1	2	3	4	5
41. The marketing staff in most organizations with which I am familiar needs more training.	1	2	3	4	5
42. The marketing staff in most organizations with which I am familiar needs to be evaluated more frequently.	1	2	3	4	5
43. In the organizations with which I am familiar top decision makers regularly use the results of market research studies.	1	2	3	4	5
44. In the organization with which I am familiar top decision makers regularly ask that market research be undertaken.	1	2	3	4	5
45. The organization with which I am familiar employ the best available methods for market and sales forecasting.	1	2	3	4	5
46. The organizations with which I am familiar have a marketing intelligence system which produces accurate, timely and sufficient information.	1	2	3	4	5
47. The organizations with which I am familiar have a well conceived and effective marketing planning system.	1	2	3	4	5
48. The organizations with which I am familiar carry out their sales forecasting in a competent manner.	1	2	3	4	5

49. The organizations with which I am familiar carry out their market measuring in a competent manner. 1 2 3 4 5

50. The organizations with which I am familiar set sales quotas on a proper basis. 1 2 3 4 5

51. The organizations with which I am familiar do not have adequate control procedures to ensure that their annual plan objectives are being achieved. 1 2 3 4 5

52. In the organizations with which I am familiar management periodically analyzes the profitability of its products. 1 2 3 4 5

53. In the organizations with which I am familiar management periodically analyzes the profitability of its salespeople territories. 1 2 3 4 5

54. In the organizations with which I am familiar management periodically analyzes the profitability of their markets. 1 2 3 4 5

55. In the organizations with which I am familiar management periodically analyzes the profitability of its channels of distribution. 1 2 3 4 5

56. In the organizations with which I am familiar management periodically examines its marketing costs. 1 2 3 4 5

57. The organizations with which I am familiar are not well organized to gather, generate, and screen new product ideas. 1 2 3 4 5

58. The organizations with which I am familiar do not do adequate concept research and business analysis before investing in new product ideas. 1 2 3 4 5

59. The organizations with which I am familiar do not carry out adequate product and market testing before launching new products. 1 2 3 4 5

MARKETING FUNCTIONS

1. The organizations with which I am familiar do not have product line objectives. 1 2 3 4 5

2. The organizations with which I am familiar do not attempt to identify products which should be phased out

from their product lines. 1 2 3 4 5

3. The organizations with which I am familiar do not attempt to systematically identify products which should be added to their product lines. 1 2 3 4 5

4. The organizations with which I am familiar are unaware of their customers knowledge and attitudes towards their products. 1 2 3 4 5

5. The organizations with which I am familiar are unaware of what areas of their product strategy need improvement. 1 2 3 4 5

6. The organizations with which I am familiar do not recognize the need for pricing objectives and strategies. 1 2 3 4 5

7. The organizations with which I am familiar set their prices on the basis of cost rather than on demand and competitive criteria. 1 2 3 4 5

8. For the organizations with which I am familiar customer often see prices as being in line with the value of the organization's offering. 1 2 3 4 5

9. The management of the organizations with which I am familiar know relatively little about the price elasticity of demand for its product. 1 2 3 4 5

10. The management for the organizations with which I am familiar knows relatively little about competitors prices and price policies. 1 2 3 4 5

11. The price policies of the organizations with which I am familiar are incompatible with the needs of dealers and distributors. 1 2 3 4 5

12. The organizations with which I am familiar do not have clearly defined distribution objectives and strategies. 1 2 3 4 5

13. The organizations with which I am familiar do not have adequate market coverage and service. 1 2 3 4 5

14. The organizations with which I am familiar never consider changing their distribution channels. 1 2 3 4 5

15. The organizations with which I am familiar do not recognize the need to have clear advertising objectives. 1 2 3 4 5

16. The organizations with which I am familiar do not know if they spend a sufficient amount of advertising. 1 2 3 4 5

17. The organizations with which I am familiar do not know ho to determine their advertising budgets. 1 2 3 4 5

18. The organizations with which I am familiar do not know if their advertising themes and copy are effective. 1 2 3 4 5

19. The organizations with which I am familiar do not know what he public and their customers think about their advertising. 1 2 3 4 5

