

**MARKET-FOCUSED STRATEGIC FLEXIBILITY AND SALES GROWTH:
EMPIRICAL EVIDENCE FROM NIGERIA**

by

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ABSTRACT

A newly competitive environment is developing in Nigeria, the business environment has altered rapidly and unpredictably, and new knowledge and capabilities are consequently needed to survive in such a turbulent environment. This study suggests market-focused strategic flexibility as one survival strategy needed.

Though a fair amount of literature exists on strategic flexibility and the performance of a firm the extant literature has been somewhat silent on market-focused strategic flexibility since it was conceptualized by Johnson, Lee, Siani and Grohmann (2003). The mixed relationship of market orientation and firm performance (for example as found in studies by authors such as Jaworski and Kohli (1993), Zhou et al.2005, and Ellis 2006) causes one to suspect that certain moderating variables may be responsible; market-focused strategic flexibility is suggested as one of them. The effect of environmental variables on market-focused strategic flexibility and sales growth was also studied.

In order to investigate these issues, the research instrument, a questionnaire, was distributed to the chief executive officers and marketing managers of five hundred firms in Nigeria. A 58.4% response rate was achieved. The psychometric properties of the instrument showed it to exhibit a good fit with the model. The data was then analyzed and tested using factor analysis, correlational and regression analysis.

The overall results suggest that market-focused strategic flexibility is a driver of organizational positioning in a dynamic environment, and it is also found to moderate the market orientation – sales growth relationship studied and environmental variables influence its relationship with sales growth in most firms.

The results also established that while firms operating in a dynamic environment may gain advantage by adopting market-focused strategic flexibility, firms operating in a relatively stable environment may not achieve particularly good results if they do so. If most firms in a particular industry operating in a dynamic environment adopt market-focused strategic flexibility, they are not likely to achieve competitive advantage. The need for skills relating to selection of options,

identification of resources, deployment capabilities, and sense-making capacities constitute an impetus to the implementation of effective market-focused strategic flexibility.

It is recommended that research into the key characteristics of industries and market-focused strategic flexibility be carried out to further explain the differences in the results obtained for different industries, and that this study be repeated for other countries to facilitate comparative analysis.

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DECLARATION

I declare that : “MARKET-FOCUSED STRATEGIC FLEXIBILITY AND SALES GROWTH : EMPIRICAL EVIDENCE FROM NIGERIA” is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

Signed.....

O. U. Asikhia

17 November, 2006.

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CHAPTER ONE

ORIENTATION

1.1 INTRODUCTION

A new competitive environment is developing largely based on the current technological revolution and increasing globalization. The emergence of a temporarily stable political environment premised on the evolving democratic policy in Nigeria has led to increased foreign participation in corporate governance (Kama, 2005). The business environment here has thus become filled with service and manufacturing firms in search of excellent practices to achieve competitive advantage, which must be seen by their customers as to their benefit by delivering superior value, which enhances repeat patronage and sales growth (Hooley et al., 2005).

However, evidence from various empirical studies by Yadong (2004); Thomas, Blalberg, and Fox (2004); Finney, Campbell and Powell (2005); Salavou (2005) and Kopalle and Lehmann (2006) show that while these practices are essential for continuous improvement, they seldom create any sustainable competitive advantage if market structure, demand, and technologies continue to evolve unexpectedly (or even expectedly) over time (Harrigan, 2004). Bamidele (2005) links this issue with marketing. The concept of marketing defines a business's success achieved through a process of understanding and meeting customer needs (Kotler, 2004). While this definition looks simple and straightforward, achievement involves many complex, interdependent or even conflicting tasks (Porter, 1998).

Such tasks are implemented against a backdrop of constant change, intense competition and limited resources (Kaplan and Norton, 1992; Lavie, 2006). A well articulated, effectively implemented marketing strategy would go a long way to alleviating this problem and reducing the complexity of business tasks (Kaplan and Norton, 2001; Baker and Maddux, 2005). Businesses consequently now recognize the importance of strategic issues and the contribution of strategic marketing to business success (Davidson, 1997; and Demond, 2004).

Finney, Noel and Powell (2005) define strategy as the pattern or plan that integrates an organization's major goals, policies and action sequence into a cohesive whole. Morgan and Strong (2003) also perceive it as the manner in which a firm has decided to compete and this

involves the pursuit, achievement, and maintenance of competitive advantage in an industry. However, in a stable competitive environment, a competitive strategy simply involves defining a competitive position and then defending it. Since the competitive environment in Nigeria has changed rapidly and unpredictably, new knowledge and capabilities are needed to support any strategy to create a sustainable competitive advantage. Nevertheless, achieving competitive advantage does not imply that the company must always do better than its competitors in all areas. The key is to do certain things better in most of them. Deciding which areas to target is the central issue of setting competitive priorities. Competitive advantages traditionally have been accomplished through economies of scale and product and process technology, but these are no longer sufficient (Ketchen, Snow and Street, 2004; Baron, 2006). Thus, the dynamics of today's competitive environment suggest that economics of scale and product or process technology will comprise a diminishing source of competitive advantage (Baumol, 2006).

Strategic content focuses upon the outcome of strategic decisions; the manner in which business strategy content is manifest in a firm has been variously described as strategic choice, and more commonly strategic orientation (Zhou et al., 2005; Finney, Campbell and Powell, 2005). Strategic orientation has been considered from three viewpoints:

- **Narrative Approach:** It describes the holistic nature of a strategy which is unique to the event, situation and organization (Kaplan and Norton, 2001; Ketchen, Snow, and Street, 2004). It emphasizes qualitative methodologies and is constrained in its use for theory testing purposes on the basis that the narrative descriptions do not sufficiently measure variables that can only be assessed using finely calibrated scales (Ambler, Kokkina and Stefano, 2004). Comparison is restricted across units of analysis because of the uniqueness of a strategy to the particular organization, environment and temporal circumstance (Mahoney, 2005).
- **Classification approach:** This offers an improvement over the narrative approach as it overcomes many of the constraints inherent in the narrative stance (Potts 2004; Ireland and Hitt, 2005). It classifies firms' alignment or derived groupings.
- **Comparative approach:** It evaluates strategy by way of multiple traits or dimension

common to all firms. Thus, strategy is considered in terms of the relative emphasis placed by the firm along each strategic orientation (Lavie, 2004). This approach also overcomes the empirical limitations of the classificatory method because strategic orientation is viewed not across strict strategy classifications but alternatively, along specific dimensions.

Kaplan and Norton (2001); Johnson and Scholes (2002); Mahoney (2005); Lei, Slocum and John (2005) suggest that strategic orientations can be viewed as having three distinct components:

- **Analysis:** This involves understanding the business environment and the resource capabilities of the organization.
- **Choice:** Managers need to make a strategic choice, which is achieved through a process of identifying, evaluating and selecting options.
- **Implementation:** This involves planning of actions, allocation of resources, and when necessary restructuring to achieve strategic change.

Lavie (2006) advocates that given the volatility in today's business, a contingency approach may be required. This provides flexibility by developing contingencies for a variety of future events.

Porter (2002) therefore offers an interesting perspective when he views strategy from this standpoint in terms of:

- Developing a unique position by choosing to perform differently from the opposition.
- Making trade offs with other possible competitive position, in order to protect the organization's competitive advantage.
- Combining activities to fit into and reinforce an overall competitive position.
- Ensuring operational effectiveness when executing activities.

Lavie (2006) further states that change shapes strategy. Because change has been accepted as a consequence of modern life all organizations are subject to increasing levels of change .

Jones, Jimmieson and Griffiths (2005) view change in terms of cyclical and evolutionary

change. The former involves variation that is repetitive and often predictable. (An example is seasonal variation in demand or fluctuation in economic circumstances.)

Evolutionary change involves a more fundamental shift, like sudden innovation or a gradual process which leads to drastic consequences for strategic development. Waldersee, Griffiths and Lai (2003) note that for effective strategic development in events of change, there is a need to know the following:

- The drivers of change.
- The impact of change on the market /business environment.
- The result of change on the organization's strategy.

Organizations operations and products are rapidly being displaced by a combination of competitors' actions and shifting customer needs (Day, 1999). Strandholm, Kumar and Subramanian (2004) suggest that this discontinuity is driven by the following factors:

- Economic factors
- Technological factors
- Social (or demographic) factors
- Political factors
- Demand uncertainty
- Competitive intensity.

In looking at the impact of change, Brown and Blackmon (2005) write that change implies a need to redefine the markets. Roechrich (2004) states that variations in consumer habits and demographic patterns mean traditional markets are becoming more challenging and that change is accompanied by intense competition which results in a shorter product lifecycle and increasing difficulty in predicting the future.

Waldersee, Griffiths and Lai (2003); Kumar and Subramanian (2004); and Best (2005) agree that there are two results of change:

- Change creates opportunity. That is, organizations which are flexible are not just going to survive but prosper.

- Past actions, strategies and methods offer no guarantee of future success. This means that there is a need to guard against complacency and ensure that the strategic thrust of the organization does not drift from the true needs of the market place.

It is important that this should be considered a long term goal while at the same time aiming to match organizational capability. The intention is to react and influence the business environment to the advantage of the organization: such advantage must be sustained over the long term, and must be flexible enough to adapt and develop as required.

Porter and Linde (1995a) also state that organizations need to anticipate and adapt to change by keeping in touch with the business environment. Their management needs to define the scope of the organization's activities and determine the markets in which it will compete. As management defines the boundaries of activity, they must be ready to face the challenges of change (Lavie, 2006). Therefore, strategic decisions need to define the basis of sustainable competitive advantages. For example, enumerating the skills and resources needed in order to prosper within the defined markets and how they can be used to optimum advantage.

Also, Hooley et al (2005) establish that marketing resources impact on a firm's performance indirectly through creating sustainable advantage. Best (2005) and Strivastava et al.(2001) define marketing resources as any attribute, tangible, or intangible, physical or human, intellectual or relational, that can be deployed by the firm to achieve a competitive advantage in its markets. Hooley et al. (2005) assert that by leveraging marketing resources, firms will be in a stronger position to succeed in the market place.

Barney (1991); Prahalad and Ramaswamy (2004) and Best (2005) further suggest two classifications of marketing resources:

- **Market-based resources:** Those resources that can be immediately deployed in the market place to directly create or maintain competitive advantage. Best (2005) identifies the ability to identify customer's wants and requirements together with capabilities to create and build appropriate relationships with those customers. A second set of market-based resources lies in the reputation and credibility of the firm among customers, suppliers and distributors –these constitute reputation assets. A third vital market-based resource is the ability to successfully innovate in the

marketplace (Zhou et al., 2001). The final set of market-based resources is to be found in the human resources of the organization. The employees of the firm are the conduit through which marketing strategies are implemented (Chimhanzi, 2004).

- **Marketing support resources:** These serve to support marketing activities and hence contribute indirectly to competitive advantage. Martins and Terblanche (2003) identify the marketing culture of an organization and the capabilities of its managers to lead, manage, motivate and coordinate activities as the two most important marketing support resources.

Davidson (1997) and Giovanni (2005) also opine that core competencies as part of organizational capabilities represent the consolidation of firm-wide technologies and skills into a coherent thrust and that a core competency makes a business unique to the target market and also competitively superior. A core competency becomes the thrust of an organization relative to both the target market and the competition and is enabled by the underlying strengths of the organization in functional areas.

Meyer and Utterback (1993), and Harmsen and Bjarne (2004) assert that core competence must:

- make a tangible and pronounced contribution to the perceived customer benefit of the end product;
- Not be easy for competitors to imitate.

Day (1994) and Hooley, Greenley and Cadogan (2005) however assert that marketing capabilities are those factors that specifically link the business to the consumer, such as high awareness, superior customer service ability, strong distribution capabilities or a large customer base. They suggest that marketing capabilities represent a significant factor in selecting the business focus or scope.

Other examples of marketing capabilities include a highly regarded brand name, a large customer list, a strong relationship marketing programme, a strong and responsive communication program and excellent retention of customers. Klepper (2002) and Kotler (2004) assert that marketing capabilities must constitute a unique ability to provide access to

target markets and the competition in order to arrest changes in the environment.

Judge and Elenkov (2005) see the organizational capacity for change as a broad and dynamic one that allows the enterprise to adapt old capabilities to new threats and opportunities as well as to create new capabilities. It describes the organization's collective readiness for change (Cunningham et al., 2002). It comprises the organizational infrastructure that can support or hinder change initiatives. This is related to an organization's ability to learn and innovate (Verona and Ravasi, 2003).

Judge and Elenkov (2005) distill organizational capacity for change into trustworthy leadership, trusting followers, capable champions, involved management, innovative culture, accountable culture, system communications, and systems thinking. They further suggest that any organization that optimizes itself along these eight dimensions should be well positioned to react to threatening changes and / or proactively seize opportunities to adapt, learn, and or innovate.

Past studies point to the fact that environmental factors cause changes in the operations of firms and that the latter's capacity to accommodate these changes to ensure better performance is dependent on the firms' capability. For example:

- Miller and Shamsier (1996) found that certain types of contracting capabilities in the Hollywood film industry were predictive of performance outcomes.
- Judge et al. (1996) discovered that relatively innovative and adaptive firms achieved higher levels of environmental performance than other firms did.
- Judge and Douglas (1998) established that the more firms integrated environmental factors into their strategic planning process, the better the firms' performance.
- Klassen and Whybark (1999) found that a firm's environmental technology portfolio was associated with superior environmental performance.
- Christmann (2000) reported a relationship between environmental best practices and cost advantages. This is a fundamental factor in determining firm's performance.

- Ranmus (2001) demonstrated the unique role which management plays in helping or hindering a firm's ability to improve their environmental performance.
- Carpenter et al. (2001) established that multinational firms with valuable and rare international capabilities were able to achieve superior performance.
- Hitt et al. (2001) discovered that law firms with unique bundles of human capital could attain a performance level that exceeds the industry standard.
- Schminke (2001) showed that organizational size was associated with environmental performance due to such factors as slack resources, public exposure to environmental pressures, and management sophistication.
- Waddock et al. (2002) found that there was a relatively strong and positive relationship between organizational profitability and environmental performance.
- Strandholm, Kumar and Subramanian (2004) showed that managerial perceptions of environmental change influenced the strategic adaptive response of the organizations and the selection of managers. They also found that organizations that were able to achieve alignment in terms of perceived environmental change and strategic adaptive managerial characteristics exhibit superior performance in terms of a variety of performance outcomes as compared to organizations where such alignment is lacking.
- Dreyer and Gronhaug (2004) established that different, balanced forms of flexibility were required for firms to cope in uncertain, turbulent environments.
- Judge and Elenkov (2005) found a strong positive association between organizational capacity for change and environmental performance.
- Zuniga-Vicente and Vicente-Lorente (2006) also confirmed positive and significant effect of strategic change on the likelihood of organizational survival.

Ireland and Hitt (2005) assert that firms are able to adapt in turbulent environments when they are strategically flexible enough to accommodate changes brought about by the

environmental variables. Smith, Collins and Clark (2005) assert that firms which are unable to adapt and innovate will fail.

Recent studies show that, in a turbulent market environment, adaptability is one of the major pre-requisites of successful business performance (Samra-Fredericks, 2003). Some researchers (for example, Zuniga-Vicente et al, 2004; Andersen, 2004; and Child and Tsai, 2005; Zuniga-Vicente and Vicente-Lorente, 2006) who have investigated strategies for adaptive responses following large-scale industry-wide environmental change have assumed an environmental homogeneity within industry. Despite this homogeneity, Harris (2004) suggests two major reasons why organizations within the same industry may view and interpret the environment faced by them differently:

- The task environment may differ among organizations within the same industry (Vicente-Lorente, 2006).
- Managers' interpretations or perceptions of their organization's external environment are influenced by their own backgrounds and experiences (Banerjee, 2001).

Thus, in view of these major differences, the task environments and perceptions would not act uniformly as regards environmental change in a given industry. Ketchen, Snow and Street (2004) argue that organizations which perceive the level of environmental change to be high would pursue a market-focused strategy in order to keep their offerings relevant and attractive in a changing setting. Also, an uncertain environment may require many alterations in strategy to adapt to this uncertainty (Zunia-Vicente and Vicente-Lorente, 2006).

Oktemgil and Greenley (1997) affirm that organizations can develop and maintain different types and degrees of adaptability, which will be associated with varying implications for performance. Chakravarthy (1992) and Yadong (2004) view adaptability as a firm's ability to identify and capitalize on emerging market and technology opportunities, which in turn implies changes in a firm's strategic posture (Oktemgil and Greenley, 1997; Ireland and Hitt, 2005).

Waldersee, Griffiths and Lai (2003), and Samra-Fredericks (2003), consider that adaptability emphasizes the degree to which a firm can use a variety of sources for both sustainable competitive advantage and success in a new product's development. Porter (1980) stresses

that being market focused places organizations on a continuum according to the extent to which they adapt to their market environment and target their market opportunities. This is consistent with the capabilities of market sensing and customer linking as noted by Day (1994) and conceptualized into market-focused strategic flexibility by Johnson, Siani, Lee and Grohmann (2003).

Zuniga-Vicente et al. (2004) and Zuniga-Vicente and Vicente-Lorente (2006) argue that the rising need for strategic flexibility in firms has stemmed from the increasing uncertainty in the business environment, evident by shortening product life cycles, customers' changing preferences, fierce competition, and so on. They further note that the vital driving forces behind these developments are those of ongoing globalization of economic activity and rapid developments in information technology and increasing market dynamism.

According to Schimizu and Hitt (2004), flexibility has become the essential factor in achieving competitive advantage. Flexibility has been viewed from various dimensions which range from technological equipment and its potential for flexibility in terms of both breadth of input materials and output products, routing of throughput and batch size, to volume flexibility: that is the ability to adjust output volume to changes in demand and recently, capacity to change and develop products to enter new markets or new industries (Buckley, 1997; Roehrich, 2004; Ozcelik and Taymaz, 2004; Woodside, 2005; and Zuniga-Vicente and Vicente-Lorente, 2006).

Inertia and barriers to change are also considered as important in understanding how firms act because management theory strongly emphasizes adaptation as an important skill for survival (Bahrami, 1992; Goodman and Rousseau, 2004; Harrigan, 2004; Gilbert, 2005; Finney, Campell and Powell, 2005; Ireland and Hitt, 2005).

Best (2005); Baumol (2006) and Zuniga-Vicente and Vicente-Lorente (2006) argue that industrial environments have a major impact on the ability of various resources to achieve competitive advantage. They further assert that different aspects of flexibility developed at the level of the firm are suitable for responding to different factors of uncertainty at the industry level in order to perform well. Olson, Slater and Hult (2005) believe that there must be a match and a balance between types of flexibility developed at the firm level and factors

of uncertainty in the competitive setting.

One of the major conclusions reached by the works of Evans (1991), Grewal and Tansuhaj (2001), Ireland and Hitt (2005), Zuniga-Vicente and Vicente-Lorente (2006) is that flexibility is a complex and multi-dimensional concept and that uncertainty in the competitive environment makes flexibility valuable. Thus, flexibility is considered to have a major impact on the performance of firms in turbulent and unpredictable settings (Schimizu and Hitt, 2004; Zuniga-Vicente and Vicente Lorente, 2006).

Firm level initiatives such as market entry, products and their positioning, distribution, new product introduction and expansion of the product line that establish and maintain a firm's relationship with its markets, all comprise strategically crucial market-linking activities. Given that the firm's success (for example sales growth) and its very survival depend on the creation and delivery of superior value propositions to its markets through these market linking activities, their omission from the flexibility literature is surprising. Without being market-focused, any type of flexibility (for example strategic, tactical or operational) will not result in superior value creation or sustainable competitive advantage (Morgan and Strong, 2003). Market-focused strategic flexibility is the firm's ability to quickly change directions and reconfigure strategically, particularly with regard to products and markets (Johnson, Lee, Saini and Grohmann, 2003).

Kaplan and Norton (1992), and Zuniga-Vicente and Vicente-Lorente (2006) note that since change pervades all aspects of business strategy, it is important to set appropriate measures of business performance (for example sales growth) so that these become the objective basis with which to evaluate and formulate strategy.

The conventional approach to a firm's performance assessment has been to emphasize profitability, most frequently measured by return on investment (Ambler, 2005). However, Ambler (2004) and Baumol (2006) among others have heavily criticized the validity of this measure as the sole indicator of a firm's performance.

While different financial indices and ratios have been used as indicators of such performance, many studies have adopted single-item measures, which can only serve as a proxy for the underlying phenomenon. Performance is multi-dimensional in nature and accounting

measures may be misleading because of their:

- Inadequate handling of intangibles
- Improper valuation of sources of competitive advantage (Baumol, 2006).

Otley and Fakiolas (2000) note that combining accounting and market-based performance may bring about conflict, and beyond the financial/accounting factors lie operational measures like sales growth, market share, etcetera that define a broader conceptualization of business performance by focusing on factors that ultimately lead to financial performance (Hooley et al., 2005).

This has led to emerging interest in the drivers of future growth, for instance sales growth and other market-based performance, which are seen as central to such development (Ambler, 2005; John Van Rekom, 2006 and Hooley et al., 2005).

The literature analysis to date reveals the following:

- All organizations need to make strategic decisions relating to their environment.
- Strategy must address issues such as customers, competitors and market trends.
- It is important that strategy is proactive as opposed to simply reacting to events. In this way, strategy can detect and influence changes in the business environment.
- A firm's performance can be measured in terms of sales growth and other market-based factors so as to effectively capture its responses as the operating environment changes.

By nature, marketing defines how the organization interacts with its marketplace (McKean, 2002; Kotler, 2004, Mullins et al., 2005). Consequently, all strategic planning to a great extent requires an element of marketing (Kotler, 2004). This helps organizations to become strategically responsive to customer needs and commercial pressures. Thus, marketing can be adopted as a business philosophy instead of just being viewed as a functional activity (Kotler, 2004; Mullins et al., 2005).

In this sense, organizations can adopt a market orientation which is defined by Baker and Sinkula (1999) as that characteristic of an organization which determines the priority that is placed on MIP (marketing information processes) activity and its use in the strategic process.

Narver and Slater (1990: 21) have defined market orientation as “the organization culture that most effectively creates the necessary behaviors for the creation of superior value for buyers and thus continuous superior performance for the business”. Narver and Slater (1990) and Kirca, Jayachandran and Bearder (2005)’s operationalization of market orientation is similar to the behavioural perspective described by Kohli and Jaworski (1990), who defined market orientation as the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it. Narver and Slater (1990) and Kirca, Jayachandran and Bearder (2005) specifically describe both a customer and competitor orientation as comprising parts of a firm’s overall market orientation. In contrast, Kohli and Jaworski (1990) and Gebhardt, Carpenter and Sherry (2006) consider only customer orientation.