20. The organizations with which I am familiar do not know if their advertising media are well chosen. 1 2 3 4 5

21. The organizations with which I am familiar have adequate sales promotion budgets. 1 2 3 4 5

22. The organizations with which I am familiar make effective use of sales promotion tools such as samples, coupons, and displays. 1 2 3 4 5

23. The organizations with which I am familiar do not have clearly stated objectives for their sales force. 1 2 3 4 5

24. The organizations with which I am familiar know how their sales forces compare with those of their competitors. 1 2 3 4 5

25. The organizations with which I am familiar have adequate quota setting procedures for their sales force. 1 2 3 4 5

26. The organizations with which I am familiar have adequate procedures for evaluating the performance of their sales force. 1 2 3 4 5

27. The organizations with which I am familiar do not compensate their sales forces well. 1 2 3 4 5

28. The organizations with which I am familiar have sales forces that are adequately trained. 1 2 3 4 5

MARKETING DEVELOPMENT

1. As industrialization progresses consumers become less and less powerful. 1 2 3 4 5

2. Most people seem to believe that Marketing has little value but that the production of goods and services is the important thing. 1 2 3 4 5

3. In countries, such as this one, the traditional marketing management framework with its emphasis on the 4 P's (product, place, promotion and price) is not well suited because most of the variables are uncontrollable by the marketing manager. 1 2 3 4 5

4. Because of scarcity conditions it is difficult to measure the success or failure of a brand on its merits. 1 2 3 4 5

5. In countries such as this one, pricing decisions must be tempered by notions of justice and equity. 1 2 3 4 5

6. The managers with whom I am familiar often find pricing decisions difficult because of government controls. 1 2 3 4 5

7. Because of scarcity conditions there is a tendency to have little product variety. 1 2 3 4 5

8. Public policy makers in this country need to develop more of a marketing orientation. 1 2 3 4 5

9. Consumers are beginning to develop the same tastes in goods and services as consumers in the major industrialized countries of the world. 1 2 3 4 5

10. The marketing techniques used in the major industrialized countries of the world can easily be applied to this country. 1 2 3 4 5

11. Marketing graduates from our universities are ill-equipped to deal with the marketing problems that our organizations face. 1 2 3 4 5

ABOUT YOURSELF

1. What is your age in years? ______________________________

2. What is your official tittle in you organization? ______________________________

3. Please give the name of the country in which your organization is located ____________

4. Please give the number of years you have worked for your present organization _______

(please check)

5. Are you currently employed in a Business firm? Yes ___ No ___

   If yes is this firm in a Service Industry? Yes ___ No ___

   Manufacturing Industry? Yes ___ No ___

   Primary Industry? Yes ___ No ___

   If no are you currently employed in a Government Office or Agency? _________
   University? _________

6. What is the approximate number of employees in your organization? __________

7. In the context of this country would you rate your organization as Small? _______
   Medium? _______
   Large? _______

8. Your stage of formal schooling attained is

   1. Some primary ___
   2. Completed primary ___
   3. Some secondary ___
   4. Completed secondary ___
   5. Some Tech/University ___
   6. Completed University ___
   7. Masters ___
   8. Doctorate ___

9. If you wish to make any comments on this questionnaire or on the subject of Marketing, please free to make these in the space below.

Thank you,

Christopher A. Ross, PhD
Associate Professor.

Appendix 2 – Marketing Orientation Audit Results

Questionnaire Item	Questionnaire Option	%	Mean	Median
1 - The managers with whom I am familiar recognize the importance of designing their organization to serve the needs and wants of chosen markets.	Strongly disagree	2.9	3.74	4.0
	Disagree	15.9		
	Neither disagree nor agree	11.6		
	Agree	43.5		
	Strongly Agree	26.1		
2 - The managers with whom I am familiar develop different product and service offerings for different market segments.	Strongly disagree	2.9	3.68	4.0
	Disagree	14.5		
	Neither disagree nor agree	13.0		
	Agree	49.3		
	Strongly Agree	18.1		
3 - The managers with whom I am familiar do not develop different marketing plans for different segments of the market.	Strongly disagree	14.5	2.53	2.0
	Disagree	44.9		
	Neither disagree nor agree	15.9		
	Agree	18.8		
	Strongly Agree	4.3		
4 - The organizations with which I am familiar take a whole system view (suppliers, channels, competitors, customers, environment) in planning their business.	Strongly disagree	13.0	3.14	3.0
	Disagree	20.3		
	Neither disagree nor agree	18.8		
	Agree	34.8		
	Strongly Agree	13.0		

5 - The organizations with which I am familiar integrate and control their major marketing functions at a very senior level.	Strongly disagree	7.2	3.58	4.0
	Disagree	13.0		
	Neither disagree nor agree	17.4		
	Agree	39.1		
	Strongly Agree	23.2		
6 - In the organizations with which I am familiar marketing management works well with management in other functional areas such as manufacturing, purchasing, physical distribution, finance, accounting and personnel.	Strongly disagree	5.8	3.07	3.0
	Disagree	26.1		
	Neither disagree nor agree	29.0		
	Agree	33.3		
	Strongly Agree	5.8		
7 - The organizations with which I am familiar have a well organized new product development process.	Strongly disagree	13.0	2.79	2.0
	Disagree	37.3		
	Neither disagree nor agree	14.5		
	Agree	29.0		
	Strongly Agree	5.8		
8 - The organizations with which I am familiar do not conduct regular (at least once every two years) marketing research studies on customers.	Strongly disagree	18.8	2.78	2.0
	Disagree	31.9		
	Neither disagree nor agree	13.0		
	Agree	21.7		
	Strongly Agree	13.0		
9 - The organizations with which I am familiar do not conduct regular (at least once every two	Strongly disagree	17.4	2.9	3.0
	Disagree	30.4		

regular (at least once every two years) marketing research studies on competitors.	Neither disagree nor agree	11.6		
	Agree	23.2		
	Strongly Agree	15.9		
10 - The organizations with which I am familiar do not conduct regular (at least once every two years) marketing research studies on their channels of distribution.	Strongly disagree	7.2	3.23	4.0
	Disagree	26.1		
	Neither disagree nor agree	13.0		
	Agree	37.7		
	Strongly Agree	13.0		
11 - The organizations with which I am familiar know the sales potential and profitability of their different market segments and customers.	Strongly disagree	8.7	3.13	3.0
	Disagree	24.6		
	Neither disagree nor agree	17.4		
	Agree	43.5		
	Strongly Agree	5.8		
12 - The organizations with which I am familiar know the sales potential and profitability of their different products.	Strongly disagree	5.8	3.39	4.0
	Disagree	15.9		
	Neither disagree nor agree	23.2		
	Agree	43.5		
	Strongly Agree	11.6		
13 - The organizations with which I am familiar know the sales potential and profitability of their different channels of distribution.	Strongly disagree	4.3	3.06	3.0
	Disagree	33.3		
	Neither disagree nor agree	21.7		
	Agree	33.3		

	Strongly Agree	7.2		
14 - The organizations with which I am familiar do not attempt to measure the cost effectiveness of different marketing expenditures.	Strongly disagree	4.3	3.01	3.0
	Disagree	36.2		
	Neither disagree nor agree	21.7		
	Agree	26.1		
	Strongly Agree	10.1		
15 - The organizations with which I am familiar do little or no formal marketing planning.	Strongly disagree	26.1	2.38	2.0
	Disagree	37.7		
	Neither disagree nor agree	14.5		
	Agree	15.9		
	Strongly Agree	5.8		
16 - The organizations with which I am familiar do little or no contingency thinking and planning.	Strongly disagree	13.0	2.87	2.0
	Disagree	39.1		
	Neither disagree nor agree	11.6		
	Agree	20.3		
	Strongly Agree	15.9		
17 - The managers with whom I am familiar understand the importance of having a clear, well-reasoned marketing strategy.	Strongly disagree	4.3	3.71	4.0
	Disagree	10.1		
	Neither disagree nor agree	14.5		
	Agree	52.2		
	Strongly Agree	18.8		
18 - In the organizations with which I am familiar the marketing thinking and orientation at the top	Strongly disagree	15.9	2.86	3.0
	Disagree	23.2		