Hence Day (1994), Kotler (2004), Greenley, Hooley and Reidd (2005) and Mullins et al. (2005) state that for organizations to be market-oriented, the following must be achieved:

- **It must be customer focused:** The organization must understand its customer base and be responsive to their needs; treat loyal customers as assets and strive to build long term relationships; regularly monitor levels of customer satisfaction and retention. However to achieve this, it must:
 - define its market
 - effectively segment/target customers
 - listen to customers.
- **It must be competitor focused:** It must watch its competitors and assess their objectives, strategies and capabilities. There may be a need to benchmark their products, processes and operations against its own.
- **It must integrate marketing into the business:** Marketing should not be seen as a department. Every function and person should have a role to play in creating value and achieving the goal of being a market-led organization. This may require fundamental changes in culture and organizational structure.
- **It must have a strategic vision:** The organization must develop a long-term marketing plan as more than a series of promotional tools and techniques. A strategy

led by top management in terms of the market strategy defines the future in terms of creating long term value for stakeholders.

- **It must have realistic expectations:** The expectations of the organization need to be realistic and matched with capabilities, resources, and external conditions. Trade-offs may need to be made in order to focus on those activities that will add value to the customers.

Thus, concepts of flexibility /or strategic flexibility and market orientation are not new in management literature. With few exceptions (Johnson, Lee, Saini and Grohmann (2003) and Harrigan (2004), and extant research is surprisingly silent on flexibility with regard to strategically crucial market-linking activities (that is market-focused strategic flexibility) and their relationship with sales growth, as well as their moderating effect on the market orientation-sales growth relationship and the moderating effects of environmental variables on relationship with sales growth.

1.2 RESEARCH OBJECTIVES

The researcher intends to evaluate the relationship between market-focused strategic flexibility and sales growth, and the role of such flexibility on the relationship between market orientation and firm performance. He further attempts to explore whether environmental variables have a moderating effect on the relationship between market-focused strategic flexibility and firm performance. More specifically, the study sets the following objectives:

- To establish the relationship between market-focused strategic flexibility and sales growth.
- To determine whether market focused strategic flexibility plays a moderating role in the relationship between market orientation and sales growth.
- To investigate the moderating effect of environmental variables (such as competitive intensity, demand uncertainty, and technological turbulence) on the relationship between market-focused strategic flexibility and sales growth.

1.3 SCOPE OF THE STUDY

The study covers firms in Nigeria which are registered by the Corporate and Affairs Commission (C. A. C 2006) and those adjudged as functioning by the various associations and the relevant professional affiliations. The data or information required relates to market orientation, market-focused strategic flexibility, environmental variables and sales growth. The informants are limited to the relevant principal members of the firms' management; for instance, the chief executive officer and marketing or sales manager. The firms are divided into three major categories based on their responses to the market orientation and market driving scales: market- driven firms, non-market-oriented firms, and market-driving firms.

The firms are further divided into small, medium, and large scale using the Central Bank of Nigeria's classification to facilitate detailed comparison and result analysis. This Bank defines the small scale business as an enterprise that possesses investment and working capital not exceeding N2.0 million (about \$15,000), medium scale businesses as those operating within the range of N2.0 million to N10 million (\$15,000 to \$75,000) and the large scale business as one with investment and working capital above N 10 million (above \$75,000).

The manufacturing firm is defined as one which is engaged in the actual production of goods and whose final output is tangible (such as soap, rug, television, pure water and the like), while the service company is regarded as one whose final output is intangible. Examples are banking, insurance, advertising and sales of goods not produced directly. The firms are also classified in industries based on their nature of business and output to facilitate easy comparison of data and analysis.

1.4 CONTRIBUTION TO KNOWLEDGE

Market-focused strategic flexibility is defined as the firm's reactive and proactive abilities to satisfy customers' needs and aspirations by the consistent and continuous configuring and reconfiguring of its capabilities and resources. Strategic flexibility itself is defined as an organization's ability to cope with all forms of changes in the environment by allocating and reallocating its resources to enhance performance (Johnson, Lee, Saini, and Grohmann, 2003). The focus of market-focused strategic flexibility falls on the customers (that is, every

manipulation of the resources of the firm is aimed at satisfying their ever changing tastes) and addresses coping with all changes lacking specificity. The issue of the product and its market has not enjoyed any specific attention in the general definition and conceptual framework of strategic flexibility.

Also, from the various definitions of market orientation, it is evident that the strategic flexibility concept is absent. Apart from the recent work of Johnson, Lee, Saini and Grohmann (2003) extant literature has been silent on market-focused strategic flexibility. It is necessary to mention here that the work of Johnson, Lee, Saini and Grohmann (2003) was only at the conceptualization stage. The present study should add to knowledge by testing this conceptualization through its application to a developing nation - Nigeria.

Apart from testing this, managers and researchers should benefit from a deeper understanding of how market-focused strategic flexibility develops in the firm, and how it relates and works with other important strategic marketing concepts, by revealing the way it collaborates with them to affect outcome.

In addition, scholars have suggested that the cultivation of a market orientation is undoubtedly important, and several have linked it positively with performance of firms in most developed and developing nations of the world: for example, Narver and Slater (1990); Reichheld and Sasser (1990); Jaworski and Kohli (1993); Pelham and Wilson (1996); Gagnon and Xuereb (1997); McNaughton, Osborne, Morgan and Kutwaroo (2001); Noble; Sinha and Kumar (2002); Gonzales, Vijance and Casiettes (2002); Chimhanzi (2004); and Kara, Spillion and De-shield (2004); Zheng, Yim and Tse (2005), Simsek, Veiga, Lubatkin and Dino (2005); Puffer (2004); Gilbert (2005), Greenley, Hooley and Rudd (2005); Olson, Slater and Hult (2005); Kirca, Jayachandran and Bearden (2005); Van Fleet, Peterson, and Van Fleet (2005); Pfeffer (2005); Strandholm et al. (2005); Zuniga-Vicente and Vicente-Lorente (2006) and Nakata and Zhu (2006). Interestingly a backlog of negative and no-relationship results has also been established (for example, Narver and Slater, 1990; Jaworski and Kohli, 1993; and Salavous, 2005). These results seem equivocal and suggest that perhaps some moderating factors may be playing a role. This study will contribute to knowledge by establishing the role which market-focused strategic flexibility is playing in the market orientation-performance relationship; and also evaluating the moderating effect of environmental factors in the market-focused strategic flexibility – sales growth relationship.

1.5 STUDY ENVIRONMENT

The business environment of Nigeria has become more competitive with the influx of foreign exchange and foreign participation in businesses. This phenomenon has led to the resuscitation of some companies and improved performance of others since funds are available to pursue new projects that have repositioned these companies (Bamidele, 2005).

Government micro-finance schemes have helped small and medium scale enterprises in their operations. The introduction of the N25 billion minimum capital base for banks has to date assisted in repositioning the Nigerian banking industry for the development challenges of the 21st century. It is intended to place the industry in better stead to compete at the global level, more so now that national barriers have been dismantled by Information and Communication Technology (ICT). It equips the said industry to finance the key sectors that will foster growth in the economy, to reduce unbridled competition among banks and over dependence on government and inter bank funds. (Kama, 2005)

The influx of grants and technical exchanges from the developed countries at the inception of the new democratic dispensation has helped by providing an enabling environment for business with the provision of good roads, better electricity supply, averagely equipped hospitals, and provision of pipe borne-water, etcetera (Kayode and Odutola, 2004).

Traditional values (such as respect for elders, honesty and accountability, cooperation, industry, discipline, self-confidence and moral courage) are weakening due to the trends of modernization and the rapid urbanization of Nigerian society. The status of the country as regards corruption has improved tremendously with institutions like the Economic and Financial Crime Commission (EFCC) and the National Board on Corruption Eradication working tirelessly to reduce the menace. This high level of corruption has been responsible for its being ranked as one of the foremost corrupt nation in the world and has been discovered to exert a negative impact on the cost of goods and service in the nation; in other words, it has become a relevant variable in the Nigerian business environment (Kama, 2005). Although the impact of corruption as one of the business environmental variables could be said to have been reduced, it has not been totally eradicated.

Cooperation between firms is not a common way of working in Nigeria but some forms of cooperation are beginning to evolve because of the increasing level of competition due to globalization and greater sophistication of the business environment. The Nigerian economy has grown at an average rate of 1.6 percent. The average annual population growth rate reported by international agencies is 2.83 percent, which has caused observers to perceive Nigeria as a solid market for goods and services. The recent introduction of global telephone services such as MTN, CELTEL and GLOBACOM saw the said firms recouping their operation capital in less than two years (Nnanna, 2004).

Furthermore, Nigerian economic history, characterized by constant policy reversals plus inconsistent applications of policies, has affected the technological advancement of the nation. It has actually required that technology be continually imported from other developed nations of the world. These inconsistent economic policies have frequently affected the purchasing power of the people and thus caused uncertainties regarding the supply of goods and services to be rampant, apart from affecting the competitiveness of the firms in different industries (Kayode and Odutola, 2004).

The systematic over-valuing of the naira nearly destroyed the manufacturing sector. Manufacturing has declined to about 6 percent of GDP, and certain industries (like the assembly of products including radio, televisions and vehicles) have virtually disappeared. However, some companies still do well, thanks to their strategic adaptations to the frequent changes in the environment (Kama, 2005).

1.5 CLARIFICATION OF CONCEPTS

- **Business environment:** This is an embodiment of key influences or factors that can affect the performance of an enterprise or attainment of desired objectives (Andersen, 2004).
- **Competitive Advantage:** This is a company's ability to perform in one or more ways that competitors cannot or will not match. Competitive advantage must be seen by customers as favorable to them. For example if a company delivers faster than its competitors, this will not be perceived as an advantage to customers if they do not value speed. Thus, companies must focus on building customer advantages by

delivering customer value and satisfaction which leads to repeat purchases and thus sales growth (Baumol, 2006).

- **Sales growth:** Sales growth is defined by a continuous growth in the sales of the product caused by the consistent and continuous meeting of customers' desires presented from time to time as their tastes and fashion change. (Ambler, 2004)
- **Firm's performance:** This is a measure of the attainment of organizational objectives such as sales growth, profit, brand equity, and the likes (Agarwal, Erramilli and Chekitan, 2003).
- **Market-focused strategic flexibility:** This may be defined as the firm's reactive and proactive abilities to satisfy the customers' needs and aspirations by consistent and continuous configuring and reconfiguring of its capabilities and resources (Johnson, Lee, Saini, Grohmann, 2003).
- **Strategic flexibility:** It is defined as an organization's ability to cope with all forms of changes in the environment by allocating and reallocating its resources to enhance performance (Harrigan, 2004).
- **Positioning:** This involves developing a market strategy through a marketing mix that takes into account the thoughts and perceptions of customers about a product relative to other products and brands (Hamel and Prahalad, 2004).
- **Firm's success:** The positive performance of a firm, reflected in the achievement of desired objectives over time (Cooper, 2006).
- **Market orientation:** This is a business culture in which the customer forms the focus of the operations of the organization with the ultimate intention of satisfying him or her better than the competitor does (Greenley, Hooley and Reidd, 2005).
- **Competitive intensity:** The degree of competition that a firm faces (Grewal and Tansuhaj, 2001).
- **Technological turbulence:** Such turbulence (change or uncertainty) can be defined as an exogenous technical innovation that modifies the components, systems, techniques, or methods required for producing organizational outputs (Lavie, 2006).
- **Demand uncertainty:** This captures the variability in customer population and preferences that have direct effects on sales growth; which requires organizations to

adapt their product offerings, plans and strategies to the changing demand conditions (Zuniga-Vicente and Vicente-Lorente, 2006).

- **Moderating role:** This is an intervening function that affects the relationship between two or more variables (Grewal and Tansuhaj, 2001)

1.6 PLAN OF THE STUDY

Chapter one served to orientate the reader to an understanding of the research objectives. The importance and scope of the study were also discussed. In chapter two, the theoretical foundation of the study is provided. The literature review is described in chapter three. In chapter four, the research problem and hypotheses are formulated. A full exposition of the research design and analysis is offered in chapter five. Chapter six reflects the results of the study. The outcome of the study as well as its conclusion, recommendations and limitations are discussed in chapter seven.

CHAPTER TWO

THEORETICAL FOUNDATION OF THE STUDY

2.1 INTRODUCTION

In chapter one, the research objectives were defined. A broad overview of the Nigerian business environment was given and the contribution of the study to the body of knowledge was dealt with. Market-focused strategic flexibility and market orientation are projected as important concepts in the study of a firm's ability to ensure good performance in a turbulent environment. Chapter two also explores the field of market-focused strategic flexibility and market orientation. It discusses the theory related to the concepts of marketing and links it to the basis of the study, which is the relationship between market-focused strategic flexibility and sales growth.

In section 2.2, the theory of resource based view and dynamic capability are discussed in order to understand the origin of market-focused strategic flexibility and market orientation as marketing strategies in the context of the study. Different theoretical views about market orientation are explored in relation to the theory of resource based view and dynamic capabilities in section 2.3. In section 2.4, the theoretical roots of market-focused strategic flexibility is explored with an intention of operationalising the concept from the root. Market-focused strategic flexibility is being operationalized in section 2.5.

2.2 RESOURCE BASED VIEW AND DYNAMIC CAPABILITY

The resource-based view of the firm (RBV) suggests an inward look at the firm in order to provide an understanding of what makes a firm uniquely capable of sustaining competitive advantage. Adherents of the RBV conceptualize firms as bundles of resources heterogeneously distributed across firms (Penrose, 1959; Wemerfelt, 1984; Eisenhardt and Martin, 2000). While Wemerfelt (1984; 172) and Gilbert (2005) define a resource as "anything which could be thought of as a strength or weakness of a given firm; those tangible and intangible assets which are tied semi-permanently to the firm." RBV theorists consider strategy to be "a continuing search for rent" (Bowman 1974; 47, as cited in Mahoney and Pandian, 1992) where rent is "return in excess of a resource owner's opportunity costs". Rents can be classified as monopoly (achieving protection

through government or alliance barriers to entry), or entrepreneurial (risk-taking in uncertain or complex environments). Firms generate rents through differences in information, luck, and/or capabilities.

Although there is a significant body of research on RBV, some researchers criticize it as conceptually vague and tautological (Eisenhardt and Martin, 2000). RBV is a static theory that has failed to develop an understanding of how resources are transferred into competitive advantage especially in dynamic environments fostered by rapid technological change (Williamson 1999; Eisenhardt and Martin, 2000; Priem, 2001). In response to these concerns, some researchers like Smith, Collins and Clark (2005) developed the capability, competencies, and dynamic capability approaches.

The literature reflects different opinions, definitions and terminology for capabilities and competencies. The term, “core competencies” was coined by Prahalad and Hamel (1990; 81), when they explained that competitive advantage was “... found in management’s ability to consolidate corporate wide technologies and production skills into competencies that empower individual businesses to adapt quickly to changing opportunities”. Most researchers distinguish capabilities from competencies.

Competencies are firm-specific technologies and production related skills and collective learning whereas capabilities are firm specific business practices, processes and culture (Day, 1994; Marino, 1996; Walsh and Linton, 2001; Bechwati and Seigal, 2005), which have been noted to facilitate the strategic tendencies of the organization.

Teece et al. (1997) extend the study of RBV to dynamic markets. Their dynamic capabilities framework examines the sources and methods of value creation when firms operate in a dynamic and fast-changing environment. Nelson (1991; 68) discusses why firms’ differences matter in terms of dynamic capabilities: “Simply producing a given set of products with a given set of processes will not enable a firm to survive for long. However, to be successful for any length of time, a firm must employ the diverse dynamic resources to innovate irrespective of the impact of the environmental factors”.

Hence, a dynamic capability is reflected in market-focused strategic flexibility within the organization and represents the ability to renew competencies in response to changing market conditions. In contrast, Zollo and Winter (2002) observe that firms also integrate, build and reconfigure competencies in more stable environments. They suggest that a dynamic capability is “a learned and stable pattern of collective activity through which the organisation systematically generates and modifies its operating routines in pursuit of improved effectiveness” (Zollo and Winter, 2002; 340). These definitions characterize very different views of dynamic capabilities: Teece et al. (1997) seems to envision the dynamic capability-competitive advantage link as spontaneous and generative whereas Zollo and Winter (2002) characterize it as a deliberate and planned process.

Although all researchers agree that resources, capabilities and competences create value, they differ as to whether any of these concepts created sustainable competitive advantage. Lei, Hitt and Bettis (1996) describe dynamic capabilities as being inimitable, unsubstitutable and firm specific. However, Eisenhardt and Martin (2000) contest this view of dynamic capabilities because it is possible to develop an understanding of best practices by observing the commonalities that exist across effective firms. In noting the existence of best practices, Eisenhardt and Martin (2000), and Marcus and Anderson (2006) suggest that the functionality of dynamic capabilities can be duplicated. Thus, value for competitive advantage lies in the arrangement of resources. Based on these assumptions, Eisenhardt and Martin (2000; 1107) defined dynamic capabilities as “The firm’s processes that use resources - specifically the processes to integrate, reconfigure, gain and release resource to match and even create market change. Therefore, dynamic capabilities are “the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die”.

2.3 MARKET ORIENTATION

The review of market orientation literature highlights a lack of clarity in the theory explaining a market orientation. It is appropriate to group market orientation in the strategic literature by reviewing its fit with theories of the firm. Classical theory of the firm “asserts that the objective of the firm is to maximize net revenue in the face of given prices and a technologically determined production function. The optimal mix of outputs

(products) and inputs (factors) at equilibrium will maximize profit (Cyert and March 1963, 1992). Although it considers firm resources, this traditional, neo-classical theory does not contribute much knowledge of strategic decision-making differences that create competitive advantage for some firms. In contrast, the behavioural Theory of the Firm (Cyert and March, 1963, 1992), the Resource-based View (Penrose, 1959), the Evolutionary Theory of the Firm (Nelson and Winter, 1982) and Dynamic Capabilities (Teece, Pisano and Shuen, 1997) significantly contribute to the understanding of strategic orientations because they consider the competitive impact of differences in managerial decision-making.

Each of these theories builds upon the concept that differences in routines, or “patterns of interactions representing solutions to particular problems resident in strategic flexibility in deploying options” (Pierce, Boerner and Teece, 2002; 87) explain firm’s competitive advantage. Using slightly different terminology, all explain firm heterogeneity in terms of differences in resources portfolio and deployments.

The lines between the theories are not definitive, and there is notable conceptual overlap and inter-theory contribution. Although each contributes to our understanding of market orientation, RBV (and in particular, its branch of Dynamic Capabilities) explains how the dynamic nature of market orientation fosters competitive advantage.

Market orientation can be positioned within RBV, and this focuses on internal resource arrangements and firm value creation. Essentially, the focus of market orientation on internal information-sharing contributes to firm value by integrating resources through inter-functional co-ordination and information sharing routines. Market-oriented behaviours also provide information and knowledge that Bell (1973) and Cooper (2006) have argued are important to a firm’s success.

A market orientation fosters an awareness of the external market which requires response at appropriate levels and functions of the firm. Therefore, the value of market orientation lies in its ability to prompt reconfiguration of resources. The value lies in the processing, use and value of the following:

- The information, or the recognition by employee of the information's value to the firm,
- Information sharing and,
- The employee/employer's use of the information to shape reactions. The value of market orientation as a dynamic capability rests in the combined effect of information sharing on customers and competitors.

Furthermore, in high velocity markets, dynamic capabilities rely more on real-time information, cross-functional relationships and intensive communication among those involved in the process and with the external market (Eisenhardt and Martin, 2000, Marcus and Anderson, 2006). These information acquisition and dissemination behaviours are the focus of market-oriented activities. Market-oriented routines create a sensitivity and response to the market by providing superior market information and understanding thus decreasing uncertainty and increasing the probability of proper response to market changes. Therefore, it is logical that market orientation is an important capability in high velocity markets, (that is, highly uncertain environments).

These behaviours also form components central to market orientation. Essentially, they are dynamic because the correct way of acquiring information necessary to task completion will vary with the frequency, heterogeneity and causal ambiguity of the task (Zollo and Winter, 2002).

Viewing market orientation as a set of dynamic capabilities also provides a means of clarifying the theoretical ambiguity of "market" definition. Some researchers conceive of the firm's external environment as an eco-system (for instance, Agarwal, Sarkar and Echambadi, 2002; Burgelman, 2002, and Russo and Harrison, 2005). Each part of this eco-system inextricably relates to other parts. Thus, events influencing one area of the environment also influences other areas. Similarly, a firm's dynamic capabilities renew and reconfigure its operating capabilities. Therefore, as the firm reshapes its resources in response to customer information, this reshaping must also consider how other capabilities and market factors may be influenced. Accordingly, this process is better viewed as a web of capabilities, dynamically changing in response to changes in the

environmental web. This involves the taste, the needs and the purchase process as they are constantly affected by technology and other factors.

2.4 MARKET- FOCUSED STRATEGIC FLEXIBILITY

The flexibility literature (for example those of Hitt, Keats and Demarie, 1998; Young-Ybara and Wiersema, 1999; Grewal and Tansuhaj, 2001; Johnson, Lee, Saini, and Grohmann, 2003; Ketchen, Snow, and Vera, 2004; Dreyer and Gronlaug, 2004; Schimizu and Hitt, 2004; Goodman and Rousseau, 2004; Harrigan, 2004; Judge and Elenkov, 2005; Zuniga-Vicente and Vicente-Lorente, 2006) is fairly clear and consistent with regard to the role of firm's capabilities in resource application. Consistent with this in the conceptualization is market-focused strategic flexibility, which depends significantly on the firm's resource portfolio. More importantly, it involves the accumulation of a resource portfolio with certain unique characteristics. Theory suggests that both tangible (capital, production, facilities,) and intangible (technical know-how, reputation, efficient procedures, etcetera) resources tied semi-permanently to the firm may contribute to its competitive advantage (Wernerfelt, 1984; Rummelt, 1995; Baron, 2006).

Particularly with regard to achieving superior product market positions, researchers have noted the importance of certain scarce assets or resources and their deployment (for example, Dierckx and Cool, 1989; Katila and Shane, 2005). The Marketing resources a firm can acquire and deploy that have been identified as critical include: brands, sales forces, channel relationships, dealer loyalty, customer trust, and marketing expertise (for example, Dierckx and Cool, 1989; Capron and Hulland, 1999; Day, 1994). Because they contribute significantly to the generation of options in achieving superior product market positions, these resources lie at the heart of the firm's competitive position.