thinking and orientation at the top is well communicated throughout the organization.	Neither disagree nor agree	24.6		
	Agree	31.9		
	Strongly Agree	4.3		
19 - In the organizations with which I am familiar the marketing thinking and orientation at the top is well implemented down the line.	Strongly disagree	14.5	2.79	3.0
	Disagree	21.7		
	Neither disagree nor agree	34.8		
	Agree	24.6		
	Strongly Agree	2.9		
20 - The organizations with which I am familiar make effective use of their marketing resources.	Strongly disagree	7.2	2.97	3.0
	Disagree	27.5		
	Neither disagree nor agree	26.1		
	Agree	36.2		
	Strongly Agree	1.4		
21 - The organizations with which I am familiar show a good capacity to react quickly and effectively to on-the-spot developments.	Strongly disagree	10.1	3.03	3.0
	Disagree	21.7		
	Neither disagree nor agree	33.3		
	Agree	24.6		
	Strongly Agree	10.1		

Appendix 3 – Marketing Activity Audit Results

Questionnaire Item	Questionnaire Option	%	Mean	Median
1 - The organizations with which I am familiar have a business mission that is clearly stated in market-oriented terms.	Strongly disagree	5.8	3.29	4.0
	Disagree	23.2		
	Neither disagree nor agree	20.3		
	Agree	37.7		
	Strongly Agree	13.0		
2 - The organizations with which I am familiar have a business mission that is clearly feasible.	Strongly disagree	8.7	3.16	3.0
	Disagree	20.3		
	Neither disagree nor agree	29.0		
	Agree	34.8		
	Strongly Agree	7.2		
3 - The organizations with which I am familiar do not have clearly stated goals which are used to guide performance measurement.	Strongly disagree	10.1	2.84	3.0
	Disagree	34.8		
	Neither disagree nor agree	24.6		
	Agree	21.7		
	Strongly Agree	8.7		
4 - Given their resources, competitive position and the opportunities available the organizations with which I am familiar do not have appropriate marketing objectives.	Strongly disagree	10.1	2.69	2.0
	Disagree	42.0		
	Neither disagree nor agree	15.9		
	Agree	26.1		

marketing objectives.	Strongly Agree	2.9		
5 - The organizations with which I am familiar have difficulty relating their marketing objectives to different stages of the life cycle for their products.	Strongly disagree	2.9	3.74	3.0
	Disagree	31.9		
	Neither disagree nor agree	23.2		
	Agree	29.0		
	Strongly Agree	11.6		
6 - The organizations with which I am familiar have difficulty identifying market segments and choosing the best one to go after.	Strongly disagree	8.7	2.88	3.0
	Disagree	36.2		
	Neither disagree nor agree	21.7		
	Agree	24.6		
	Strongly Agree	8.7		
7 - The organizations with which I am familiar do not have accurate profiles of each target segment.	Strongly disagree	1.4	3.34	3.0
	Disagree	30.4		
	Neither disagree nor agree	17.4		
	Agree	31.9		
	Strongly Agree	17.4		
8 - The organizations with which I am familiar have difficulty optimally allocating resources to the major elements of the marketing mix.	Strongly disagree	4.3	3.35	4.0
	Disagree	20.3		
	Neither disagree nor agree	20.3		
	Agree	46.4		
	Strongly Agree	8.7		
9 - The organizations with which I am familiar do not budget sufficient resources to accomplish	Strongly disagree	2.9	3.28	4.0
	Disagree	27.5		