According to Day (1994), Johnson, Lee, Siani and Grohnam (2003), Smith, Collins and Clark (2005)'s conceptualization, the firm's skills have four ways in developing market-focused strategic flexibility. Specifically, the firm develops capabilities which may be considered higher order or dynamic capabilities because they are composed of socially complex routines deeply embedded in the firm. In addition, they involve the

configuration, adjustment, and reconfiguration of resource portfolios over time (Teece, Pisano, and Shuen 1997; Eisenhardt and Martin, 2000). Firms develop resource-based capabilities just as they develop other capabilities through learning and building knowledge that are integrated in activities and decision making over time (for example, Simon, 1969; Fiol and Lyles, 1985; Day 1994; Sinkula, 1994; Slater and Narver, 1995; Smith, Collins, and Clark, 2005; Subramaniam and Youndt, 2005). Day (1994) identifies four major capabilities that are the bedrock of a market driven organization that is market sensing, customer linking, channel bonding and technology monitoring. They also summarize the major indicators of market driven behaviour as committed and involved top management, supportive culture, alignment of objectives and reward with external market performance and finally closeness of locus of decision to the customer.

With regard to market-focused strategic flexibility, resource identification capability is necessary to build a portfolio of marketing resources with competitive advantage generation potential. Having identified the resources, acquisition capabilities come in play. The firm must be able to obtain and accumulate these resources either through internal development or external sources. In conjunction with identification and acquisition, resource deployment capabilities involve the firm's ability to leverage and use the resources. The firm must effectively configure and deploy the resources and subsequently continue to reconfigure and redeploy them. To achieve market-focused strategic flexibility, the marketing resources identified and acquired must be amendable to change and be able to accommodate multiple deployment and configurations. Furthermore, the more enduring the adaptability of the marketing resources, the better the resource bundle may be reconfigured and redeployed over and over again (Lavie, 2006).

The direct implication is that the composition and configuration of these resource-based capabilities forms the foundation for generating real options such as those involving market entry and product introductions (Johnson, Lee, Siani and Grohmann, 2003). Options represent the choice mechanism-underlying strategy in that strategy revolves around the bundle of options, that is, a set of discretionary actions that can be taken at a later appropriate time (Bicksler and Chen, 1990; Bowman and Hurry, 1993; Kogut and Kulatilaka, 2001; Subramaniam and Youndt, 2005). As various outcomes are revealed,

options allow the manager to adjust accordingly (Bowman and Moskowitz, 2001). It is noteworthy that while this set of capabilities provide the basis of generating options with regard to products and markets, it does not necessarily follow that this is an optimal bundle of options. Another capability, option identification, comes in play for generating an enhanced and possibly even optimal bundle of real options.

Option identification capability, as the term implies, entails management's ability to recognize various options as they unfold. Importantly, this capability involves the ability to spot hidden options. Hidden options, also described as shadow options are options that have not yet been identified as they are often more subtle and more difficult to see, recognize, and understand. Hidden options are less apparent and may be slower to unfold. The firm converts shadow options into real options by recognizing them. This recognition and uncovering of hidden or shadow options is a skill or capability that contributes directly to an enhanced option bundle. It often involves the breaking down of activities for experimentation so that options come into focus (Bowman and Moskowitz, 2001). Striking a real option alters the configuration of resources, which in turn leads to new options for the future. Thus, a sequential striking of this option chain eventually unfolds the strategy for the firm (Bowman and Hurry, 1993; Johnson, Lee, Siani and Grohmann, 2003).

Option identification capability depends to a significant extent on the firm's market-sensing abilities (Johnson, Lee, Saini and Grohmann, 2003). By market sensing, it means the firm's alertness to market signals and its ability to read them (Day 1994). It suggests that the firm develops sense making skills to anticipate developments in the market (Dickson 1992). Market sensing involves the heuristic mental model for visualizing latent market potential (Amit and Schoemaker, 1993). It allows for a broad-based panoramic surveillance of the market to identify emerging technologies and best practices (Teece et al., 1997). All of the sensing, surveillance, and visualization of the market greatly facilitate the recognition and uncovering of shadow options as they emerge. Market-focused strategic flexibility therefore, derives from capabilities in assembling and maintaining an appropriate resource portfolio, and the coupling of the resource portfolio with option identification and recognition (Johnson, Lee, Siani and Grohmann, 2003).

2.5 OPERATIONALIZATION OF MARKET-FOCUSED STRATEGIC FLEXIBILITY

The market-focused strategic flexibility is operationalized as follows according to Johnson, Lee, Siani and Grohmann (2003):

- (i) Resource portfolio: That is, what is the composition of the portfolio of the firm? It must be such that possess enough product/market resource capability of containing any change in the environment that could affect the organizational objectives and causes of actions. This is a function of:
 - Organizational objectives of building resources in relation to their product/market option.
 - The extent to which holding product-market options are valued in the firm.
- (ii) Option identification capabilities: This entails the significant extent of the firm's market sensing abilities. It is the development of sense making skills that will anticipate developments in the market. This is a function of:-
 - Focus on option generation and identification (for example selection of new product projects).
 - Organizational building of capabilities to respond to desperate situations.
 - Emphasis on managing macro-environmental risks (that is political, economic, and financial risks).
- (iii) Resource deployment: This involves the actual deployment of the resource to arrest the effect of the environmental factors. This is a function of:-
 - Extent of allocation of resources or options to enhance the speed and extent of maneuvering capabilities.
 - The extent of preference for project that generate product-market options.

SUMMARY

The main focus of chapter two is to provide a theoretical foundation for the study. The related theory includes an overview of resource based view and dynamic capabilities. These theories impact directly and relate to the underlying study of market-focused

strategic flexibility, sales growth and market orientation.

Section 2.2 shows that a dynamic capability is reflected in market-focused strategic flexibility within the organization and represents the ability of the firm to renew, integrate, build, and reconfigure competencies in response to changing environmental factors. The resource-based view of the firm (RBV) looks inward at the firm and provides an understanding of what makes a firm uniquely capable of sustaining competitive advantage which is seen as sustaining customer advantage over the competitors by creating superior value that ensures increased and continuous patronage in form of sales growth.

Section 2.3 provides an overview of the theoretical basis of market orientation. The evolutionary theory of the firm, behavioural theory of the firm, resource-based view and dynamic capability theory contribute to the understanding of strategic orientations because they consider the competitive impact of differences in managerial decision making. The lines between the theories are not definitive, and there is notable conceptual overlap and inter-theory contribution. Although this section shows that they all contribute to the understanding of market orientation, Resource-Based View and in particular, its branch of dynamic capabilities explains how the dynamic nature of market orientation fosters competitive advantage.

Section 2.4 explains market-focused strategic flexibility from the dynamic capabilities theory and it was operationalized as resource portfolio, option identification capabilities, and resource deployment.

Section 2.5 operationalizes the market-focused strategic flexibility.

CHAPTER THREE

LITERATURE REVIEW

3.1 INTRODUCTION

Chapter two explored the study field of market-focused strategic flexibility and market orientation. Theory related to these concepts was reviewed and these concepts were linked to the basis of the study. In chapter three, the trends and views of market-focused strategic flexibility, strategic flexibility, market orientation and firm performance are discussed.

Section 3.2 gives attention to the conceptual framework of market orientation, strategic flexibility, market-focused strategic flexibility, and sales growth. Section 3.3 explores the literature related to the relationship between market orientation and firm performance as well as the literature that has focused on the relationship between strategic flexibility and firm performance. In Section 3.4, a summary of the insights provided by the literature is provided, including a diagrammatic representation of what the literature has offered and the perceived gaps in the literature which this study intends to fill.

3.2 THE CONCEPTUAL FRAMEWORK

This section deals with the conceptual framework of the major variables of this study (market orientation, strategic flexibility, market-focused strategic flexibility and sales growth).

3.2.1 MARKET ORIENTATION

More than four decades ago, Levitt (1960) expressed a view in line with the early conceptualization of the marketing concept (Drucker, 1954; McKitterick, 1957; Matthews et al., 1964). Levitt (1960) argued that firms are customer-satisfying organisms who buy customers by doing the things that make people want to do business with them. Levitt's (1960) idea was later understood as hearing the voice of the customer, which made the marketing concept to be described as the firm's willingness to recognize, to understand, and adjust the marketing mix's elements to satisfy customers' needs (Houston, 1986).

Researchers also differ in their definition of the "market": some restrict their research focus to customer information (for example, Jaworski & Kohli, 1993), but others expand their

focus to additional external market factors such as competitors (for example, Narver & Slater, 1990). A neglect of the nature of the operational mechanisms of market orientation characterizes the second theme. These dimensions concern the operational characteristics of market orientation and the inter-variable antecedents of this contribution to market orientation.

Market orientation relates to other strategic orientations. Researchers differ in their concept of an “orientation”. For example, Morgan and Strong (2003) discuss strategic orientation as a manifestation of strategic content, that is, the outcome of strategic decisions. They also referred to it as strategic fit, strategic disposition, or strategic thrust. This perspective on an orientation, although providing a means for post-hoc comparison, lacks an understanding of what steps are necessary to achieve this orientation. Alternatively, Andrews (1980) describes a strategic orientation as referring to the markets in which the firm competes and focuses its resources on developing competitive advantage. This definition creates ambiguity because it seems to include uncontrollable market factors.

Other related literature is problematic in its definition of orientation. For example, a learning orientation is described as a “set of values” by Bakel and Sinkula (1999). This type of definition becomes complex to test because it assumes that organizational entities can possess a value system, while it is the strategy implemented that creates value. Researchers also link market orientation to the emerging concept of entrepreneurial orientation (Hossini et al., 2003; Martins and Terblanche, 2003). The literature in entrepreneurial orientation does not however, address the question of what an orientation represents.

The variety of opinion in the strategic, learning, and entrepreneurial orientation research streams has also engulfed the literature regarding market orientation. A market orientation differs from a marketing orientation because it is cross-functional in character involving decision making and organizational learning within the company and the understanding of changes in the external environment (Gebhardt, Carpenter and Sherry, 2006). It involves business processes, which require decision-making and an understanding of both internal capabilities and changes in the external marketing environment. A marketing orientation involves only those in the marketing department, whereas a market orientation orients all employees toward the market (Mullins et al., 2005).

The definition of “market” exhibits a similar lack of clarity. Researchers debate whether a market orientation should include a focus upon customers or competitors. Should it include a consideration of profit? Is the market also reflected by customers who are internal to the company?

An explanation of this from the point of view of market-driven strategy (Day, 1994a, Day, 1994b) shows a partial interpretation of Levitt’s thought. Levitt (1960) points out that in order to survive, firms must act on their customers’ needs and desires and satisfy them. This implies that firms can either follow their customers’ current needs or help shape them. Therefore, firms do not strictly need to follow their customers’ voice; they can also lead the latter’s needs in new directions by dramatically increasing the customer value proposition and improving business systems, a strategy best described as market-driving (Slater and Narver 1999; Jaworski, Kohli, and Sahay, 2000; Kumar, Scheer, and Kotler, 2000; Crosby and Johnson, 2006). Although market-driving strategies have been the object of many recent research endeavors (for example, Kumar, Scheer, and Kotler, 2000; Jaworski, Kohli, and Sahay, 2000; Gainer and Padanyi, 2005; Schneider et al., 2005; Kirca, Jayachandran and Bearden, 2005; Ellis, 2006), there is no model that integrates market-driving strategies into strategic flexibility.

Perreault and McCarthy (1999) and Agarwal, Erramilli and Chekitan (2003) perceive market orientation as consisting of customer orientation, profit orientation and integrated marketing organization (that is, integration of effort by all areas of the organization to achieve corporate goals by satisfying customer needs and aspirations).

Although Kohli and Jaworski (1993), and Ellis (2006) accept this definition, they view profitability as a consequence of market orientation rather than a part of it. They define market orientation as an organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of intelligence across departments, and organization-wide responses to this intelligence. Ruekert (1992) defines market orientation summarily but adds an explicit focus on strategic planning by business units.

Day (2002) suggests that a market orientation is the principal foundation of the learning organization (that is, a market orientation must exist in the culture of the organization, and such an orientation should be part of the values and norms of the organization). A company

needs a market orientation in order to learn successfully. Orientation is reinforced when the voice of the customer is carried to every part of the firm and becomes a driving force in daily operational decisions (Cravens and Guilding, 2000; Vorhies and Morgan, 2005).

Liu (1995), Slater and Narver (1999), and Gebhardt, Carpenter and Sherry (2006) argue that three characteristics make a company market-driven; first, information on all important buying influences must permeate every corporate function; second, strategic and tactical decisions are made inter-divisionally; and third, its divisions and functions make well-coordinated decisions and execute them with a sense of commitment.

Definitions of market orientation offered by different researchers reveal that Narver and Slater (1990) and Kirca, Jayachandran and Bearder (2005) see market orientation as consisting of three behavioural components (that is, customer orientation, competitor orientation and inter functional coordination).

3.2.1.1 CUSTOMER ORIENTATION

Customer orientation as a component of market orientation fundamentally focuses on putting customers at the centre of strategic focus (Mc Eachern and Warnaby, 2005). Nwankwo (1995) proposes a framework for auditing a customer orientation profile, which achieves definition, sensitivity, measurement, and implementation. These are considered sequentially below:

3.2.1.1.1 Definition

This is a process of putting customers at the heart of an organization. That is, developing the appropriate vision of customers and their needs; a phenomenon that makes the organization perceive itself through the eyes of its customers: Mc Eachern and Warnaby (2005), Salavou (2005) and Nakata and Zhu (2006).

A customer-specific definition requires that the organization:

- Has clear ideas about customers and their needs.
- Uses customers' characteristics to design the product market portfolio.
- Stipulates specific customer care objectives, which communicate the aspirations of both customer and management (Nakata and Zhu, 2006)
- Sets in place feedback systems that enable the organization to reach its customers and vice-versa.

- Employs effective customer education/information systems.
- Evidences a genuine concern for customers, who should not be considered as a monolithic group. There is a need to recognize the diversity of the customer segment and their needs (Salavou, 2005).
- Has a good understanding of the behavioural nature and consequences of consumption.
- Knows what customers know and want, and tries its best to satisfy them (Samra-Frederick, 2003; Rouleau, 2005; Zander and Zander, 2005).

3.2.1.1.2 Sensitivity

This pertains to the fact that the organization must be able to detect underlying customer concerns. Liu (1995) asserts that core customer problems lie outside management's purview until a shock event occurs to highlight the inadequacy of existing approaches and as a consequence, exposes the extent to which the organization is able to scan and interpret environmental signals. Lewis (1994) sees customer orientation as being central to the origin of an effective customer-focused program. Nwankwo (1995) proposes a two-state scheme to categorize levels of sensitivity: pro-active and reactive sensitivity.

Pro-active Sensitivity

This arises from a genuine desire to integrate customer interests into the decision mechanisms of the organization. The ways in which an organization can demonstrate such a level of customer concerns include:

- Emphasizing customer expectations and devising actionable programmes for meeting the expectations of each category of stakeholders, Lewis (1994) notes that employee welfare may also be important in this light since a dissatisfied employee is unlikely to deliver a good customer programme.
- Adopting an anticipative and preventive approach in formulating the customer programme (Salavou, 2005).
- Viewing all customers as marketing opportunities and not market opportunities.
- Developing a customer strategy based on perceptive marketing research.
- Developing power downward especially to frontline-staff that deals with customers at critical moments (Rousseau, 2005).

- Infusing organizational members with the vitality, enthusiasm and spirit to deliver true excellence in customer care.

Reactive Sensitivity

This involves a more mechanical approach to customer-orientation management. It addresses the symptomatic factors rather than the underlying issues. Reactive sensitivity is characterized by:

- Passive, often confused or misguided attention to customer orientation.
- Defensive attitudes in responding to customer complaints.
- Coerced management attention: that is management usually only acts for the customer when under pressure.
- Management being guided by a “band-wagon effect” that is predicated on copying what other organizations are doing.

3.2.1.1.3 Measurement

Payne (1988) suggests that many organizations possess well-developed planning processes but that the extent to which customer goals are included, implemented, and monitored is inadequate. The mission of the organization as far as the customers are concerned must be well articulated; present performance level in this regard must be ascertained. Any vacuum between the organizational desires and actual achievement must be outlined. Nakata and Zhu (2006) assert that the need to provide customer-orientated programmes must be seen not just in symbolic terms, but also in the light of what they seek to achieve. Operational measures should stimulate a more focused and integrated organizational effort, and provide a benchmark for determining whether customer orientation strategies are working as intended. Measurements can be carried out by formal and informal techniques. The formal techniques use customer-based quality performance measures to gauge true perception as well as subconscious factors which impel customer behaviour, while informal measurement evolves where there are no set standards. In this case, a rule of thumb is applied. At times a standard exists but is neither articulated nor objectively specified.

3.2.1.1.4 Implementation

The implementation of a customer-driven strategy calls for a committed and integrated

effort. Without a committed and effective leadership, the formulation and implementation of customer-driven strategies is likely to degenerate into mere ritual.

3.2.1.2 COMPETITOR ORIENTATION

This means that a seller understands the short-term strengths and weaknesses, and long-term liabilities and strategies, of both the key current and the key potential competitors (Porter 1980, 1985; Day and Wensley 1988; Aaker, 2001; Gebhardt, Carpenter and Sherry, 2006). Paralleling customer analysis, the analysis of principal current and potential competitors must include the entire set of technologies capable of satisfying the current and expected needs of the seller's target customer.

3.2.1.3 INTERFUNCTIONAL COORDINATION

This is the third of the three behavioural components of the coordinated utilization of company resources in creating superior value for customers. When there is no tradition of such coordination in a business, effective advocacy and leadership are needed to overcome each functional area's isolation from the other functions. Achieving effective coordination requires among other things, an alignment of the functional area's incentives and the creation of interfunctional dependency so that each area perceives its own advantage in operating closely with the others. If a business rewards every functional area for contributing to creating superior value for customers, self-interest will lead each area to participate fully. In developing effective interfunctional coordination, marketing or any other advocate department must be extremely sensitive and responsive to the perceptions and needs of all other departments in the business.

Narver and Slater (1990) and Kirca, Jayachandran and Bearder (2005) state further that a market-orientated firm should benefit from better marketing programme efforts that fit the needs of customers. In general, it realizes efficiencies from precision and avoids trouble because it is adaptable. Secondly, the market-oriented firm is difficult for competitors to spot easily. Market orientation displays a stealthy character. Finally, a market orientation is apt to be unique. It is typically a very distinctive skill because it is complex, intangible, and inimitable.

A look at the keywords in Kohli and Jaworski's (1990), Agarwal et al. (2003) and Ellis

(2006)'s definition of market orientation reveals it as being intelligence-generating, intelligence-disseminating and responsive. They see the starting point of such an orientation as market intelligence: a broader concept than customers' verbalized needs and preferences in that it includes an analysis of exogenous factors that influence those preferences and needs.

However, market intelligence does not only pertain to customer needs and preferences; it also includes an analysis of how they may be affected by exogenous factors such as government regulations, technology, competitors, and other environmental forces. Environmental scanning activities are subsumed under market intelligence.

Market intelligence pertains not just to current needs but to future needs as well. This idea is embedded in Houston's (1986) assertion and reflects a departure from conventional views (for example "find a need and fill it") in that it urges organizations to anticipate needs of customers and initiate steps to meet them. The notion that market intelligence includes anticipated customer needs is important because it often takes years for organizations to develop a new product offering.

Also, it is necessary to understand the needs and preferences of not only the customers but also the retailers through whom their products are sold. Keeping retailers satisfied is important to ensure that they carry and promote these products, which in turn enables the needs of the customers to be catered for.

The generation of market intelligence relies not just on customer surveys, but also on a host of complimentary mechanisms. Intelligence may be generated through a variety of formal as well as informal means. (For instance, informal discussions with trade partners may involve collective primary data or consultative secondary sources.) These mechanisms include meetings and discussions with customers and trade partners (like distributors), analysis of sales reports, analysis of worldwide customer databases and informal market research such as customer attitude surveys, sales responses in test markets and so on.

However, intelligence generation is not the exclusive responsibility of a marketing department: R&D engineers and manufacturing personnel may obtain information at scientific conferences; senior executives might uncover trends in trade journals and make

contact with their customers by means of an open-house invitation. This method not only enables manufacturing personnel to understand better the purchase motivations of customers, but also helps customers to appreciate the limits and constraints of the processes involved in manufacturing items they require.

Kohli and Jaworski (1990), Akinova (2000), and Ellis (2006) also argue that the vital point is that generation of market intelligence does not stop at obtaining customer opinions, but also involves careful analysis and subsequent interpretation of the forces that impose themselves on customer needs and preferences. They also argue that market intelligence must be generated collectively by individuals and departments throughout an organization; mechanisms therefore must be put in place for intelligence generated at one location to be disseminated effectively to other parts of an organization.

Intelligence dissemination pertains to the communication and transfer of intelligence information to all departments and individual within an organization through formal and informal channels. Personnel in the marketing department should educate and communicate with other personnel in other departments and functional areas. However, Anderson (1982) notes that intelligence also needs to flow in the opposite direction, depending on where it is generated, and not just the marketing department. Effective dissemination of market intelligence is important because it provides a shared basis for concerted actions by different departments.

Kohli and Jaworski (1990), Akinova (2000), Agarwal (2003) and Gebhardht, Carpenter and Sherry (2006) note that the emphasis on intelligence dissemination parallels recent acknowledgments of the important role of horizontal communication in service organizations: the lateral flow that occurs both within and between departments serve to coordinate people and departments so as to facilitate the attainment of overall organizational goals. Horizontal communication of market intelligence is one form of intelligence dissemination within an organization.

The third element of market orientation in terms of the Kohli and Jaworski (1990) and Gebhardht, Carpenter and Sherry (2006)'s definitions is responsiveness to market intelligence: the action taken in response to intelligence that is generated and disseminated. Responsiveness may take the form of selecting target markets, designing and offering

products/services that cater for their ardent and anticipated needs, and producing, distributing and promoting the products in a way that elicits favourable customer response.

Deshpande and Farley (1998), Hooley et al. (2000) and Zhou et al. (2005) suggest that responsiveness may be a function of such factors as the political, where it challenges the status quo. And similarly, the extent to which intelligence is disseminated within an organization may depend on the political acceptability of intelligence and the challenge posed to the status quo. Hence, the source of market intelligence and the very nature of intelligence may affect its dissemination and utilization.

Further insight is offered by Perreault and Carthy (1999), and Sandvik and Sandvik (2003) who enumerate three major variables: customer orientation, coordinated marketing and profitability. Customer orientation has been dealt with.