sufficient resources to accomplish their marketing objectives.	Neither disagree nor agree	15.9		
	Agree	43.5		
	Strongly Agree	8.7		
10 - The marketing officer, in the organizations with which I am familiar has inadequate authority over company activities that affect customer satisfaction.	Strongly disagree	5.8	3.24	3.0
	Disagree	23.2		
	Neither disagree nor agree	23.2		
	Agree	34.8		
	Strongly Agree	11.6		
11 - Marketing activities, in the organizations with which I am familiar are not optimally structured along functional, product, end-user and territorial lines.	Strongly disagree	7.2	3.06	3.0
	Disagree	26.1		
	Neither disagree nor agree	23.2		
	Agree	31.9		
	Strongly Agree	7.2		
12 - In the organizations with which I am familiar good communication between marketing an sales is virtually non-existent.	Strongly disagree	18.8	2.31	2.0
	Disagree	49.3		
	Neither disagree nor agree	17.4		
	Agree	7.2		
	Strongly Agree	5.8		
13 -Product managers in the organizations with which I am familiar have the authority to plan profits and sales volume.	Strongly disagree	8.7	3.03	3.0
	Disagree	26.1		
	Neither disagree nor agree	24.6		
	Agree	29.0		

	Strongly Agree	8.7		
14 - The marketing staff in most organizations with which I am familiar needs more training.	Strongly disagree		4.07	4.0
	Disagree	8.7		
	Neither disagree nor agree	10.1		
	Agree	44.9		
	Strongly Agree	34.8		
15 - The marketing staff in most organizations with which I am familiar needs to be evaluated more frequently.	Strongly disagree		3.88	4.0
	Disagree	7.2		
	Neither disagree nor agree	23.2		
	Agree	40.6		
	Strongly Agree	26.1		
16 - In the organizations with which I am familiar top decision makers regularly use the results of market research studies.	Strongly disagree	13.0	3.03	3.0
	Disagree	20.3		
	Neither disagree nor agree	21.7		
	Agree	37.7		
	Strongly Agree	5.8		
17 - In the organization with which I am familiar top decision makers regularly ask that market research be undertaken.	Strongly disagree	5.8	3.09	3.0
	Disagree	26.1		
	Neither disagree nor agree	23.2		
	Agree	37.7		
	Strongly Agree	4.3		
18 - The organization with which I am familiar employ the best available methods for market and	Strongly disagree	14.5	2.74	3.0
	Disagree	24.6		

available methods for market and sales forecasting.	Neither disagree nor agree	36.2		
	Agree	18.8		
	Strongly Agree	4.3		
19 - The organizations with which I am familiar have a marketing intelligence system which produces accurate, timely and sufficient information.	Strongly disagree	14.5	2.79	3.0
	Disagree	26.1		
	Neither disagree nor agree	29.0		
	Agree	20.3		
	Strongly Agree	7.2		
20 - The organizations with which I am familiar have a well conceived and effective marketing planning system.	Strongly disagree	5.8	2.94	3.0
	Disagree	31.9		
	Neither disagree nor agree	26.1		
	Agree	31.9		
	Strongly Agree	2.9		
21 - The organizations with which I am familiar carry out their sales forecasting in a competent manner.	Strongly disagree	8.7	2.97	3.0
	Disagree	24.6		
	Neither disagree nor agree	29.0		
	Agree	30.4		
	Strongly Agree	4.3		
22 - The organizations with which I am familiar carry out their market measuring in a competent manner.	Strongly disagree	7.2	3.00	3.0
	Disagree	26.1		
	Neither disagree nor agree	29.0		
	Agree	31.9		
	Strongly Agree	4.3		

23 - The organizations with which I am familiar set sales quotas on a proper basis.	Strongly disagree	8.7	3.04	3.0
	Disagree	18.8		
	Neither disagree nor agree	34.8		
	Agree	31.9		
	Strongly Agree	4.3		
24 - The organizations with which I am familiar do not have adequate control procedures to ensure that their annual plan objectives are being achieved.	Strongly disagree	1.4	2.92	3.0
	Disagree	44.9		
	Neither disagree nor agree	15.9		
	Agree	29.0		
	Strongly Agree	5.8		
25 - In the organizations with which I am familiar management periodically analyzes the profitability of its products.	Strongly disagree	1.4	3.60	4.0
	Disagree	11.6		
	Neither disagree nor agree	17.4		
	Agree	62.3		
	Strongly Agree	5.8		
26 - In the organizations with which I am familiar management periodically analyzes the profitability of its salespeople territories.	Strongly disagree	1.4	3.52	4.0
	Disagree	15.9		
	Neither disagree nor agree	18.8		
	Agree	50.7		
	Strongly Agree	8.7		