Kohli and Jaworski (1990) and Agarwal (2003) view profitability as the organizational gains that ensue from focusing on the customers' needs and aspiration. This finding is consistent with Levitt's (1980) strong objection to viewing profitability as a component of a market orientation, which, he asserts, is "like saying that the goal of human life is eating".

The different definitions of market orientation reveal a central focus on tracking and marketing customers' needs profitably. The definitions by Kohl and Jaworski (1990) and Gebhardt et al. (2006) are in the same vein as Deshpande, Farley and Webster (1993), who view this orientation as the organization's belief that customers' interests come first. And also in line with Day's view (1990) of superior behaviours in understanding and satisfying customers – this is also not much different from the strategic planning point of view taken by Ruekert (1992): the degree to which the business unit obtains and uses information from customers, develops a strategy which will meet their needs, and implements that strategy by being responsive to customers' needs and wants.

It is however imperative to note that these definitions are myopic when compared with those of Perreault and McCarthy (1999) and Sandvik and Sandvik (2003), Shapiro (1988) and Appiah-Adu (1998), Narver and Slater (1990), Kirca, Jayachandran and Bearder (2005), Cravens and Guilding (2000). Perreault and McCarthy (1999) and Zheng, Yim and Tse (2005) see market orientation as being beyond a customer-focused initiative but also

encompassing a profit orientation and integrated marketing, while Narver and Slater (1990) and Kirca, Jayachandran and Bearder (2005) believe profit will naturally ensue from a relationship that benefits the parties involved, so they include competitor orientation and interfunctional coordination. The Shapiro (1988)'s definition, though it emphasizes the interfunctional coordination and decision making process, is totally silent on the need to investigate the competitor.

Perreault and McCarthy's (1999) and Sandvik and Sandvik (2003)'s suggestion of the "profit" orientation of a market-driven organization does not adequately point to the essence of market orientation. It is ambiguous and devoid of a high degree of specificity. Literature also reveals that organizations could be profit-oriented without necessarily being market-driven (Voss and Voss, 2000; Pelham, 2000; Noble, Sinha and Kumar, 2002; Kara, Spillan and Deshields, 2004).

The Narver and Slater (1990) and Kirca, Jayachandran and Bearder (2005) definition would have been more complete if more emphasis had been placed on the decision-making process within inter-functional coordination, which is what actually offers a holistic picture of a market-driven organization.

Market-driven companies or those with a strong market orientation are superior in two ways. Firstly, market-driven companies do a better job of market-sensing or anticipating market requirements ahead of competition. Secondly, market-driven companies are able to develop stronger relationships with their customers and their channels of distribution. Stronger relationships include more direct lines of communication, and greater attention to the customer throughout the firm.

Interfunctional coordination represents the third in the series of core market orientation components identified by Narver and Slater (1990) and Kirca, Jayachandran and Bearder (2005). For the marketing concept to be implemented properly, Felton (1959) insists on integrating all other functions of business with those of marketing.

3.2.1.4 MARKET-DRIVEN VERSUS MARKET DRIVING

There exist two complementary approaches to market orientation: market-driven and market-driving:

- Both approaches represent a market orientation that entails a focus on customers, competitors, and broader market conditions (Kohli and Jaworski, 1990; Agarwal 2003 and Gebhardt et al. 2006).
- Jaworski, Kohli and Sahay (2000) and Ellis (2006)'s framework comprises two dimensions: market structure and market behaviour. The former refers to a set of players and the roles played by them in what Porter (1985) calls "the value chain".
- Accepting the market structure as a "given" means that the focal business does not eliminate and/or modify the roles of existing industry players (market-driven). Driving the market structure, in contrast, refers to a business proactively changing the composition of the players by, for example, buying them out or by getting new players to enter the industry (for example new distributors). A new business may also change the market structure by fundamentally changing the roles performed by one or more players (for example, getting a distributor to assemble/manufacture a product in addition to selling it). Levitt (1960) noted, five decades ago, that an industry evolves with changes taking place in roles and functions performed by various players in the industry.

Market behaviour refers to the behaviour of all players in the industry's value chain. Note that this definition includes any player in the said chain, including competitors, suppliers, distributors, and complementors. The competitive battleground often focuses on changing customers' perceptions of the focal firm's offering versus competitors' offerings in terms of attributes known to be considered important by customers. In contrast, shaping market behaviour entails causing customers to focus on attributes previously unconsidered by them.

More importantly, driving market is a multiplicative function of two key dimensions: the number of changes effected in a market and the magnitude of those changes.

Thus, a business that greatly changes the composition of a market as well as the behaviours of most players would be classified as having driven the market to a greater extent than another business that caused only a small change in the behaviour of a single player in the market. Thus, driving markets is a matter of degree and is not a dichotomous variable (Zhou et al., 2005).

Furthermore, it is important to keep in mind that a given organization can both drive markets and be market-driven. Thus, these approaches are complementary, not substitutes. This is most easily observed when an organization is simultaneously attempting to protect a cash-generating old technology and attempting to build a business for the future with a new technology. Abell (1993) termed this challenge a “dual strategy” because organizations are often confronted with balancing the need to manage the present business opportunities while concomitantly planning for the future.

Market-driving

Jaworski, Kohli and Sahay (2000), and Best (2005) suggested three generic approaches to driving the structure of a market:

- eliminating players in a market (deconstruction)
- building a new or modified set of players – and, hence a new market structure (construction).
- changing the functions performed by players (functional-modification).

The deconstruction approach entails reengineering the industry value chain, often to eliminate low value-adding players – from the customer’s perspective. The constructionist approach typically entails developing a different set of players to deliver and meet some customer need; while the functional-modification approach typically involves the integration of the firm attempting to shape the market structure.

Researchers also suggest different ways of shaping the market (Zaltman, 1996; Kaplan and Norton 2001; Jaworski, Kohli and Sahay, 2000; Best 2005; Mullins et al., 2005; Crosby and Johnson, 2006).

Shaping market behaviour directly

- *Build customer constraints:* Market behaviour can be shaped directly by building real or imagined constraints or obstacles into the consumer-buying experience.
- *Remove customer constraints:* Removing constraints in the buying process is a second way in which companies can influence customer behaviour directly.

- *Build competitor constraints:* Similar to the consumer environment, it is also possible to build in constraints or obstacles for competitors – or the other stakeholders.
- *Remove competitor constraints:* Market constraints or obstacles can be lessened, for example, by regulation initiated by competitors, the government, or other stakeholders.

Shaping market behaviour indirectly

- *Create new customer preference:* Rather than shaping customer behaviour directly, it is possible to shape perceptions of the offerings in the marketplace before these affect behaviour. This can occur by means of completely new offerings or the introduction of new benefits that customers have not recognized previously. Secondly, it is possible to introduce completely new customer benefits for existing products. The intent here is to change how customers assess the feature-functionality of products. It is not simply providing better quality in a well-known benefit; rather, it is introducing a new benefit into the mix.
- *Reverse existing customer preferences:* A third option in shaping market behaviour is to change the existing preferences of customers (or other stakeholders) from a positive (or negative) to a negative (or positive) evaluation.
- *Create new competitor preferences:* The focal firm can also affect competitive behaviour indirectly by affecting the mind-set or cognitive structure of competitors in their market. A market leader can shape the behaviour of competitors in the market by its decisions to enter or exit a particular product market. A business can also use signalling to alter a competitor's behaviour.
- *Reverse existing competitor preferences:* Strategic actions by the focal firm can also fundamentally alter (reverse) the preferences of competitors.

Market-driven and market-driving strategies are both consistent with the two fundamental components of the marketing philosophy because they focus on the customer's needs and desires as well as on the concept of profit (Best, 2005). However, as noted by Jaworski, Kohli, and Sahay (2000) and Ellis (2006), the interpretation of market orientation has been

mainly in terms of market-driven strategies that are based on firm's reaction to changes in the marketplace.

3.2.1.5 Findings against market orientation

A market orientation however, has also been found not to encourage a sufficient willingness to take risks. For example, a substantial danger for many businesses that perceive themselves to be market-oriented lies in the "tyranny of the served market" (Hamel and Prahalad, 1991: 83). This danger is the result of narrowly focusing market intelligence efforts on current customers and competitors, thus ignoring emerging markets and/or competitors (Day, 1994). In addition, Hayes and Wheelwright (1984), Gainer and Padanyi (2005), and Mottner and Ford (2005) argue that a market orientation can limit a company's focus to only the expressed needs of customers and therefore, lead only to adaptive learning. Thus, such a company will emphasize product-line extensions for its current customers rather than pursue a deep understanding of the latent needs of current and new customers and hence, innovative products and opportunities in new markets.

Another concern is that according to common definitions (Shapiro, 1988; Kohli and Jaworski, 1990; Deshpande, Farley and Webster, 1993; Day, 1994a; Ellis, 2006; Narver and Slater, 1990; Kirca, Jayachandran and Bearder, 2005 and Gebhardt et al. 2006), the primary focus of a market orientation is creating superior customer value which is based on knowledge derived from customer and competitor analyses. A business must be careful not to underestimate the potential contributions of other learning sources, such as suppliers, businesses in different industries, consultants, universities, government agencies, and others that possess knowledge valuable to the business (Achrol, 1991; Dickson, 1992; Webster, 1992; Gainer and Padanyi, 2005 and Schneider et al., 2005). Furthermore, an organization with a market orientation may not see threats from non-traditional competitors.

3.2.1.6 Seminal perspectives on market orientation

In the definitions analyzed earlier, there are two seminal perspectives on market orientation: the first, that of Narver and Slater (1990) and Kirca, Jayachandran and Bearder (2005), espouses a cultural perspective; the second, that of Kohli and Jaworski (1990) and Ellis (2006), espouses a behavioural perspective. Viewing market orientation as a dimension of strategy from a higher level of cultural perspective Narver and Slater (1990; 21) defined

market orientation as “the organizational culture that most effectively creates the necessary behaviours for the creation of superior value for buyers and thus continuous superior performance for the business”. An organizational culture reflects a shared set of fundamental beliefs and values (Gainer and Padanyi, 2005). However, Narver and Slater (1990; 22) proceeded to operationalize market orientation with three behavioural components: customer orientation, competitor orientation and inter-functional coordination.

Both behavioural and cultural perspectives consider market orientation to be composed of specific behaviours, but differ in their interpretation and measurement of the construct’s content. This ambiguity of definition makes it difficult to interpret empirical market orientation findings and derive concrete conclusions about market orientation and its relationship to performance. For example, in considering market orientation to be a culture, rather than a set of behaviours, it becomes more difficult to specify and to understand its antecedents and consequences. This does not provide direction to practitioners seeking to encourage market orientation.

Lafferty and Hult (2001) and Zhou et al. (2005) conceive of further differences in the meaning of orientation. In addition to the cultural and behavioural dichotomy, they suggest that researchers had previously conceived of market orientation as a decision-making process (for example, Glazer, 1991) and as a strategic focus incorporating business capabilities, based upon Day’s (1994) theorization of market-sensing and customer-linking capabilities.

This lack of theoretical clarity was recognized by Homburg and Pfesser (2000), who attempted to clarify market orientation by describing it as a multi-layered cultural construct consisting of layers of shared values, norms, artifacts and behaviours. In doing so, they provide a specificity often lacking in other market orientation research, but also create confusion by categorizing behaviours as a level of culture. Their work implied that behaviour is a sub-dimension of culture, instead of a separable construct (Kohli & Jaworski, 1990) or an operationalization (Narver & Slater, 1990). In general, the behavioural concept of market orientation is gaining acceptance.

For example, Darroch and McNaughton (2003) consider market orientation to be a culture, and the existence of market-oriented behaviours to be a proxy for market orientation. The

inter-organizational relationship perspective espoused by Helfert et al. (2002) also reflects behaviours, by identifying four main relationship task bundles: exchange activities, inter-organizational coordination, utilization of constructive conflict resolution mechanisms, and adaptation to the special needs or capabilities of each partner – which are sub-themes of the process falling under the main theme of our strategic orientation.

Although Helfert's (2002) view reflects the importance of behaviours for overall market orientation, it does not explain why these behaviours lead to competitive advantage. It also raises questions surrounding the types of behaviours that would be included in the construct. Should there be a focus on relationship behaviours, or are there others that are important to a market orientation? Researchers have answered this question by setting boundaries on market orientation and upon its foundation, building other orientations such as learning and knowledge management (Sandvik and Sandvik, 2003; Ozcelik and Taymaz, 2004; George et al., 2005; Woodside, 2005 and Zhou et al., 2005).

Baker and Sinkula (1999) define market orientation as a characteristic of an organization that determines the priority that is placed on MIP (marketing information processes) activity and its use in the strategic process. Dickson, 1996:104, as cited in Baker & Sinkula, 1999) suggests that market orientation describes “a set of processes that enable the firm to learn”. Higher-order learning is necessary to prioritize and act on important market information, discarding information that has become obsolete. Based on these definitions of market orientation, Baker and Sinkula (1999: 413) proceed to differentiate market orientation from a learning orientation: “Market orientation is reflected by knowledge producing behaviours and by a set of knowledge questioning values.”

Darroch and McNaughton (2003) present knowledge management as conceptually broader than market orientation; developing knowledge about the marketplace as well as collecting internal information on a firm's financial performance, employees' processes and technological development. A knowledge management orientation might also place more emphasis on the internal processes facilitating information dissemination. Thus, they consider market orientation to comprise a subset of a knowledge management orientation.

Narver and Slater (1990) and Kirca, Jayachandran and Bearder (2005) specifically describe both a customer and competitor orientation as being a part of a firm's overall market

orientation. In contrast, Kohli and Jaworski (1990) and Ellis (2006) consider only customer information. These two influential research teams reflect a general disagreement by many researchers as to what a market orientation should encompass. The literature often refers to market orientation and customer orientation within the same article (for example, Kennedy et al., 2003). These inconsistencies create problems in synthesizing market orientation as a unified body of knowledge.

There are some indicators that market orientation should be broadly defined. For example, using a narrow, customer-centric view of market orientation, Grewal and Tansuhaj (2001) found that market orientation is not an effective orientation after a crisis. Their study demonstrate a need to minimize the influence of a single stakeholder (the customer) by balancing different aspects of market orientation.

The complexity inherent in real-life business strategy makes it essential to gain information about all of the external forces in the market. Despite the concerns that competitor and customer orientations may not always be compatible (Deshpande et al., 1993), a firm can become myopic if it concentrates only on adaptive/reactive customer-oriented strategies. The value of a broader market definition is reflected by the strength of the competitor orientation - profitability linkage, which is higher for customer orientation (Nakata and Zhu, 2006).

Day and Wensley (1988), and Rindfleisch and Moorman (2003) also suggest a balance between customer and competitor perspectives since a focus on the competitor assumes that competitors excel at meeting the needs of customers, and may also obscure opportunities for differentiation. This potential lack of differentiation has been echoed empirically in studies that show how a competitor focus inhibits new product activity (Martins and Terblanche, 2003). In contrast, a sole focus on the customer may ignore opportunities for establishing more efficient business processes (such as manufacturing and technological efficiencies). Thus it is important to understand latent customer needs by responding to competitive pressures for cost-efficiency. This provides a persuasive argument that a market orientation should include gathering information about both competitors and customers. Indeed, most researchers seem to distinguish between market and customer orientation, but most clamour for a broader definition.

Researchers have also examined internal marketing from a number of perspectives. Some

consider internal marketing as fostering relationships between internal customers and suppliers (Rindfleisch and Moorman, 2003), while others use external marketing strategies to promote internal initiatives; thereby convincing employees in the same way they would convince customers. Baumol (2006)'s thoughts parallel the concept of an internal market orientation as involving internal market research, communication and response to the internal market of employees, recently expressed by Lings (2004). The third perspective on internal marketing involves the promotion of a general customer mindset at all levels within the company (Kennedy et al., 2003). These internal marketing perspectives inform one's knowledge of the development of market orientation. For example, Conduit and Mavondo (2001) found that internal customer orientation, or a culture where every employee is both a supplier and a customer of other employees in the organization is important to the development of a market orientation. However, in general, market orientation looks at how employees at different levels and in different functions of the company acquire and process external customer information. In contrast, internal marketing deals with internal customers as a way to reach desired external customers.

3.2.1.7 Conclusion on market orientation

From the review so far, it is pertinent to note that most of the researchers have consistently mingled an organizational mechanism focus with a market orientation framework. Hence, some definitions have placed inter-functional coordination among the variables of market orientation while others simply enlarge on the sensitivity of market orientation by saying that it is an organization-wide generation of intelligence, responsiveness, and dissemination across all departments. Certainly, the focus of every organization that intends to be market-oriented should be its customers. The need to study competitors should be borne out of satisfying them better than the competitors, knowing the strength and the weakness of the competitors in doing the same. So the actual focus of every organization is satisfying the customers/consumers well so as to facilitate their patronage and to retain them to the detriment of the competitors.

Based on the above argument, market orientation can be defined as a business culture in which the customer is the focus of the operations of the organization, with the ultimate intention of satisfying him or her better than the competitor. In other words, the mindset of the organization is in step with that of the customer, which enhances his satisfaction

timeously and adequately. Thus, the major variables in this definition should rather be customer and competitor orientation without necessarily duplicating the variables of the organizational mechanism in the definition of market orientation so as to nullify the problem of double counting and a multiple process effect. The variables of market orientation are reflected in figure 3.1

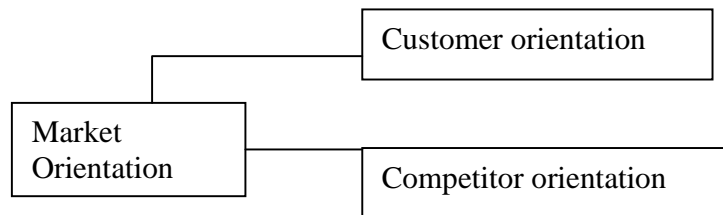


FIGURE 3.1 VARIABLES OF MARKET ORIENTATION

SOURCE: Researcher's desk research result (2006).

3.2.2 STRATEGIC FLEXIBILITY

Aaker (2000) defines strategic flexibility as the ability of the organization to adapt to substantial, uncertain and fast occurring environmental changes that have meaningful impact on the organization's performance. This definition pre-supposes that the organization exists within a business environment which alters by the varying interaction of the variables among themselves. These interactions have pronounced effects on the performance of the organization. Apart from such changes being uncertain (which the organization cannot predict), they occur rapidly. It takes a special ability to deploy the resources of the organization to capture and control these effects. Mullins et al. (2005) however asserts that strategic flexibility is gained by decreasing the firm's dependence on assets already in place. This implies that though the organization is at liberty to deploy resources to assess and control the environmental changes it should be forward-looking to secure more assets or resources that create alternatives or options which cause the firm to be more easily in control of its environment. Boynton and Bart (1991) see strategic flexibility from the point of view of one of the activities of the organization (like manufacturing). They state that it is the ability to shift or replicate core manufacturing technologies quickly and effectively between different facilities both domestically and internationally. This definition is myopic in its

focus because the organization's function goes beyond manufacturing. Flexibility in manufacturing does presuppose flexibility in the marketplace. This definition is production-oriented and this does not in any way involve the customer.

Bahrami (1992) sees such flexibility as the ability to precipitate intentional changes to continuously respond to unanticipated changes, and to adjust to the unexpected consequences of predictable changes. This definition is quite opposite to the earlier definition of Aaker (2001), describing changes as those precipitated by the firm but the consequences of which are unexpected. It presupposes a market-driving firm that intentionally changes the market structure but in such a case, the consequences should be expected but unpredictable. Dreyer and Gronlaug (2004) also discuss changes; they state that strategic flexibility is the ability of an organization to respond to changes in the environment in a timely and appropriate manner with due regard to competitive forces in the environment. This definition is reactive, it undermines the proactive nature of strategic flexibility. The changes in the environment of business are not only competitive, but there are also economical, technological changes and demand uncertainties etcetera.

A more proactive strategic flexibility is however embedded in the definition of Hitt, Keats and DeMarie (1998). They say it is the capability of the firm to proact or respond quickly to changing competitive conditions and thereby develop and /or maintain competitive advantage. However, narrowing any changes to competitive conditions is again its shortcoming, while Buckley (1997) defines it as the ability to reallocate resources quickly and smoothly in response to change. Two issues are raised; one is the reallocation of resources to meet the present demanding situation. The second issue is that of timeliness. The response has to be made quickly since the changes evolve rapidly.

Lan (1996) views such flexibility as an adjustment of a firm's objectives with the support of its superior knowledge and capabilities. Looking at this definition with the eyes of Buckley (1997), such knowledge and capabilities could be perceived as the firm's resources being reallocated to face the challenges posed by the environmental changes. These resources thus assist the firm to be less vulnerable or better able to respond successfully to unforeseen environmental changes (Oxtoby, McGuinness and Morgan, 2002).

Evan (1991) sees this kind of flexibility as the capability to modify strategies. In this sense, a

strategy is a stream of actions put together to achieve organizational objectives rearranged to accomplish objectives that were quite different from the original ones. However the definition is silent on what causes the changes in strategies.

For Upton (1995:76) whether one is referring to products, production volumes or manufacturing processes, flexibility is about increasing range, increasing mobility, or achieving uniform performance across a specified range. This definition is ambiguous as it is silent on what is causing the need to increase 'ranges'. However, doing so may be to devise alternatives or options to face changes in the environment affecting either the products or their production. It presupposes that performance will not decrease as a result of the changes in the business environment; but an enhanced performance should be envisaged, not just an identical one.

Young-Ybarra and Wiersema (1999) consider this flexibility as the ability to modify alliances and to exit them when they are performing poorly. The ambiguity of this definition is greater than in Upton's (1995) definition. Its unclarity is obvious: some questions could be raised; for example, alliance with what and how?

However, the researcher sees strategic flexibility as an organization's ability to cope with all forms of changes in the environment by allocating and reallocating its resources to enhance performance.

Flexibility is often regarded as one of the competitive priorities, along with cost, quality, and innovation. Just as low cost and high quality have already become requirements for market entry, flexibility might ultimately be the key to enhancing a firm's competitive ability. While uncertainty can pose a threat to some firms, it provides an opportunity to those with higher degrees of flexibility, either market-oriented or resources-oriented (Upton, 1994).

White et al. (2003) suggest that by reducing market uncertainties or exerting influence on customer expectations, firms give themselves more strategic choices and can adopt a greater proactive approach to competing. Firms with highly flexible production systems possess resource-oriented flexibility and can be more responsive to the changing market. Both reactive and proactive approaches to strategy have proved to be equally important and require different types of flexibility (Carlsson, 1989).