27 - In the organizations with which I am familiar management periodically analyzes the profitability of their markets.	Strongly disagree	1.4	3.51	4.0
	Disagree	11.6		
	Neither disagree nor agree	26.1		
	Agree	53.6		
	Strongly Agree	5.8		
28 - In the organizations with which I am familiar management periodically analyzes the profitability of its channels of distribution.	Strongly disagree	2.9	2.99	3.0
	Disagree	29.0		
	Neither disagree nor agree	33.3		
	Agree	30.4		
	Strongly Agree	1.4		
29 - In the organizations with which I am familiar management periodically examines its marketing costs.	Strongly disagree	1.4	3.54	4.0
	Disagree	17.4		
	Neither disagree nor agree	17.4		
	Agree	50.7		
	Strongly Agree	11.6		
30 - The organizations with which I am familiar are not well organized to gather, generate, and screen new product ideas.	Strongly disagree	4.3	3.34	4.0
	Disagree	21.7		
	Neither disagree nor agree	21.7		
	Agree	37.7		
	Strongly Agree	13.0		

31 - The organizations with which I am familiar do not do adequate concept research and business analysis before investing in new product ideas.	Strongly disagree	4.3	3.22	3.0
	Disagree	27.5		
	Neither disagree nor agree	23.2		
	Agree	29.0		
	Strongly Agree	14.5		
32 - The organizations with which I am familiar do not carry out adequate product and market testing before launching new products.	Strongly disagree	2.9	3.16	3.0
	Disagree	29.0		
	Neither disagree nor agree	27.5		
	Agree	27.5		
	Strongly Agree	11.6		

Appendix 4 – Independent Variable Values per Country

Country	GDP at Purchasing Power Parity	Adult Literacy Rate	Trade Policy Score	Capital Flows and Foreign Investment Score	Regulation Score	GNP, Atlas method (current US$, billions)	School Enrollment, secondary (% net)	Trade (% of GDP, PPP)	FDI, net inflows in reporting country (WDI, current US$, millions)
Bahamas	4.8	98	5	3	1	3.3	86.6	34	106.8
Barbados	2.65	97	5	2	3	1.7	85	.	12
Brazil	1022	83	4	3	4	588.6	63.6	9.2	4900
China	3039	82	5	3	4	622.6	68	7.7	35800
Colombia	201.4	91	4	2	3	88.4	67.7	10	969
Costa Rica	19	95	4	2	3	9	40.8	36.8	395.5
Dominican Republic	29.8	82	5	3	4	11.9	71.2	28.6	414.4
Egypt	183.9	51	5	3	4	57.6	74	10.1	598
Ghana	27	65	5	3	4	6.3	.	10.8	107
Honduras	11.5	73	4	3	4	3.7	37.1	21.1	50
Hong Kong	163.6	92	1	1	1	139.6	71.1	269	.
India	1538	52	5	3	4	348.4	60	4	2100
Indonesia	779.7	84	2	2	4	194.4	52.9	15.9	4300
Jamaica	8.4	85	3	2	3	4.2	69	48.4	147.1
Korea	647.2	98	2	3	3	461	97.7	41.8	1800
Malawi	7.5	56	4	3	4	1.8	75.3	25.1	1
Malaysia	214.7	84	3	3	2	80.1	58.7	85.6	4100
Nigeria	143.5	57	5	2	4	23.7	.	21.6	1100
Pakistan	296.5	38	5	2	4	60.9	.	9.4	736
Philippines	194.2	95	5	3	4	71.2	77.4	17.7	1.5
Singapore	72.5	91	1	1	1	81.3	73.9	354.7	7200
South Africa	227	82	5	2	2	146.4	95.6	17.1	993
Trinidad and Tobago	17.1	98	5	1	3	4.9	71.6	49.1	299
Zimbabwe	26.4	85	5	4	4	7	59.3	16.3	40

Appendix 5 – Nationalities of Respondents