Given the dynamic nature of the market place, flexibility has already become the most important competitive priority of the 1990s. It is usually classified broadly as product- or service-related (such as volume, product mix, and modification) and process technology-related (such as changeovers, scheduling, and innovation). While these sources of flexibility are essential to provide competitive advantages to manufacturers, they tend to be operational or tactical in nature. To acquire a sustainable competitive advantage (Lau, 1994) suggests that management must develop strategic flexibility which requires long-term commitment and the development of critical resources.

For attaining strategic flexibility, Lau (1994) emphasizes the development of skills such as knowledge, capabilities, and flexible organizational structure. These are seen as the foundation of strategic flexibility that allow future changes to take place as needed and best of all, their unique nature means that no one else can 'copy' them easily.

Strategic flexibility allows a firm to shift from one competitive priority to another but also implies a long-term commitment of resources and a plan of action. Progress therefore, depends on the current state of the firm's resources and capabilities. Schimizu and Hitt (2004) aver that strategic flexibility is attained through a three-step process: awareness, understanding and implementation.

Ray, Barney and Muhanna (2004) suggest that understanding the importance of the firm's function and its links to corporate performance provides a focal point for management to think more proactively about building capabilities for the future. Kaplan and Norton (2001); March and Stock (2003); Tippins and Sohi (2003); Conger (2004); Mullins et al. 2005; Brown and Blackmon 2005; and Kent, Argous and Lidis (2005), establish that firms that develop a clear linkage between business and manufacturing strategies tend to be more successful and profitable.

Management also needs to possess a clear understanding of which capabilities may benefit the firm over time. Lazonick and Prencipe (2005) point out that managers often overlook the true power of improvement programmes in terms of their ability to build future capabilities. The example Hayes and Pisano gave involves a just-in time (pull system) or management re-engineering process (push system). Although both approaches may eventually enable a firm to respond quickly to customer demand with minimum inventories they both cultivate

different capabilities. With management re-engineering process systems, skills in using computers and managing databases are developed gradually. On the other hand, a just –in time approach will foster skills in problem-solving and incremental process improvement. So it is necessary for management to consider which capabilities will be more valuable to the firm in the future.

Lau (1996) suggest that for a firm to be strategically flexible, there is need to formulate and implement strategies that centre on the development of skills, capabilities and lean organizational structures. He opines that a productive work force today must be highly skilled and flexible characteristics that can only be developed through extensive training and experience in a variety of job assignments. Therefore, the workplace must be reorganized to promote continuous learning, which must become a normal part of work life. The skills of the workforce are central to the firm's competitive strategy.

Upton (1995: 75) suggests that management must focus on the cultivation of multi-skilled workers, and that workers should not be treated as replaceable parts or a cost to be controlled. In an attempt to find out why the improvement of flexibility has been so elusive, he observes that most managers put too little faith in the day-to-day management of people. The basic theme of a skill development programme is to encourage continuous learning throughout the company. He suggests that training programmes should be developed in ways that are consistent with carefully defined goals and availability of resources. More importantly, management should anticipate future skill needs, not just immediate ones. And there is a need for an augmentation of the workforce by advanced process and information technologies to satisfy customer demands (Puffer, 2004).

Goodman and Rousseaus (2004) suggest that product designs can be significantly simplified if cross-functional design teams are used. Such a design will help to facilitate a modular approach to product design. This approach provides a viable product design strategy to meet changing demand, with the advantage of standardization. Modular design is the creation of products from some combination of existing standardized components; it requires much creativity and communication across the company.

According to Schimizu and Hitt (2004) the ultimate success of strategic flexibility is a redefinition of traditional organizational functions including links with suppliers and

customers. They observe that deep organizational hierarchies in firms impede cooperation and communication. Corporate communication must be facilitated by a structure that is free from departmental boundaries and limitations. The ultimate goal is to revise the entire production process into modules and to create a dynamic network of skills and capabilities that allows the rapid integration of resources to customize products or service.

They further suggest that the dynamic and complex nature of the business environment requires flexibility to manage discontinuities and unpredictable change in such environments. Growing competition and increasing demands from consumers require that firms act rapidly in response to competitors or are proactive by beating competitors to the market (or even by redefining market parameters).

Under the conditions of an uncertain and dynamic environment, managers often seek to enhance their control by acting as if firms are operating in a closed, rational and predictable system. Such an approach is consistent with linear traditional management thinking and usually leads to further disorder and disintegration of the organization. However, Kerr (2004) argues that managers must break out of this traditional mould. The challenges and opportunities with which they must deal with the new competitive landscape are largely complex and non-linear.

Hitt, Keats, and Demarie (1998) suggest that there are a number of actions which help firms navigate in the new competitive landscape. Specifically, these actions directly or indirectly contribute to the achievement of strategic flexibility and competitive advantage. Among this is exercising strategic leadership, which has direct effects on a firm's strategic flexibility and competitive advantage. Strategic leadership also affects these outcomes indirectly through the other major actions of:

- developing dynamic core competences
- effectively using new technology
- engaging in valuable strategies and
- building a new organization structure and culture.

3.2.3 MARKET-FOCUSED STRATEGIC FLEXIBILITY

Very little literature exists on market-focused strategic flexibility. In fact only Johnson Lee and Saini (2003) have tried to fathom the definition and conceptual propositions. However, in this study, some definitional approaches are examined to strategic flexibility that are market-oriented.

Harrigan (2005) defines this as the ability of firms to reposition themselves in a market, change their game plans, or dismantle their current strategies. The focus is on the customers, and the change in strategies is pinned to organizational profitability from satisfying customers, not solely on their satisfaction. For Knorr and Mahoney (2005) it is the capability to switch gears from, for example rapid product development to low cost -relatively quickly with minimal resources. The focus here is marketing but not essentially on fulfilling customers' desires and aspirations. The low-cost strategy is production-oriented to enhance organizational return on capital investment. The definition is not particularly customer-centred but is actually written in general terms. A more articulated definition is by Jones, Jimmeson and Griffiths (2005), that firms' abilities to respond to various demands from dynamic competitive environments impact on new product creation technologies which offer resources for developing, producing, distributing and marketing products. The deficiency in this definition is that it dwells on the functional activities of marketing without an actual focus on the customers. Lei, Hitt and Goldhar (1996) also paid more attention to competitors than customers. They define market-focused strategic flexibility as the ability of the firm to become more adept at responding to competitor moves while engaging in opportunistic searches for under-served or unlocated market segments and niches. However, if the obvious implication of "unlocated market segments and niches" is the unmet desires of the customers, then this definition can be said to be nearer to the concept generated and explained by Johnson, Lee, Saini and Gronhmann's (2003) when they define it as the firm's intent and capabilities to generate firm-specific real options for the configuration and reconfiguration of appreciably superior customer value propositions. Using their definition for this study would be to concentrate on measuring the intention and not the actual application, of these options to generate superior customer value. And intentions have been proven not to be equivalent to behaviour at all times (Chandon, Morwitz and Reincertz, 2005). So in this study we define market-focused strategic flexibility as the firm's reactive and proactive abilities to satisfy the

customers' needs and aspirations by consistent and continuous configuring and reconfiguring of its capabilities and resources.

Best (2005) suggests that strategic flexibility could be measured by two proxy objectives: external flexibility achieved through a diversified pattern of product market investments and internal flexibility through liquidity of resources, not putting all of one's eggs in a single basket. According to Johnson, Lee and Saini (2003), the sole study of market-focused strategic flexibility in the literature, propose three major measures of market-focused strategic flexibility:

- The measure of the market-linking resource portfolio, involving resource identification, resource acquisition, and resource deployment.
- Measuring the organizational market-linking capabilities.
- And the assessment of managers' intention and behaviour to generate option bundles, which includes:
 - Managers' impressions of the extent to which product-market options exist in various projects.
 - The actual extent of the various forms of product-market options.
 - The extent of their preference for projects that generate options.
 - Managers' views of the focus on option generation and identification (for example selection of new product projects).
 - The extent to which holding options are valued in the firm.

3.2.4 SALES GROWTH

Blinder (1992, 1993) proposes a hypothesis in which sales/revenue maximizes dominance. He states that firms could seek to maximize revenue/sales, market growth, market share or their employees' welfare instead of profit.

A sales/revenue maximizing strategy enables firms to produce more output than firms adopting a profit-maximizing strategy. Blinder (1993) concludes that as long as it possesses a secure source of capital, a revenue maximizer is at a distinct advantage when competing with a profit maximizer. He also states that the sales/revenue maximizer seems likely to drive its profit-maximizing rivals out of business if either average cost is declining or

learning is a function of cumulative output. Blinder's argument is however based on the dichotomous strategic choice that each firm can only choose to be either a pure revenue-maximizer or a pure profit-maximizer. These are the two extreme cases.

According to Brown and Blackmon (2005) there is a need for a strategic and administrative orientation that shelters firms from storms created by environmental forces or variables and it is only when this is set in place that market/sales growth is ensured. Amber et al. (2004) suggest that a revenue-maximizing strategy places a higher weight on sales while a profit-maximizing strategy puts a greater emphasis on profits. Ketchen, Snow and Street (2004) comment that firms may adjust the weight to maximize their objective functions. But the adjustment can be made only gradually over time, since the weighted strategy is basically determined by corporate culture and institutional factors that change slowly.

Brunk (2003) predicts that when competing with its rivals, the revenue-maximizer will attain a natural competitive advantage over its rival firms. Zollo and Winter (2002) further suggest that the strategic importance of gaining market share stems from the fact that the cost reduction may be attained by increasing cumulative output if the learning curve is a function of such output. Thus, it is quite natural that such excess competition drives firms to expand their market-share even at a lower profit-cost margin in both domestic and foreign markets. As revenue/sales-maximizing firms place more emphasis on revenue, they achieve a higher sales growth and more stability in terms of a strategy that can put the environmental variables under consistent movement and scrutiny.

3.3 EMPIRICAL FRAMEWORK

This section looks critically at the various works carried out by researchers as these relate to the area of this study. The section is divided into two parts namely:

- The relationship between market orientations and a firm's performance
- The relationship between strategic flexibility and such performance.

3.3.1 THE EMPIRICAL FRAMEWORK OF THE RELATIONSHIP BETWEEN MARKET ORIENTATIONS AND FIRM PERFORMANCE

Market orientation is seen to provide a firm with a better understanding of its environment

and customers, which ultimately leads to enhanced customer satisfaction. Empirical studies offer results that suggest a positive relation between market orientation and a firm's performance. Slater and Narver (1994) and Kirca, Jayachandran and Bearder (2005) opine that the logic for expecting a strong link between a market orientation and performance is based on the concept of a sustainable competitive advantage.

A number of researchers have examined the link between market orientation and performance. Although several studies have supported an association between market orientation and profitability, the link between market orientation and innovation appears to be more complex (Sandvik and Sandvik 2003; Martins and Terblanche, 2003; Hult et al. 2004; Zhou et al., 2005). Several writers suggest that the importance of a market orientation for organizational performance depends on environmental conditions (Narver and Slater, 1990; Gima, 1995; Russo and Harrison, 2005; Brown and Blackmon, 2005; Zuniga-Vicente and Vicente-Lorente, 2006). A strong market orientation is required to focus the organization on those environmental events that are likely to influence its ability to increase customer satisfaction relative to competitors (Baker and Sinkula, 1999). Kohli and Jaworski (1990) and Nakata and Zhu (2006), for example, suggest that market orientation may not be of critical importance in turbulent environments. Technical turbulence moderates customers and competitors' impact upon innovation and performance (Liu et al., 2003).

Traditionally, the literature concerning the marketing concept has assumed that the implementation of the market orientation would lead to superior organizational performance (Piercy et al., 2002). Market orientation is important in enabling firms to understand the market place and develop appropriate product and service strategies to meet customers' needs and requirements (Liu et al., 2003).

A successful match between customer value opportunities and the organization's capabilities is considered to be one of the most important marketing activities (Knorr and Mahoney, 2005; Lazonick and Prencipe, 2005). The matching of these opportunities with the firm's capabilities is necessary to create superior products and services through the identification, development, and deployment of key resources (brands, sales forces, customer trust) (for example, Day 1994; Johnston, Lee, Saini, and Grohmann, 2003; Locander, 1989). Market-driving firms do not simply match customer value opportunities with their internal

capabilities. They design entirely new business systems that enhance their relative advantage over the competition. This allows them to drive customer value opportunities in new directions. The enhancement of the firm's capabilities and the creation of new customer value opportunities correspond with the two dominant perspectives on market-driving: an internal focus that refers to the strengthening of the firm's ability to create innovative products delivered through unique business systems (Kumar, Scheer, and Kotler 2000), and an external focus that consists of the firm's ability to disrupt the market (Jaworski, Kohli, and Sahay, 2000).

In recent years, a number of studies from outside the US/UK have been reported, including a number with a specific focus on developing countries (examples are Bhuian, 1998; Appiah-Adu, 1998; Subramanian, 2000; Akinova, 2000; Subramanian and Gopalakrishna, 2001; Liu et al., 2003). The potential for significant contextual differences between developed and developing countries had led many researchers to question the simple transferability of findings from developed countries (Appiah-Adu, 1998). While there has been general consensus in research in developed economies, which supports the market orientation-performance link, findings from developing economies have been more mixed. In the case of Saudi Arabia, for example (Bhuian, 1998), the findings are consistent with those observed in the US and to a lesser extent the UK (i.e. a positive link between market orientation and business performance). Similar findings have emerged for India (Subramanian and Gopalakrishna, 2001) and for Eastern Europe (Hooley et al., 2000).

Recent research in China has suggested that high levels of market orientation may be associated with higher levels of learning, entrepreneurship and the potential to achieve higher performance (Liu et al., 2003). In contrast, research in Ghana (Appiah-Adu, 1997; 1998; Appiah-Adu and Singh, 1998) fails to produce evidence for the market-orientation-performance link and questions its generalizability to all contexts. In addition to the ambiguity that emerges from the developing-country context, a number of UK-based studies question the impact of market orientation on performance and provide either weak (Diamantopoulos and Hart, 1993) or minimal (Greenley, 1995; Harris, 2001) evidence for the link.

Although a firm's ability to retain existing customers is increasingly seen as central to

successful performance, the effect of market orientation on customer outcomes such as satisfaction and retention has received scanty attention. Indeed in their review of the literature on market orientation, Jaworski and Kohli (1996) highlighted the importance of enquiries into effects of market orientation on customers, noting the paucity of empirical studies on the subject. A market-oriented firm continuously monitors customers' changing needs, and attempts to satisfy those needs by modifying its total offerings. One immediate effect of this process is a firm's improved ability to satisfy these needs. Webb et al. (2000) found that market orientation had a strong effect on customer satisfaction, on the basis of a sample consisting of 77 client firms of a single US corporate bank. However as Webb and colleagues (2000) only studied one company, it is difficult to generalize these findings beyond the immediate firm and industry context. More recently, Ellis (2006) examined differences in perceptions of market orientation and the resulting impact on satisfaction. These findings suggested that when there was a significant divergence between customers' and firms' perceptions of market orientation then satisfaction tended to be reduced.

Given that the customer's satisfaction may to a large extent depend on the competitive offerings, it seems reasonable to expect that market orientation will have a stronger impact on customer satisfaction when the level of market orientation at the industry level is low (that is when companies in general are not market-oriented). Being market-oriented in such an environment can give a company a particular edge over its competitors in understanding and satisfying its customers' needs, thus generating higher levels of customer satisfaction. Similarly, when the level of market orientation in an industrial sector increases, the impact of such an orientation on customer satisfaction may become less significant as rising standards of product quality across the industry may result in customers perceiving fewer differences among competitive offerings.

As there might be a direct link between customer satisfaction and customer retention due to the fact that better-served customers are more likely to be happy with services, to make repeat purchases and spread positive word-of-mouth information to potential new customers (Zeithaml and Bitner, 2000), one expects that the linkage between market orientation and customer retention would also be positive. In addition, of course, a positive relationship between market orientation and customer retention could also result from the superior capabilities such firms may possess in building social, financial and structural bonds with their customers (Day, 1994).

Pelham and Wilson (1996) argue that a market-oriented firm's culture constitutes a strong source of competitive advantage based upon:

- The scarcity of firms with this type of culture.
- Such a firm's strong ability to understand the nature of value for the customer.
- The difficulty of instilling market-oriented norms, and
- The difficulty of understanding the causal implication of these norms and behaviours.

Pelham and Wilson's (1996) longitudinal study of small firms found that the influence of a firm's strategy, structure and the direct influence of the competitive environment had a lesser impact on the dimensions of performance than possessing a market-oriented culture.

Jaworski and Kohli (1993) report a significant relationship between market orientation and a single subjective measure of overall performance. Narver and Slater (1990) report mixed results, finding a positive relationship between market orientation and return on investment for specialty product Strategic Business Units (SBUs) but a negative relationship for commodity product SBUs.

Empirical results also support a contingency framework for explaining the relationship between a firm's performance and distinct customer, competitor and product orientations, using a component-wide approach to explore the relationship between performance and market orientations. Han, Kim and Srivastava (1998) report that technical turbulence moderates the relationship between objective innovative performance and customer and competitor orientation. However, Slater and Narver (1994; 2000) point out the logic of the fact that a market orientation facilitates the collection and use of market information and focuses on the co-ordination of resources to deliver superior customer value. The authenticity of this logic is tested in empirical studies which hypothesize that market-oriented firms perform better than their internally focused rivals in terms of financial measures such as profit, relative profit, return on investment or assets and non-financial measures such as new product success and innovation (Morgan, Mcguinnes and Thrope, 2000).

Mc Naughton, Osborne, Morgan and Kutwaroo (2001) traced the theoretical effects of market orientation on a firm's value. They make explicit the mechanisms whereby a customer value strategy can influence a firm's financial position. The model postulates that a market-oriented firm is able to build market-based assets that can be deployed to create

customer value and illustrates the marketing structures and processes created by an organization, showing how the organization moves from a product-oriented to a market-oriented approach to business.

Narver and Slater (1990) and Kirca, Jayachandran and Bearder (2005) established a positive relationship between market orientation and business profitability that appears monotonic and inferred that commodity businesses which are substantially market-oriented are able to initiate value-increasing programmes together with powerful buyers to effect mutually profitable outcomes.

One expects that such a relationship may also be industry-specific in that the lower the market orientation at the industry level, the easier it may be for a market-oriented company to achieve product differentiation in its customers' minds and deliver the level of satisfaction needed to encourage loyalty and retention. On the other hand, in an industry sector where market orientation is high, it is likely that there will be a greater degree of convergence in competitive offerings as perceived by customers, which may in the absence of significant barriers to switching, result in lower levels of loyalty.

Kotler (2004) asserts that a market orientation is likely to lead to greater customer satisfaction, repeat business and an increase in sales growth, which translates into better performance. Literature also supports the proposition that market-driven and innovative firms outperform their competitors (Jaworski and Kohl, 1993; Day, 1994; Slater and Narver, 1994; Gatignon and Xruereb, 1997; Narver and Slater, 1990; Sandvik and Sandvik, 2003; Hult, Hurley and Knight, 2004; Zheng, Yim and Tse, 2005; Zhou et al., 2005).

Pelham (2000) shows that market orientation exhibits a positive and significant relationship to a range of performance measures, including marketing effectiveness, sales growth, market share and profitability. In a two-period study, Narver, Slater and Maclachlan (2000) demonstrate that market orientation is significantly related to sales growth but not to corporate return on investment.

Issues of judgment and perception have been raised as important considerations in market orientation research. Jaworski and Kohl (1993) and Zhou et al. (2005) established a significant market orientation – performance link when using a judgmental assessment as the

dependent measure but not when using a more objective measure of market share. Pelham and Wilson (1996) also found significant results when using a subjective relative performance assessment, which suggests that a partiality can exist in which firms that view themselves as perceptive regarding customers and competitors may overstate their performance.

Morgan and Strong (1998) describe the ability of the market-oriented firm to outperform its less market-oriented competitors, as this is based on the premise that the former can create longer-term superior value for the firm's customers in comparison with the latter. Gatignon and Xuereb (1997) assert that a positive relationship exists between customer orientation and a firm's performance in a highly uncertain market. The role of customer-oriented marketing reduces the uncertainty level. They further opine that as demand uncertainty decreases, a high customer orientation detracts from performance. This is consistent with Narver and Slater's (1990) findings that customer orientation has a positive effect in commodity markets that might be easier to understand. The competitive orientation also exhibits a significant impact on the innovation and performance, but not on demand uncertainty in the market.

Hooley et al. (2003) and Ellis (2006), while supporting the argument that market orientation affects a firm's performance, however cautioned that once marketers have gathered the market intelligence, processed and shared it with the appropriate interfunctional groups, an action plan must be developed. Intelligence that is generated and disseminated must be selectively used to develop marketing strategies for the various target groups.

Kara, Spillan and De-shield Jr. (2004) established that a significantly positive relationship exists between market orientation and performance of non-profit-making service providers. They further established that market-oriented service providers and market-oriented managers keep their staff informed about current environmental trends and developments so that they can better adapt to the changing environment. This facilitates collaboration between different functional departments in the organization and improves their chances of meeting their clients' future needs.

Noble, Sinha and Kumar (2002), and Ketchen, Snow, and Street (2004) discover a strong relationship between competitor orientation (a variable of market orientation) and a firm's performance. They opine that firms that are focused on marshalling resources to meet a more

immediate threat may need to forgo a focus on long-term goals and immediate profits; hence the relationship between the firm's performance and its profit focus as well as long-term focus variables (other variables of market orientation) is weak. While customer orientation did not relate well to performance, inter-functional coordination received some support, given the need to coordinate internal resources both to combat competitors and to serve customers effectively.

Both groups also established a negative relationship between brand focus and firm performance, meaning that the more firms emphasized internally-developed brands, the more adversely was performance influenced. It appears that the resource drain imposed by market research into branding, development and promotion associated with the introduction of a private label brand was not recouped through incremental profits in the short run. These groups also established a positive relationship between national brand and performance. Firms placed a greater emphasis on these brands despite the brand's presence in competitors' outlets, evidenced superior performance.

Noble, Sinha and Kumar (2002), and Ketchen, Snow, and Street (2004) also demonstrated that firms which place more emphasis on sales promotions and other means of maximizing revenues show higher levels of financial performance but attach less significance to customer orientation. It appears that the industry studies maintained more of a transactional approach, maximizing short-term sales, rather than a relationship-building orientation towards customers.

At the same time, several analyses do not support a direct positive relationship between performance and market orientation, suggesting that a contingency framework may be appropriate for explicating the relation: for example in two analyses that use objective measures of performance as the dependent variable, market orientation is related to a firm's actual market share (Jaworski and Kohli, 1993) or actual net growth (Han, Kim and Strivastava, 1998).

Bhuiyan (1998) discovered no significant relationship between market orientation and a firm's performance, perhaps suggesting a cultural influence on the phenomenon. Han, Kim and Strivastava (1998) also established that market orientation had no effect on a firm's

performance and also assert that it varies on the basis of business context.

Using perceptual measures of performance, Atuahene-Gima (1996) reported that there was no direct effect of market orientation on perceived market share or perceived growth in market share and using a sample of commodity businesses, Narver and Slater (1990) also report a negative co-efficient for market orientation and a positive co-efficient for market orientation squared, which suggests a curvilinear relationship between market orientation and perceived financial performance.

Voss and Voss (2000), in their study of impact of strategic orientation on a firm's performance (in an artistic environment) established a negative association of customer orientation with performance. They noted several distinguishing features of the non-profit theatre industry and its repeat customers. First, this industry relies on the creation of completely new products to maintain and drive demand especially for repeat purchases. Secondly, theatre subscribers are the most frequent buyers who, more than the occasional buyers, demand creative, new products that are thought-provoking and provide experimentation, enrichment and escapism. However, the collective results suggest that the frequent theatre goers respond more favourably to a strategy that aims to lead and educate customers than one that is customer-led (Hamel and Prahalad, 1991).

Market-driving firms possess the ability to generate intra-firm innovations which are valued by customers (Kumar, Scheer, and Kotler, 2000). Radical innovations strengthen the capabilities of the firm in two dimensions: 1) a leap in the value proposition made to customers, and 2) a unique business system (Kumar, Scheer, and Kotler, 2000). The leap in customer value is produced by innovations that translate into superior technological and/or marketing capabilities. Unique business systems require superior capabilities that are hard to obtain (Kumar, Scheer, and Kotler, 2000).

Empirical evidence indicates that market-oriented strategies function even better in service firms than in manufacturing markets (Agarwal, Erramilli and Chekitan, 2003). In fact, according to Akinova (2000) and Ellis (2006), the relationship between market orientation and business performance should be stronger for service firms than manufacturing companies. This is due to the greater dependence on person-to-person interactions that are predominant in the service sector (for example, Agarwal et al., 2003; Singh, 2003). Ellis

(2006) suggests that a greater interaction with the customer strengthens the relationship between a market-driving strategy and business performance. This is because customer value opportunities are enhanced when the degree of customer interaction constitutes a predominant part of the business transaction.

The results reported by Gainer and Padanyi (2005) support the assumption that there is a positive association between market-oriented culture, customer satisfaction and peer reputation. In their study, the focal dimension of performance was customer satisfaction. The respondents were asked to assess both their satisfaction level and their level of satisfaction compared to similar organizations. Gainer and Padanyi treated market-oriented culture and market-oriented activities as separate causally-related constructs.

From this review, it is also obvious that little research has been performed with respect to developing countries, which is the focus of this study (Nigeria particularly).

3.3.2 EMPIRICAL FRAMEWORK OF STRATEGIC FLEXIBILITY AND FIRM PERFORMANCE

Very few works exist in the area of the impact of strategic flexibility on firm performance. Singh (2003) presents empirical evidence to support the argument regarding the positive correlation between manufacturing proactiveness and good business performance.

Mckee, Varadarafan and Pride (1989), Gatignon and Xuereb (1997) and Schmizu and Hitt (2004) established a positive relationship between strategic flexibility and firm performance by correlating the items of the variables after determining that between sixty-five to seventy percent of the variations in the performance of the organizations under study are explained by strategic flexibility.

Hitt, Keats and Demarie (1998) found that developing strategic flexibility and competitive advantage require exercising strategic leadership-building core competences, focusing and developing human capital, effectively using new manufacturing and information technologies, employing valuable strategies (exploiting global markets and cooperative strategies and implementing new organizational structures and culture (such as horizontal organizational learning and innovative culture and managing firms as bundles of assets).

3.4 SUMMARY OF LITERATURE

This review reveals that some researchers have established a strong positive relationship between market orientation and a firm's performance: Narver and Slater (1990); Reichheld and Sasser (1990); Jaworski and Kohli (1993); Pelham and Wilson (1996); Gatignon and Xuereb (1997); McNaughton, Osborne, Morgan and Kutwaroo (2001); Noble, Sinha and Kumar (2002); Gonzales, Vijance and Casiettes (2002); Chimhanzi, Kara, Spillion and De-Shield (2004); Puffer (2004); Zheng, Yim and Tse (2005); Simsek, Veiga, Lubatkin and Dino (2005); Gilbert (2005); Olson, Slater and Hult (2005); Kirca, Jayachandran and Bearden (2005); Van Fleet, Peterson, and Van Fleet (2005); Pfeffer (2005); Crotts, Dickson and Ford (2005); Zuniga-Vicente and Vicente-Lorente (2006); Nakata and Zhu (2006).

Slater and Narver (1994, 1995) and Ellis (2006) pointed out the logic of the influence of a market orientation which facilitates the collection and use of market information and focuses the coordination of resources to deliver superior customer value.

Others established a negative relationship between market orientation and a firm's performance: Narver and Slater (1990); Atuahene-Gima (1996); Han, Kim and Strivastava (1998); Bhuina (1998); Voss and Voss (2000); Kirca, Jayachandran and Bearder (2005).

Different variables were used by the above writers to measure such performance, without particular insight into the relatedness of such variables to the long term or a fit to the market orientation framework. Most of the measures used by the aforementioned researchers did not actually measure the strength of market orientation strategy in the firm being studied but simply measured the overall performance of the firm without offering any useful indication of how market orientation contributed specifically to the firm's performance. Apart from this, no particular link is established by the researchers between market orientation and a firm's performance.

The literature also established that a positive relationship exists between strategic flexibility and a firm's performance: for example, Mckee, Varadarafan and Pride (1989); Gatignon and Xuereb (1997); Hitt, Keats and Demarie (1998) and Schmizu and Hitt (2004). Thus it is obvious from the above summary that a gap exists in the market orientation and strategic flexibility literature, regarding the mediating effect that could explain the inconsistent relationship between market orientation and a firm's performance and the absence of a market-linking concept in the strategic flexibility literature. This gap is demonstrated in figure 3.2.

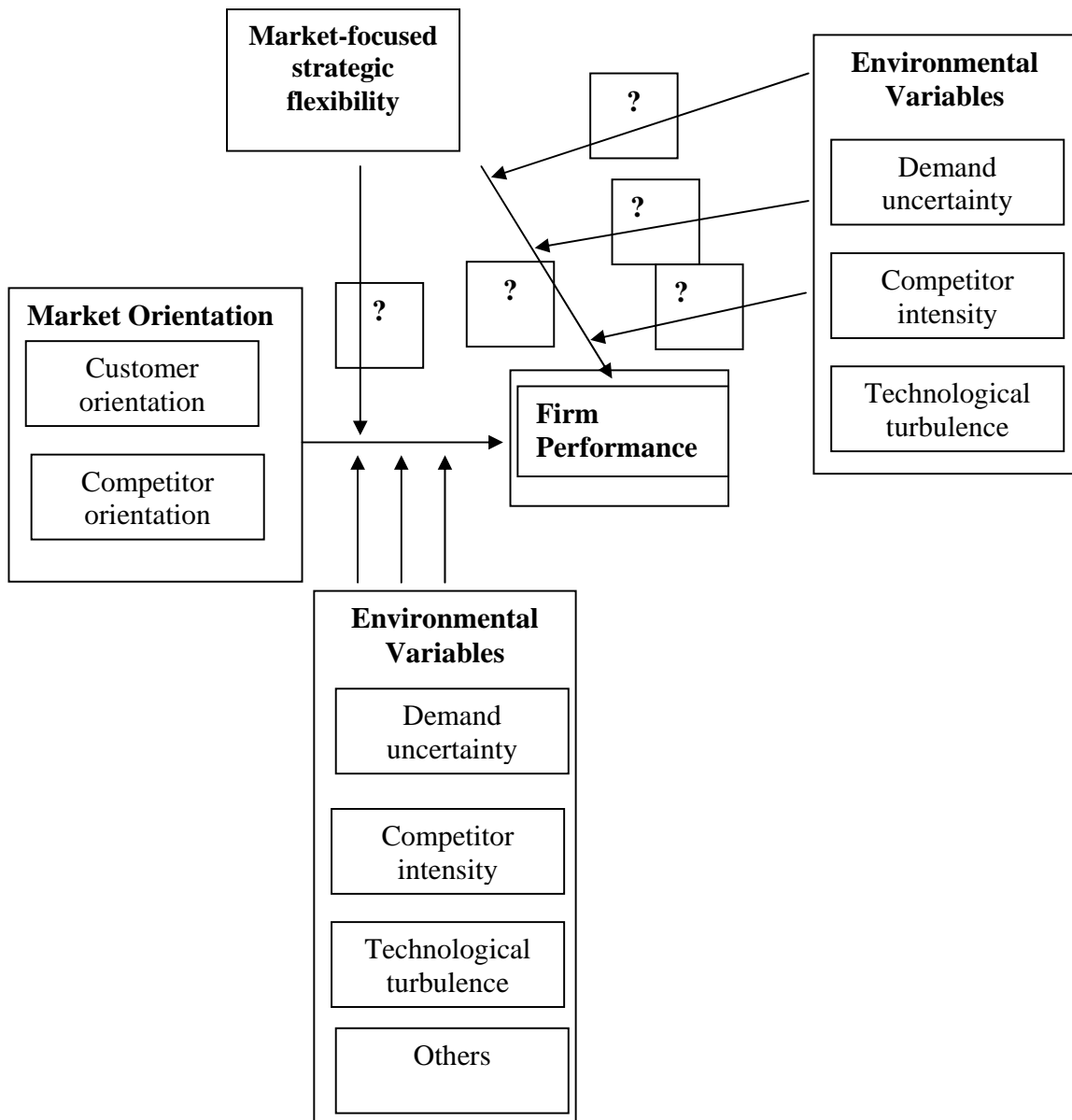


FIGURE 3.2: DIAGRAMMATIC REPRESENTATION OF A SUMMARY OF THE LITERATURE AND THE GAPS IN THE LITERATURE

CHAPTER FOUR

PROBLEM STATEMENT AND HYPOTHESES

4.1 INTRODUCTION

Chapter one orientated the reader to the study while chapters two and three focused on its theoretical foundation and the literature review respectively. The focus has fallen on the relationship between market-focused strategic flexibility and sales growth, and the role of this flexibility in terms of the relationship between market orientation and a firm's performance. The moderating effect of environment variables on the relationship between such flexibility and the performance of a firm was also reviewed. Section 4.1 of this chapter introduces it. In section 4.2 the research problem and sub-problems are formulated. Result of the research hypotheses and a summary of the chapter are to be found in sections 4.3 and 4.4.

4.2 PROBLEM STATEMENT

It is important to stress at the outset that a fair amount of literature exists on the subject of strategic flexibility. Some of these include: Kogut (1985); Mintzberg and James (1985); Carlsson (1989); Evans (1991); Bahrami (1992); Genus (1995); Upton (1995); Lau (1996); Lei, Michael and Joel (1996); Sanchez (1997); Buckley (1997); Hitt, Keats and Demarie (1998); Hitt, Barbara and Samuel (1998); Young-Ybarra and Margerethe (1999); Zajac, Young-Ybara and Wiersema (1999); Grewal and Tansuhaj (2001); Kangis and O'Reilly (2003); Johnson, Lee, Saini, and Grohmann (2003); Ketchen, Snow and Vera (2004); Dreyer and Gronlaug (2004); Schimizu and Hitt (2004); Goodman and Rousseau (2004); Harrigan (2004); Daniel et al. (2004); Finney, Campbell and Powell (2005); George (2005); Ireland and Hitt (2005); Judge and Elenkov (2005); Cascio (2005); Canina, Enz, and Harrison (2005); Zuniga-Vicente and Vicente-Lorente (2006); and Baumol (2006).

However, few authors have examined how strategic flexibility affects a firm's performance. Examples are McKee, Varadarafan and Pride (1989); Gatignon and Xuereb (1997) and Shimizu and Hitt (2004). Some others such as Narver and Slater (1990); Reichheld and Sasser (1990); Jaworski and Kohli (1993); Pelham and Wilson (1996); Gatignon and Xuereb (1997); Akinova (2002); McNaughton, Osborne, Morgan and Kutwaroo (2001); Noble, Sinha and Kumar (2002); Gonzales, Vijance and Casiettes (2002), Hooley et al. (2003); Sandvik and Sandvik (2003);

Agarwal et al. (2003); Kara, Spillion and De-shield (2004); Zhou et al.(2005); Ellis (2006); and Gebhardt et al. (2006) have established the need for organizations to be market-oriented and considered how this affects a firm's performance.

Comprehensive studies followed, developing a specific and detailed conceptual structure and suggesting ways in which markets may be driven or shaped: Christesen and Bower (1996); Jaworski, Kohli and Sahay (2000); Slater, Pfeffer and Salancik (2004); Mullins et al. (2005); Gainer and Padanyi (2005), and Nonaka and Takeuchi (2005).

Moreover, researchers have consistently omitted the market-driven or driving constructs, presupposing "flexibility" as either capturing the desires and aspirations of customers or changing the market structure or behaviours of market players. This is obvious in the following statements:

- "...yet despite the theoretical and managerial importance of this issue, researchers know little about how marketing activities should be organized to make business strategy implementation consistent with environmental changes" (Walker and Ruekerts, 1987; Workman, Homburg and Gruner, 1998).
- "...although our study addresses the theoretically important but previously neglected question of fit between marketing organization and business strategy, we do not address the issue of the co alignment (or internal consistency) among the different marketing organization characteristics in the event of changes" (Vorhies and Morgan, 2003).
- ".....we argue that existing explanations of how market orientation influences performance are incomplete" (Mc Naughton, Osborne, Morgan and Kutwaroo, 2001). These researchers add that: "...further research should track and report on the functional linkages between the component, and the actual experience of how the structure creates value for customers and firm in event of constant changes in the business environment".
- "...it appears that more work is needed to understand the range of factors influencing the relationship between market orientation and performance...Narver and Slater (1990) do not achieve sufficiently high reliability values to evaluate the decision component of market orientation..." (Noble, Sinha and Kumar, 2002).
- ".....more work needed to be carried out on how environmental factors dictate the

market strategic direction in different industries and nations of the world.....” (Ellis, 2006).

Without being market-focused (that is customer-oriented, competitively oriented) any form of flexibility (for example, strategic, tactical, or operational) will not result in superior value creation and sustainable competitive advantage (Jaworski, Kohli and Sahay, 2000; and Johnson, Lee, Saini and Grohmann, 2003).

In the literature above are evident, the clear omissions of the market-focused construct from the flexibility literature, and of the flexibility construct from the market-oriented literature. This further reveals that the current body of knowledge does not discuss the role of market-focused strategic flexibility in the relationship between market orientation and a firm’s performance; the relationship between market-focused strategic flexibility and performance; nor the impact of environmental variables on market-focused strategic flexibility and performance.

These gaps in the literature indicate the relevance of the present research. The study intends to answer the following questions:

- What is the relationship between market-focused strategic flexibility and sales growth?
- What is the role of market-focused strategic flexibility in the relationship between market orientation and sales growth?
- What are the effects of environmental variables like competitive intensity and demand uncertainty, technological turbulence on the relationship between market-focused strategic flexibility and sales growth?

4.3 HYPOTHESES AND RATIONALE FOR THE STUDY

Sales growth refers to a continuous growth in the sales of the product stemming from the continuous meeting of the customers’ desires and aspirations. In other words, sales growth will ensue when the firm possesses a strong bundle of strategic options; for example, where its resource portfolio has sufficient market-linking resources to generate these option bundles so as to capture changes in customers’ tastes and desires. Thus, it is to be expected that market-focused strategic flexibility plays a crucial role in the firm’s success and ability to increase sales over time with a concomitant notable improvement in its market share. The following hypothesis is formulated:

Hypothesis one

H₀: There is no relationship between a firm's market-focused strategic flexibility, and sales growth.

H_a: There is a relationship between a firm's market-focused strategic flexibility and sales growth.

(Level of statistical significance = $\alpha = 0.01$).

Market orientation has been conceptualized as the cultural (for example, Narver and Slater, 1990) and behavioural (Kohli and Jaworski, 1990) manifestation of the firm's acceptance and internalization of the concept of marketing. A significant number of studies have explored the effect of market orientation on a firm's performance, as shown in the previous chapter; for instance, Narver and Slater (1990). Interestingly, no real pattern of relationships has resulted. In fact, the results seem ambiguous (for example, Han, Kim, and Srivastava, 1998). Several studies found no significant relationship between firm performance and market orientation (for instance, Narver and Slater, 1990; Jaworski and Kohli, 1993 and Salavous, 2005); while other studies established a significant relationship, such as that by Gonzales, Vijance and Casiettes (2002). These mixed results imply that perhaps some moderating factor may be playing a role. Scholars have suggested that while the cultivation of market orientation undoubtedly is important, it does not stand alone as a mechanism for effective strategizing or sustainable competitive advantage; these include Slater and Narver (1995:63), and Gainer and Padanyi (2005). With very few exceptions (for example, Han et al., 1998), critical moderating factors for converting market orientation into superior performance have not been widely addressed. It is therefore proposed in this study that market-focused strategic flexibility comprises one of those important moderating factors. Figure 3.2 (in chapter three) shows the framework proposed to depict the crucial role of market-focused strategic flexibility in this respect. On this basis, the following hypothesis is formulated:

Hypothesis two

H₀: Market-focused strategic flexibility does not have any impact on the relationship between market orientation and sales growth.

H_a: The greater a firm's market-focused strategic flexibility, the stronger the relationship between market orientation and sales growth.

(Level of statistical significance = α = 0.01).

The components of the environment under study encompass competitive intensity, technological turbulence and demand uncertainty. It has been suggested that they have varying impacts on a firm's performance (Okoroafor, 1993; Russo and Fouts, 1997; Sharma and Vedenburg, 1998; Hitt, Keats and Demarie, 1998; Kumar and Subramanian, 2000; Grewal and Tansuj, 2001; Kangis and O'Reilly, 2003; Waldersee, Griffiths and Lai, 2003; Andersen, 2004; Yadong, 2004; Ozcelik and Taymaz, 2004; Pfeffer and Salancik, 2004; Dreyer and Gronlaug, 2004; Russo and Harrison, 2005; Brown and Blackmon, 2005; Wan, 2005; Judge and Elekov, 2005; and Menguc and Ozanne, 2005).

- **Competitive intensity:** Competitive intensity refers to the degree of competition that a firm faces and has generally been supposed to moderate the influence of market orientation on a firm's performance (Slater and Narver, 1994; Hitt, Keats and Demarie, 1998; Grewal and Tansuj, 2001; Brown and Blackmon, 2005; Russo and Harrison, 2005; Rusinko, 2005; Zuniga-Vicente and Vincente-Lorente, 2006).

As competitive intensity increases, so does a firm's need to be market-oriented (Houston 1986). Therefore, in highly competitive environments, a greater emphasis on market orientations is required for better performance (Kohli and Jaworski, 1990; Grewal and Tansuj, 2001; Russo and Harrison, 2005; Judge and Elekov, 2005; Canina, Enz, and Harrison, 2005). Firms in highly competitive environments focus considerable attention on their competitors. In those markets, firms often assume that competitors' actions are optimal and mimic them (Day and Nedungadi, 1994; Day and Wensley, 1998; Canina, Enz, and Harrison, 2005; Pfeffer and Salancik, 2004).

Organizations that are market-oriented are more likely to be locked into institutionalized thinking about competitive behaviours (Smith, Collins, and Clark, 2005; Russo and Harrison, 2005). This type of thinking becomes a greater burden as competitive intensity increases, because the need for an appropriate response to competitors is greater in highly competitive environments (Jaworski and Kohli, 1993; Ozcelik and Taymaz, 2004; Russo and Harrison, 2005; Canina, Enz, and Harrison, 2005).

A highly competitive environment places a requirement on firms to take a flexible approach so that they can adapt and improvise to put their best foot forward (McKee, Varadarajan and Pride,

1989; Johnson, Lee, Saini and Gronhmann, 2003; Russo and Harrison, 2005; Zuniga-Vicente and Vincente-Lorente, 2006).

The above studies suggest that firms that possess the flexibility to respond to new competitive behaviours are at a definite advantage; they can easily deploy critical resources and use the diversity of strategic options available to them to compete effectively. The following hypothesis is therefore formulated:

Hypothesis three

H₀: Competitive intensity does not have an impact on the relationship between market-focused strategic flexibility and sales growth.

H_a: The greater the competitive intensity, the stronger will be the positive relationship between market-focused strategic flexibility and sales growth.

(Level of statistical significance = α = 0.01).

- **Demand uncertainty:** Demand uncertainty captures the variability in customer population and preferences that have direct effects on sales growth; what makes organizations adapt their product offerings, plans, and strategies to the changing demand conditions. A market orientation helps firms track these changes in the consumer environment and should assist in managing this uncertainty. As the demand uncertainty increases, so does a firm's need to be market-oriented (Grewal and Tansuhaj, 2001). Therefore, researchers posit that the positive relationship between market orientation and a firm's performance should become stronger as such uncertainty increases (Jaworski and Kohli, 1993; Slater and Narver, 1994; Pelham, 1997; Grewal and Tansuhaj, 2001; Kangis and O' Reilly, 2003; Pfeffer and Salancik, 2004 and Russo and Harrison, 2005).

Market-oriented firms in high-demand and uncertain environments are more accustomed to monitoring consumers and therefore, with their focus on the consumer, should be in a better position to make the adjustments necessary to tap into the new demand curves (Slater and Narver, 1995).

The nature of demand is inherently complex in high-demand uncertainty markets. The market orientation skills of a firm are critical and are subjected to Herculean examination in such a

situation. Demand uncertainty in fact creates difficulty in assimilating information and devising strategic plans. Managing uncertain environments requires the concerted deployment of resources devoted to the product-market operations and to responses to idiosyncrasies of demand. Strategic flexibility emphasizes answers to the unique needs of consumers, business partners and institutional constituents. Because firms are more likely to face challenging and unique situations in uncertain markets than in stable markets, market-focused strategic flexibility should be more useful in these uncertain markets. In view of this, the following hypothesis is formulated:

Hypothesis four

H₀: Demand uncertainty does not have an impact on the relationship between market-focused strategic flexibility and sales growth.

H_a: The greater the demand uncertainty, the stronger will be the positive relationship between market-focused strategic flexibility and sales growth.

(Level of statistical significance = α = 0.01).

- **Technological uncertainty:** Technological change or uncertainty can be defined as an exogenous technical innovation that modifies the components, systems, techniques, or methods required for producing organizational outputs. Considering technological change as an exogenous event is a conventional assumption found in much research into technological discontinuities and in some capability-centred studies. Technological change can potentially affect a firm's capabilities because it introduces new scientific knowledge and generates new alternatives for configuring capabilities; it alters the intensity of competition; the level of environmental uncertainty; structural conditions such as barriers to entry and mobility; economies of scale and scope; demand conditions and customer preferences (Grewal and Tansuj, 2001; Judge and Elekov, 2005; Smith, Collins and Clark, 2005). In total the nature of technological change (for example its pace, locus, and associated level of uncertainty) may influence the capability gap between the actual configuration of each capability and the corresponding value-maximizing configuration, which refers to the most valuable capability configuration potentially available in the post-change environment.

Both the pace and the degree of innovations and changes in technology induce technological uncertainty. Often, organizations use technological orientation as a means to meet the desires of their customers continuously (Kohli and Jarworski, 1995; Russo and Harrison, 2005). Organizations have been found to allocate greater resources to technology in order to manage the uncertainty created by technological changes (Glazer, 1991; Slater and Narver, 1994; Zuniga-Vicente and Vicente-Lorente, 2006). Strategic flexibility involves capability-building to respond quickly to changing market conditions, and such capability-building usually involves investing in diverse resources and possessing a wide array of strategic options (Evans, 1991; Klassen and Whybark, 1999; Lavie, 2006). Moreover, because technologically uncertain markets are likely to offer a greater number and range of threats and opportunities for firms to adapt and improvise, it is expected that market-focused strategic flexibility will be of greater importance to create sales growth in markets characterized by high levels of technological uncertainty. The following hypothesis is thus formulated:

Hypothesis five

H₀: Technological uncertainty does not have an impact on the relationship between market-focused strategic flexibility and sales growth.

H_a: The greater the technological uncertainty, the stronger will be the positive relationship between market-focused strategic flexibility and sales growth.

(Level of statistical significance = $\alpha = 0.01$).

4.4 Summary

In this chapter the research problem and five hypotheses were formulated while stating the necessary rationale behind them. Subsequently, in chapter five attention will be given to the research design and analysis of the present study.

CHAPTER FIVE

RESEARCH METHODOLOGY

5.1 INTRODUCTION

In the previous chapter the research problem was stated in terms of five hypotheses with the necessary rationale. This chapter describes the research design and analysis. Section 5.2 defines the population of interest while the sampling frame and sampling method are elaborated in section 5.3. Section 5.4 deals with the conceptual model of the study and the sources and types of data used. The measuring instrument designed to collect data is discussed in section 5.5, while section 5.6 addresses the item analysis and data collection procedure. The pre-testing, validity and reliability tests conducted on the measuring instrument are explained in section 5.7. Section 5.8 considers the analytical techniques used in the study, and a brief summary of this chapter is provided in section 5.9.

5.2 POPULATION OF INTEREST

The population of interest for this study comprises all manufacturing and service industries in Nigeria. Both the listed (on the Nigerian stock exchange) and non-listed but registered companies operating in the manufacturing and service sectors of the economy, form part of the population. This makes it possible to generalize the results beyond a particular industry. A business is included in the target population if it:

- is registered by the corporate affairs commission of the nation
- has been in operation for more than five years.
- is not located in education, or government administration.

The restriction on at least five years of operation is stipulated because companies that are very young may enjoy explosive growth (from a new base) and this could skew the results. Moreover, it is considered that education operates under heavy government regulations. Government administration is excluded because of its frequent non-commercial focus.

The unit of analysis is the chief executive officer/managing director or marketing/sales manager of corporations/companies. The reasons for selecting this unit are as follows:

- Responsibility for top management commitment is at the corporate level (Webster, 1992).
- Sales/marketing managers would possess a good knowledge of sales growth.
- The chief executive officers /managing directors have an understanding of the organization's overall framework as well as market orientation.
- Finally, this unit of analysis has been successfully used in a similar study (Oczkowski and Farrell, 1998).
- The chief executive officer and marketing/sales managers are used to avoid using responses from the same respondents for both dependent and independent variables.

5.3 SAMPLING FRAME AND SAMPLING METHOD

The sampling frame is located in the Corporate Affairs Commission register (C.A.C 2006). This contains a variety of companies from all industries and a wide range of sizes of firms as well as details of contacts.

The use of this sampling frame reduces the risk of not including all commercially viable organizations as it is compulsory for all organizations in Nigeria to be registered with the commission.

Stratified random sampling was used in the study. According to Cooper and Schinder (2006:416) there are three reasons why a stratified random sample is used:

- “To increase a sample’s statistical efficiency.
- To provide adequate data for analyzing the various sub-populations or strata.
- To enable different research methods and procedures to be used in different strata”.

Stratified sampling is used in this study to ensure that companies with different numbers of employees are represented. The population was divided into the following strata:

- Manufacturing companies with 40 or fewer employees.
- Manufacturing companies with more than 40 employees
- Service companies with 40 or fewer employees

- Service companies with more than 40 employees.

The research instrument was randomly distributed to the managing directors and marketing managers of five hundred firms in all strata. The decision to use five hundred firms was arrived at analytically (see appendix 2). This is consistent with the number of the quoted firms in the Nigerian economy which is about two hundred firms with an enormous number of unquoted firms.

5.4 CONCEPTUAL MODEL OF THE STUDY

Figure 5.1 represents the five hypotheses that are tested in this study.

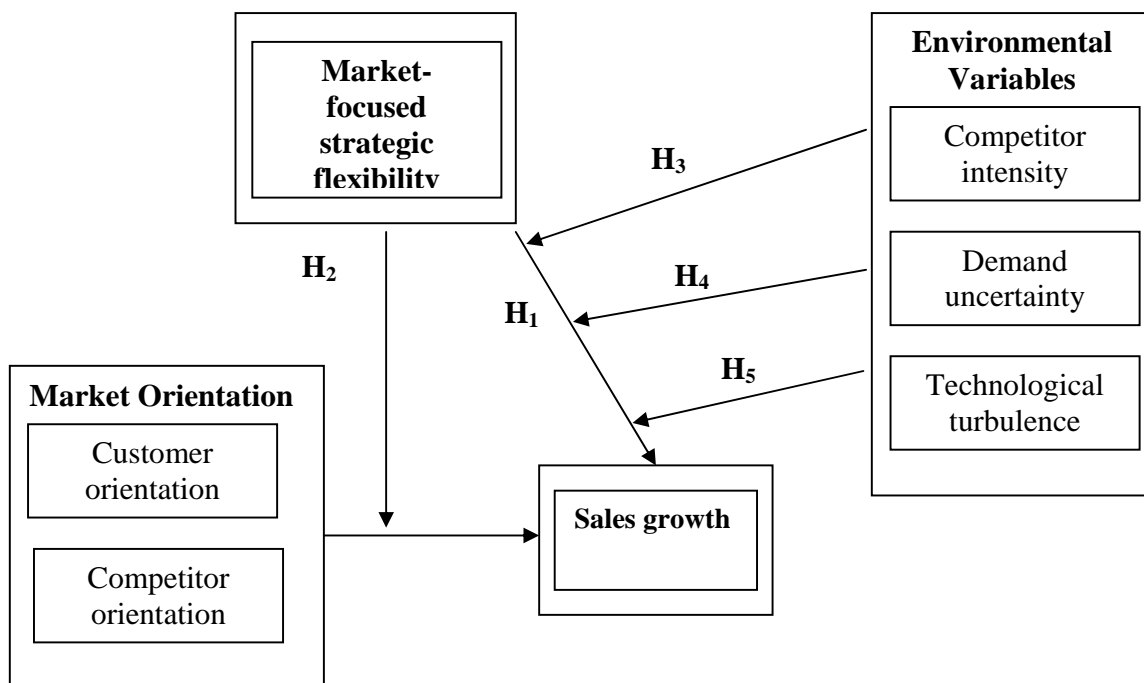


FIGURE 5.1: THE CONCEPTUAL MODEL OF THE STUDY

5.5 MEASURING INSTRUMENTS

Secondary data were collected from the records of companies - the Corporate Affairs Commission diary relevant regulatory bodies in Nigeria (such as the national association of manufacturers in Nigeria, Central Bank records of small and medium-scale industries/enterprises in Nigeria and the like), the Central Bank Information Bulletin on the performance of banks in Nigeria and the implementation of its new policy, the Insurance Companies Regulatory Body information bulletin, and information on the

performance of advertising companies in Nigeria compiled by the Advertising Practitioners Council of Nigeria (APCON).

Primary data were collected from the chief executive officer /managing directors and the sales/marketing managers of the manufacturing and service firms being studied, making use of a self-administered questionnaire (see appendix 1 for a sample of the questionnaire).

The questionnaire consisted of six sections, with the first section dealing with the organizational profile which consisted of the name of the organization, number of employees, the scope of the business, the age of the company and the number of departments. This information is necessary because it helped the researcher to place the firms into different categories. The second section consisted of the market orientation scale, which comprised the customer orientation and competitor orientation measuring items. This allowed the measurement of market orientation as well as the categorization of firms into market-driven and non-market-driven, depending on the score of the firms. The third section measured the degree to which the firms are market-driving while the fourth section measured the market-focused strategic flexibility of the firms. The fifth section measured the environmental impacts on the firms (that is the environmental impact of demand uncertainty, competitive intensity and technological turbulence), while the last section measured the firms' growth in sales.

5.5.1 Market orientation scale

Several popular scales have been used to measure market orientation. For the customer orientation components, this study adapted several existing scales from the MARKOR (Kohli, Jaworski and Kumar, 1993), MKTOR (Narver & Slater, 1990), DFW (Deshpande, Farley & Webster, 1993) and Deng and Dart (1994) instruments. In addition, a number of new items were used from Ellis (2006). There are several reasons for adapting existing items and using new customer orientation items. Firstly, the existing scales have been subjected to some criticisms. Farrel (2002), Mottner and Ford (2005), Zhou et al (2005) and Gebhardt (2006) found from a confirmatory factor analysis that 'the components comprising the MKTOR scale are only partially related to the dimensions originally proposed by Narver and Slater (1990; 77) and that the scale

required further validation and refinement. Kohli, Jaworski and Kumar (1993; 467) also criticized Narver and Slater's MKTOR scale, partly on the basis that it adopts a limited view of markets by only emphasizing customers and competition, as compared with a perspective that focuses not only on these two stakeholders but also on additional factors that drive customer needs and expectations (for instance, technology and regulation). A look at the different scales shows that: The MARKOR scale is a market-orientation scale developed by Kohli, Jaworski and Kumar (1993). It measures market orientation in terms of intelligence generation, intelligence dissemination and responsiveness. The MKTOR scale is a market-orientation scale devised by Narver and Slater (1990). It measures market orientation from the point of view of customers (that is, customer orientation), competitors (that is, competitors' orientation) and interfunctional coordination. The DFW scale is also a market-orientation measuring scale designed by Desphande, Farley and Webster (1993). Both the DFW scale and the Deng and Dart (1994) instruments also focus on customer orientation, and competitor orientation.

In using MARKOR as the principal market-orientation scale, Bhuian (1998), found after a confirmatory factor analysis that this scale was psychometrically weak. Pelham (2000) and Ellis (2006) also commented that MARKOR might be too narrow, and hence an appropriate evaluation of market orientation should include measures pertaining to the understanding of customers, instead of merely measuring information-gathering and dissemination (Farrell & Oczkowski 1997). Bearing these findings in mind, the present writer considered that the scales used for the current study required the following:

- statements that reflected the monitoring of wider forces that shape customer preferences, such as technology, not just customer needs or competitors' actions;
- the inclusion of measures of understanding of customers, not only by information gathering and dissemination but also information analysis.

5.5.2 Customer-orientation scale

The customer-orientation scale comprises a customer analysis and customer responsiveness scale; the two scales are shown in tables 5.1 and 5.2.

Table 5. 1
Customer analysis scale

Scale Items	Source
1 We review the likely effect on the customer of MARKOR changes in our business environment (for example, technology or regulation changes).	Item 10 as adapted also by (Kohli, Jaworski and Kumar 1993), Nakata and Zhu (2006); Ellis (2006); and Gebhardt et al. (2006).
2. The firm analyses data concerning customer satisfaction.	In item 5, customer satisfaction is systematically and frequently measured: adapted from MKTOR - Narver & Slater 1990). Item 1, which reflects routine or regular measures of customer service (DFW, 1993, adapted by Kirca, Jayachandran and Bearden, 2005).
3 The firm makes use of information that states customer preferences.	In item 4, there is a slow detection of changes in customers' product preferences as shown in MARKOR (Kohli, Jaworski and Kumar, 1993). Item 3 (p. 742) showed what customers wanted and which benefits were provided. This is adapted also by Deng and Dart (1994); Gebhardt et al. (2006) and Ellis (2006).
4 The firm runs a structured programme that obtains the feedback necessary to fully understand customers.	In item 2, customer's comments – even if they were complaints -- were encouraged. This is because they helped the firm to do a better job. (Deng and Dart, 1994).
5 The firm studies underlying trends or patterns in its customers' dispositions.	Pre test feedback
6. A major strength of this firm is effective and efficient customer analysis.	Pre test feedback

Two new items (5 and 6) were created, based on feedback from the pre-test process. Item 5 was created to expand the domain of the scale, beyond customer needs or satisfaction to a consideration of buying or using behaviour and its alteration over time. Item 6 reflected the extent of the analysis carried out in relation to the exigencies of customers, rather than just the gathering of information about them.

Table 5.2
Customer responsiveness scale

Scale Items	Source
1 The firm responds to negative customer satisfaction information.	In item 31 as adapted from the MARKOR scale (Kohli, Jaworski and Kumar 1993; Ellis, 2006), When it was discovered that customers were unhappy with the quality of our service, corrective action was taken immediately.
2. The firm responds to changing customer requirements.	In item 32 as adapted from the MARKOR scale (Kohli, Jaworski and Kumar, 1993), when it was discovered that customers wanted a modification of a product or service, the departments concerned made concerted efforts to do likewise. This is also adapted by Schneider et al. (2005).
3 If customers complain, changes are made.	In item 28 as adapted from the MARKOR scale (Kohli, Jaworski and Kumar, 1993), customers' complaints were not responded to in this business unit. This is also adapted by McEachern and Warnaby (2005).
4 The firm responds to factors affecting its market.	In item 30, as adapted and significantly altered from the MARKOR scale (Kohli, Jaworski and Kumar, 1993), there was a quick response to significant changes in our competitor's pricing structures. This is also adapted by Kirca, Jayachandran and Bearden (2005).
5 A high priority is placed on implementing changes to increase future customer satisfaction.	As adapted from Kohli and Jaworski (1990), Schneider et al. (2006) and Ellis (2006), market intelligence is a broader concept because it includes a consideration of current as well as future needs.

Item 1 of the customer responsiveness scale is quite similar to MARKOR's item 31. Items 2 and 3 were adapted to simpler statements for easy comprehension. Item 4 was altered to be a much more general statement than in the MARKOR scale, on the basis that not all industries suffer significant changes in pricing structures. Item 5 was added because it more specifically addressed the notion of future customer needs than existing items in either of the three major market orientation scales, a point emphasized in Kohli and Jaworski (1990:3) but not specifically addressed in their instrument but consistent with Ellis (2006). The revised or new scale items were in many cases shorter than the original items, which helped reduce respondents' fatigue, irritation, and error and are important factors particularly for a lengthy questionnaire.

5.5.3 Competitor orientation scale

Three items used by Pelham and Wilson (1996), Olson, Slater and Hult (2005), Kirca, Jayachandran and Bearden (2005) based on the MKTOR and MARKOR scales were selected on the basis that they accurately recorded the competitor orientation construct. These three items showed convergent validity in terms of the analysis conducted by Pelham and Wilson (1996) and Kirca, Jayachandran and Bearden (2005) (as part of a wider market orientation scale). To these items, a fourth was added from Narver and Slater (1990). The items are listed in table 5.3.

However, after the development of this market orientation measure, advances in psychometric research into the development of instruments provided evidence of two potential problems with this measure.

First, Farrel (2002) recommended using six or fewer items to measure a unidimensional construct. Because subconstructs of market orientation have more than five items, it is possible that assessing the unidimensionality of these constructs will pose problems.

Second, Zhou et al. (2005) and Kirca, Jayachandran and Bearden (2005), demonstrate that reverse-scored items need to be the opposite of positively worded items and therefore should be avoided. In the 31-item measure of market orientation, 10 items are reverse-scored; therefore, cognizant that the market orientation measure might pose difficulties, it was sought to assess the psychometric properties of this measure as a peripheral objective

in the Nigerian context.

Table 5.3
Competitor orientation scale

Scale Items	Source
1 The top management team discuss the competitor's strengths and weaknesses	Item 9 was adapted from the MKTOR scale (Narver and Slater, 1990), Zhou et al. (2005) and Kirca, Jayachandran and Bearden (2005).
2. We take advantage of targeted opportunities to take advantage of competitors' weaknesses.	This item was adapted from the MKTOR scale but it did not appear in Narver and Slater (1990), or Pelham and Wilson (1996). It is also adapted by Zhou et al. (2005) and Ellis (2006) and Gebhardt et al. (2006).
3 If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.	Item 26 was adapted by Kohli, Jaworski and Kumar (1993), from the MARKOR scale. It was also adapted by Gebhardt et al. (2006) and Ellis (2006)
4 We target customer and customer groups where we have or can develop a competitive advantage.	Item 10 from the MKTOR scale (Narver and Slater 1990) was also adapted by Gebhardt et al. (2006) and Ellis (2006)

The measures above were used to identify market-driven firms as well as non-market-oriented firms, depending on the firms' scores. However, market-driving firms were identified by the measures postulated by Jaworski, Kohli and Sahay (2000), who as mentioned earlier, suggested three generic approaches to driving the structure of a market:

- eliminating players in a market (deconstruction approach)
- building a new or modified set of players – and hence a new market structure (construction approach).
- changing the functions performed by players (functional-modification approach).As presented in table 5.4:

Table 5.4
Market-driving scale

Scale Items	Source
1 Have you eliminated any players in the market (that is retailers, wholesalers, distributors, suppliers, and the likes) to facilitate better performance of your product or service?	Jaworski, Kohli and Sahay (2000), Gainer and Padanyi (2005), Mullins et al. (2005), Kiraca, Jayachandran and Bearden (2005).
2. Have you added to the players in the market in any way or modified the players (that is retailers, wholesalers, distributors, suppliers, and so on) to facilitate better performance of your product or service?	Slater and Narver (1994), Jaworski, Kohli and Sahay (2000), Mullins et al. (2005), Kiraca, Jayachandran and Bearden (2005).
3 Have you changed the functions of any of the industry players in the market in any way or modified the players (that is retailers, wholesalers, distributors, suppliers, and the likes) to facilitate better performance of your product or service?	Slater and Narver (1999), Jaworski, Kohli and Sahay (2000), Mullins et al (2005), Kiraca, Jayachandran and Bearden (2005).
4 Have you in any way built customer constraints into your product offering?	Slater and Narver (1999), Jaworski, Kohli and Sahay (2000), Mullins et al (2005), Kiraca, Jayachandran and Bearden (2005).
5 Have you in any way removed customer constraints in your product offering or service to enhance customer patronage?	Slater and Narver (1999), Jaworski, Kohli and Sahay (2000), Mullins et al (2005), Kiraca, Jayachandran and Bearden (2005).
6 Have you in any way remove constraints initiated by competitors to enhance customer patronage?	Mullins et al (2005), Slater and Narver (1998), Jaworski, Kohli and Sahay (2000), Kiraca, Jayachandran and Bearden (2005).
7 Have you in any way created new competitor preference or reversed any of the existing competitor preferences to enhance product acceptance?	Mullins et al (2005), Jaworski, Kohli and Sahay (2000), Kiraca, Jayachandran and Bearden (2005).

The market-focused strategic flexibility was measured as shown in table 5.5:

Table 5.5

Market-focused strategic flexibility scale

	Scale Items	Source
1	Organizational objectives of building resources in relation to their product/market option.	Johnson, Lee, Saini and Grohmann (2003) Gilberth (2005), Lavie (2006), Marcus and Anderson (2006).
2.	Organization builds capabilities to respond to desperate situations.	Johnson, Lee, Saini and Grohmann (2003), Lavie (2006), Gilberth (2005), Marcus and Anderson (2006).
3	Emphasis on managing macro-environmental risks (i.e. political, economic, and financial risks).	Johnson, Lee, Saini and Grohmann (2003), Lavie (2006).
4	Extent of allocation of resources or options to enhance the speed and extent of maneuvering capabilities.	Hitt, Keats and DeMarie (1998), Johnson, Lee, Saini and Grohmann (2003), Gilberth (2005), Lavie (2006), Marcus and Anderson (2006) .
5	The extent of the preference for projects that generate product-market options.	Johnson, Lee, Saini and Grohmann (2003), Gilberth (2005), Lavie (2006), Marcus and Anderson (2006)
6	Focus on option generation and identification (for example selection of new product projects).	Johnson, Lee, Saini and Grohmann (2003).
7	The extent to which holding product-market options are valued in the firm.	Johnson, Lee, Saini and Grohmann (2003).

Competitive intensity was measured by the following statements and as shown in table

5.6:

- (i) Competition in our industry is cut-throat
- (ii) There are many promotion wars in our industry
- (iii) Competitive moves evolve everyday
- (iv) Price competition is prevalent.

Table 5.6
Competitive intensity scale

	Scale Items	Source
1	Competition in our industry is cut-throat	Grewal and Tansuhaj (2001), - Zuniga-Vicente and Vicente-Lorente (2006),
2	There are many promotion wars in our industry.	Grewal and Tansuhaj (2001), Russo and Harrison (2005), Zuniga-Vicente and Vicente-Lorente (2006).
3	Competitive moves evolve everyday.	Grewal and Tansuhaj (2001) Russo and Harrison (2005), Zuniga-Vicente and Vicente-Lorente (2006).
4	Price competition is prevalent.	Grewal and Tansuhaj (2001) Zuniga-Vicente and Vicente-Lorente (2006).

And demand uncertainty was measured by the following items and as shown in table 5.7:

- (i) Extent of uncertainty created by variability in consumer demand
- (ii) Extent of variability in product/brand features
- (iii) Extent of variability in price demanded
- (iv) Extent of variability in quality demanded
- (v) Extent of competitive moves in the industry.

Table 5.7
Demand uncertainty scale

	Scale Items	Source
1	Extent of uncertainty created by variability in consumer demand.	Grewal and Tansuhaj (2001), Zuniga-Vicente and Vicente-Lorente (2006).
2	Extent of variability in product/brand features.	Grewal and Tansuhaj (2001), Russo and Harrison (2005), Zuniga-Vicente and Vicente-Lorente (2006).
3	Extent of variability in price demanded. Extent of variability in quality demanded.	Grewal and Tansuhaj (2001), Russo and Harrison (2005), Zuniga-Vicente and Vicente-Lorente (2006).
4	Extent of competitive moves in the industry.	Grewal and Tansuhaj (2001), Zuniga-Vicente and Vicente-Lorente (2006).

Finally, technological turbulence was measured by the following items and as shown in table 5.8:

- (i) Extent of changes in technology (that is in the production process, product design, and product offering).
- (ii) Opportunities created by technology (that is in the production process, product design, and product offering).
- (iii) Manufacturing of a new product as a result of technology..

Table 5.8
Technological turbulence

Scale Items	Source
1 Extent of changes in technology (that is the production process, product design, and product offering).	Russo and Harrison (2005), Lavie (2006), Vicente-Lorente (2006)
2 Opportunities created by technology (that is the production process, product design, and product offering).	Russo and Harrison (2005), Lavie (2006), Vicente-Lorente (2006).
3 Manifestation of new product as a result of technology.	Russo and Harrison (2005) Lavie (2006), Vicente-Lorente (2006).

Sales growth

The sales growth was measured by the following items and as shown in table 5.9:-

- comparing recent and previous sales values
- noting the sales growth over a period of five years.
- Identifying the growth in sales in comparative terms with the market leader.
- Comparing sales growth of the firm with the competitors.
- Noting the impact of the firm's sales growth on its market share in the industry.

Table 5.9
Sales growth scale

Scale Items	Source
1 Our sales surpass last year's sales significantly.	Dess and Robinson (1984), Buzzel and Gale (1997), Pelham (2000) Bhuian and Bell (2005), Mottner and Ford (2005), Baumol (2006)
2 Our sales have witnessed unstable growth in the last five years.	Bucklin (1978), Dess and Robinson (1984), Blinder (1992), Mottner and Ford (2005), Baumol (2006)
3. We have not made significant growth in sales relative to the market leader in our industry.	Bucklin (1978), Dess and Robinson (1984), Blinder (1992), Mottner and Ford (2005), Baumol (2006)
4. Our sales growth is better than our competitors generally.	Bucklin (1978), Dess and Robinson (1984), Chakravarthy (1986), Blinder (1992), Mottner and Ford (2005), Baumol (2006)
5. Our sales growth has changed our market share of the industry in the last three years.	Bucklin (1978), Dess and Robinson (1984), Chakravarthy (1986), Blinder (1992), Mottner and Ford (2005), Baumol (2006)

Subjective measures of business performance have been used in prior research and these studies have shown a close correlation between subjective and objective measures of business performance (Dees and Robinson, 1984).

A 7-point Narver and Slater scale was used to measure all the variables of this study (environmental variables, market-focused strategic flexibility, market orientation and sales growth), as follows:

- 1 = Not at all
- 2 = To a very slight extent
- 3 = To a small extent
- 4 = To a moderate extent
- 5 = To a considerate extent
- 6 = To a great extent

7 = To an extreme extent

The questionnaire was divided into six sections comprising:

- Section A - Organizational profile
- Section B - Market orientation
- Section C - Market-driving
- Section D - Market-focused strategic flexibility
- Section E - Environment
- Section F - Sales growth

(See Appendix 1 for detailed questionnaire)

5.6 DATA COLLECTION PROCEDURE

Data were collected via a structured questionnaire. The management personnel who had been selected were required to fill it out. Just as with Greenley (1995) and Kirca, Jayachandran and Bearden (2005), a limited pilot study was undertaken to ensure that no problem emerged in completing the survey instrument.

5.7 PRE-TESTING, VALIDITY AND RELIABILITY OF THE INSTRUMENT

The research instrument was pre-tested by distributing the questionnaire to a randomly selected group of organizational staff in Lagos, Nigeria. Convergent validity was tested using a confirmatory factor analysis (for example, Grewal and Tansuhaj, 2001) and reliability was estimated using Cronbach's alpha; thus the psychometric properties of the scale were measured.

Nunnally (2004) states that a relationship of Cronbach alpha of 0.60 is sufficient for the early stages of basic research. This was used as a basis for the study.

5.8 ANALYTICAL TECHNIQUE AND JUSTIFICATION FOR ITS USE

Confirmatory factor analysis was used to determine the internal consistency and overall homogeneity among items comprising the scales and descriptive statistical analysis was conducted on the variables to determine the score range, mean and standard deviation.

The relationships between the variables were evaluated and the hypotheses were tested using the indicated statistical techniques:

5.8.1 Hypothesis one: Pearson product moment correlation coefficient was used to determine the relationships between market-focused strategic flexibility and sales growth and F- ratio was calculated to test the relationship.

5.8.2 Hypothesis two: The partial correlation method was used to establish and test the moderating effect of market-focused strategic flexibility on the market orientation –sales growth relationship.

5.8.3 Hypothesis three: The partial correlation method was used to establish and test the moderating effect of competitive intensity on market-focused strategic flexibility–sales growth relationship.

5.8.4 Hypothesis four: The partial correlation method was used to establish and test the moderating effect of demand uncertainty on market-focused strategic flexibility–sales growth relationship.

5.8.5 Hypothesis five: The partial correlation method was used to establish and test the moderating effect of technological turbulence on market-focused strategic flexibility–sales growth relationship.

The research also made use of a single aggregated measure of market orientation. According to Narver and Slater (1990) and Kohli and Jaworski (1990), market orientation is a unidimensional construct that has several distinct components. They also made use of a single aggregated measure of market orientation, in relating it to performance. This was based on the assumption that each component contributed equally to the construct (Narver and Slater, 1990; Kirca, Jayachandran and Bearden, 2005).

However, dissent exists as to whether market orientation should only be measured as an aggregate construct or examined separately. But if one views each component of market orientation as contributing equally to the construct (Narver and Slater, 1990; Kirca,

Jayachandran and Bearden, 2005) or as having equal or highly independent relationships with performance, there will not be much need to examine the components separately.

In the researcher's view these arguments justified the examination of the relationship between single aggregate measure of market orientation and sales growth in this study.

5.9 SUMMARY

This chapter provided an exposition of the research design and the statistical techniques that were used in the study. The research results of the study are presented in the next chapter.

CHAPTER SIX

RESULTS

6.1 INTRODUCTION

The preceding chapters of this study undertook the following:

Chapter one offered an orientation to the study. An overview of the theoretical foundation was the focus of chapter two, and a literature review was that of chapter three. The research problems and hypotheses were identified in chapter four and a full exposition of the research design and methodology were presented in chapter five.

In this chapter, the results of the primary research conducted are presented and interpreted in this order:

- 6.2 Response rate and categorization of firms.
- 6.3 Psychometric properties of the scales.
- 6.4 The relationship between market-focused strategic flexibility and sales growth
- 6.5 The moderating effect of market-focused strategic flexibility on the relationship between market orientation - sales growth.
- 6.6 The moderating effect of environmental factors (that is, competitive intensity, demand uncertainties, and technological turbulence) on the market-focused strategic flexibility - sales growth relationship.

Sections 6.4 to 6.6 attempt to align the presentation of the results with the objectives, research questions and hypotheses.

6.2 RESPONSE RATE AND CATEGORIZATION OF FIRMS

One thousand (1000) copies of the research instrument were administered to the chief executive officers (CEOs) and the marketing or sales managers of different firms. 780 were returned. Only 584 copies of the returned questionnaire were found to be completed and usable, resulting in an effective rate of 58.4% (Table 6.1). This response rate is somewhat better than some of the response rates found in previous empirical studies on Nigerian managers and executives. For

example, Mitchell and Ageninonmen (1984) dispatched two hundred (200) questions to business managers in Nigeria and obtained a 32.5% response rate. Also, Okoroafor (1993) recorded a 40.5% response rate in his study of manufacturing firms in Nigeria; Esangbedo (1994) one of 50.5% from corporate bank customers in his study of the determinants of customers' decisions to select a bank, while Adebayo (2005) obtained a 54% response rate from the marketing managers of banks.

TABLE 6.1: SUMMARY OF SURVEY RESPONSES

Total number of questionnaires	Number returned	Usable number	Number of firms	Response rate
1000	780	584	292	58.4%

The 292 firms are categorized in terms of their value of investment (that is, the scale of operations: small, medium and large), operational orientation (which involves service or manufacturing), industrial alignment (which includes the food and beverages industry, general services, advertising, agro-allied, automobile, banking, estate, building and construction, communication, insurance, oil and gas, household products, media and publishing, rubber and allied, pharmaceutical and information technology (see Appendices 3 and 5 for the definitions of these businesses and industries) and strategic orientations (that is, non-market driven, market-driven and market-driving - as defined and categorized in Appendix 5 and Table 6.2).

6.3 PSYCHOMETRIC PROPERTIES OF THE SCALES

Validation of measures was performed in two places:

All items were examined for internal validity and scale reliability. The latter was measured using the Cronbach alpha coefficient. All the scales exhibit acceptable reliability coefficients as shown in Table 6.3: market-focused strategic flexibility 0.84, market orientation having the highest value of 0.92 whilst its components customer orientation and competitor orientation have the values of 0.90 and 0.88 respectively.

TABLE 6.2: COMPOSITION & CLASSIFICATION OF FIRMS COMPOSITION

Classification	Manufacturing	Service	Market-driven	Non-market-driven	Market-driving	Total
Small-scale	41	89	44	84	13	271
Medium-scale	47	45	57	36	20	205
Large-scale	37	33	46	24	34	174
Market-driven firms	69	78	-	-	-	147
Non-market driven firms	35	87	-	-	-	122
Market-driving	34	32	-	-	-	66

TABLE 6.3: CONFIRMATORY FACTOR ANALYSIS RESULT

Variable/ scale	RANGE of standard factor loadings	Cronbach α	NNFI	CFI	SRMR	RMSEA	χ^2 (df, P- value)
Market- focused strategic flexibility	0.66 – 0.82	0.84	0.95	0.96	0.06	.09	30.66 (291, P< .01)
Sales growth	0.67 – 0.83	0.71	0.93	0.94	0.07	0.10	21.53 (291, P< .01)
Competitive intensity	0.70 – 0.83	0.88	0.90	0.93	0.09	0.10	39.03 (291, P< .01)
Demand uncertainty	0.72 – 0.85	0.79	0.91	0.92	0.08	0.09	46.81 (291, P< .01)
Technological turbulence	0.78 – 0.85	0.89	0.90	0.94	0.09	0.11	8.07 (291, P< .01)
Market orientation	0.69 – 0.83	0.92	0.84	0.87	0.10	0.09	89.72 (291, P< .01)
Customer orientation	0.69 – 0.83	0.90	0.82	0.85	0.08	0.10	81.14 (291, P< .01)
Competitor orientation	0.70 - 0.79	0.88	0.85	0.87	0.09	0.11	7.04 (291, P< .01)

- NNFI: - Non-normed factor index.
- CFI - Confirmatory factor index
- SRMR: - Standardized root mean square error
- RMSEA - Root mean square error of approximation
- Df - Degree of freedom
- The environmental factors, competitive intensity, demand uncertainty and technological turbulence exhibit the values of 0.88, 0.79 and 0.89 respectively. Sales growth shows the lowest value of 0.71 even though it is still in the acceptable range of 0.60 and above

(Nunnally, 2004).

- The range of standardized factor loading in technological turbulence shows the highest value which are between the range of 0.78 and 0.85, while market-focused strategic flexibility exhibits the lowest values, between the range of 0.66 and 0.82. On the other hand, sales growth, market orientation and customer orientation range between the values of 0.67 to 0.83; 0.69 to 0.83 and 0.69 to 0.83 respectively. Thus, there is internal consistency and overall homogeneity among items comprising the scales.
- The result suggests that the model fits the data rather well with chi-square ranging from 7.04 to 46.81, the NNFI = 0.82 to 0.95, CFI = 0.85 to 0.96, SRMR = 0.06 to 0.10, RMSEA = 0.09 to 0.11. These measurements indicate that all the items are loaded high on the hypothesized constructs.
- Table 6.3 shows appreciable inter-correlation among items of the scale with most of it significant at 0.05 and 0.01 levels of significance.

6.3.1 SUMMARY

Five hundred and eighty four copies out of the one thousand copies of the research instrument administered to the chief executive officers and marketing or sales managers were found to be duly completed and useable. This represents an effective 58.4% response rate.

The result of the confirmatory factor analysis shows an internal consistency and overall homogeneity among the items comprising the scales. It suggests that the model fits the data as all items are loaded high on the hypothesized constructs.

6.4 THE RELATIONSHIP BETWEEN MARKET-FOCUSED STRATEGIC FLEXIBILITY AND SALES GROWTH

6.4.1. RESTATEMENT OF THE RELEVANT RESEARCH QUESTION AND HYPOTHESIS

Research question one

What is the relationship between market-focused strategic flexibility and sales growth?

Hypothesis one

H₀: There is no relationship between a firm's market-focused strategic flexibility and sales growth.

H_a: There is a relationship between a firm's market-focused strategic flexibility and sales growth.

The mean is the average value of a set of data and the measurement of the maximum and minimum value is intended to indicate the range of data, while the standard deviation measures the degree of dispersion. They provide information about the uniformity of the series and the reliability of other statistics obtained from the sample. Table 6.4 to Table 6.7 illustrate the score ranges, means and standard deviations.

TABLE 6.4: SCORE RANGES, MEANS AND STANDARD DEVIATIONS FOR ALL FIRMS, MANUFACTURING AND SERVICE FIRMS

Firms	Variable	N	Min	Max	Mean	S
All	Market-focused strategic flexibility	292	6	88	28.85	8.553
	Sales growth	292	5	33	21.05	4.925
Manufacturing	Market-focused strategic flexibility	132	7	43	28.56	7.020
	Sales growth	132	7	31	21.32	4.712
Services	Market-focused strategic flexibility	168	6	88	28.83	9.374
	Sales growth	168	5	33	20.82	5.073

Table 6.4 reflects the number of respondents in all firms, manufacturing and service firms as well as the score range, means and standard deviations for the two variables: market-focused strategic flexibility and sales growth. It also shows a score range of 82 (that is maximum value minus minimum value: $88 - 6 = 82$) and mean value of 28.85 for market-focused strategic flexibility; sales growth having a score range of 28 and mean value of 21.05 for all firms. For manufacturing firms the table reveals a score range of 36, a mean value of 28.56 and a standard deviation of 7.02 for market-focused strategic flexibility in the sample while the sales growth range is 24, the mean is 21.32 and the standard deviation is 4.712.

For service firms the score range, mean and standard deviation for market focused strategic flexibility are 82, 28.83 and 9.374 respectively while for sales growth the score range is 28, the mean is 20.82 and the standard deviation is 5.073.

In Table 6.5 the score range, mean and standard deviation for small, medium and large scale firms are reflected.

TABLE 6.5: SCORE RANGES, MEANS AND STANDARD DEVIATIONS FOR SMALL, MEDIUM- AND LARGE-SCALE FIRMS

	Variable	N	Min	Max	Mean	S
Small-scale	Market-focused strategic flexibility	129	6	47	29.83	8.250
	Sales growth	129	8	32	21.10	4.942
Medium-scale	Market-focused strategic flexibility	93	7	88	27.92	9.837
	Sales growth	93	5	33	20.88	5.266
Large-scale	Market-focused strategic flexibility	70	7	43	28.27	7.067
	Sales growth	70	8	31	21.17	4.466

The score range, mean and standard deviation for non-market driven, market-driven and market-driving firms are given in Table 6.6.

TABLE 6.6: SCORE RANGES, MEANS AND STANDARD DEVIATIONS FOR NON-MARKET DRIVEN, MARKET-DRIVEN AND MARKET-DRIVING FIRMS

	Variable	N	Min	Max	Mean	S
Non-market Driven	Market-focused strategic flexibility	148	6	88	27.22	9.351
	Sales growth	148	5	30	19.95	4.876
Market-driven	Market-focused strategic flexibility	147	9	48	30.29	7.188
	Sales growth	147	8	33	22.12	4.689
Market-driving	Market-focused strategic flexibility	66	14	42	30.23	6.353
	Sales growth	66	11	31	21.70	4.794

The score range, mean and standard deviation for various industries are given in Table 6.7.

TABLE 6.7: SCORE RANGE, MEANS AND STANDARD DEVIATIONS FOR THE VARIOUS INDUSTRIES

INDUSTRY	VARIABLE	N	Min	Max	Mean	S
Food & beverage	Market-focused strategic flexibility	34	9	39	27.41	7.932
	Sales growth	34	11	30	20.71	5.340
Advertising	Market-focused strategic flexibility	7	16	35	27.29	6.701
	Sales growth	7	17	25	22.43	2.820
General services	Market-focused strategic flexibility	63	6	48	29.17	8.488
	Sales growth	63	8	33	21.24	5.034
Agro allied	Market-focused strategic flexibility	14	7	42	27.07	9.211
	Sales growth	14	5	28	21.64	6.246
Estate, building construction	Market-focused strategic flexibility	20	8	37	26.35	7.228
	Sales growth	20	16	29	21.05	3.220
Automobile	Market-focused strategic flexibility	5	17	34	26.60	7.635
	Sales growth	5	15	21	18.80	2.280
Banking	Market-focused strategic flexibility	21	12	47	28.71	9.498
	Sales growth	21	8	32	22.19	5.372
Communication	Market-focused strategic flexibility	9	24	42	30.33	5.635
	Sales growth	9	17	27	21.11	4.167
Insurance	Market-focused strategic flexibility	19	8	39	29.68	7.476
	Sales growth	19	13	28	21.16	4.362
Oil and gas	Market-focused strategic flexibility	11	20	43	31.27	7.538
	Sales growth	11	15	31	21.55	5.106
Pharmaceutical	Market-focused strategic flexibility	7	19	42	30.14	7.777
	Sales growth	7	18	27	21.86	3.805
Information technology	Market-focused strategic flexibility	16	17	45	31.25	7.523
	Sales growth	16	8	31	22.31	5.665
Rubber& allied	Market-focused strategic flexibility	13	16	35	26.77	5.615
	Sales growth	13	8	27	20.46	4.875
Media & publishing	Market-focused strategic flexibility	9	7	39	26.89	8.781
	Sales growth	9	15	27	21.44	4.362
Household products	Market-focused strategic flexibility	20	8	37	26.35	7.228
	Sales growth	20	16	29	21.05	3.220

Table 6.8 reflects the relationship between market-focused strategic flexibility and sales growth for all firms, manufacturing firms and services firms. It reveals a relationship between market-focused strategic flexibility and sales growth with a correlation coefficients between 0.209 and 0.273 being statistically significant at a 0.05 level of significance for all firms, manufacturing firms and service firms. The null hypothesis therefore is rejected.

TABLE 6.8: THE RELATIONSHIP BETWEEN MARKET-FOCUSED STRATEGIC FLEXIBILITY AND SALES GROWTH FOR ALL FIRMS, MANUFACTURING AND SERVICES FIRMS

FIRMS	R	Adjusted R²	F	Ho
All	0.273*	0.075	17.299	Reject
Manufacturing	0.254*	0.065	8.978	Reject
Services	0.209*	0.044	7.564	Reject

* P < 0.05

Table 6.9 shows that the relationship between market-focused strategic flexibility and sales growth for small and large-scale firms is statistically significant on the 0.05 level of significance. The relationship for the medium-scale firms is not statistically significant.

TABLE 6.9: THE RELATIONSHIP BETWEEN MARKET-FOCUSED STRATEGIC FLEXIBILITY AND SALES GROWTH FOR SMALL-, MEDIUM- AND LARGE-SCALE FIRMS

FIRMS	R	Adjusted R²	F	Ho
Small-scale	0.336*	0.113	18.132	Reject
Medium-scale	0.098	0.100	13.043	Do not reject
Large-scale	0.309*	0.095	3.683	Reject

* P < 0.05

Table 6.10 indicates that the relationship between market-focused strategic flexibility and sales growth for market-driven firms is statistically significant on the 0.05 level of significance. The relationships for non-market driven and market-driving firms are not statistically significant.

TABLE 6.10: THE RELATIONSHIP BETWEEN MARKET-FOCUSED STRATEGIC FLEXIBILITY AND SALES GROWTH FOR NON-MARKET DRIVEN, MARKET-DRIVEN AND MARKET-DRIVING FIRMS

FIRMS	R	Adjusted R²	F	Ho
Market-driven	0.307*	0.094	9.375	Reject
Non-market driven	0.111	0.012	14.297	Do not Reject
Market-driving	0.206	0.042	8.867	Do not reject

* P < 0.05

Table 6.11 reflects the relationship between market-focused strategic flexibility and sales growth for all the various industries. Some of the industries (estate, building and constructions, communication, and pharmaceutical) exhibit negative correlation coefficients, meaning that the industries achieve high sales growth while being less flexible strategically. This may be due to the inherent characteristics enshrined in the frameworks of these industries, though these negative relationships are not statistically significant.

TABLE 6.11: THE RELATIONSHIP BETWEEN MARKET-FOCUSED STRATEGIC FLEXIBILITY AND SALES GROWTH FOR THE VARIOUS INDUSTRIES

FIRMS	R	Adjusted R²	F	H₀
Food and beverages	0.489*	0.240	5.807	Reject
General services	0.301 *	0.090	4.523	Reject
Advertising	0.416	0.173	0.784	Do not reject
Agro allied	0.372	0.139	4.031	Do not reject
Automobile	0.052	0.003	18.548	Do not reject
Banking	0.582*	0.339	9.742	Reject
Estate, building & construction	-0.392	0.154	4.102	Do not reject
Communication	-0.023	0.001	3.161	Do not reject
Insurance	0.601 *	0.361	4.569	Reject
Oil and gas	0.019	0.000	0.216	Do not reject
Household products	0.134	0.018	0.304	Do not Reject
Media & publishing	0.618	0.382	7.499	Do not Reject
Rubber and allied	0.561	0.315	5.060	Do not Reject
Pharmaceuticals	-0.326	0.106	0.619	Do not Reject
Information technology	0.215	0.046	3.985	Do not reject

* P < 0.05

Table 6.12 summarizes all these relationships - AR is the actual relationship while HR

represents the hypothesized relationship.

TABLE 6.12
SUMMARY OF THE RELATIONSHIP BETWEEN MARKET-FOCUSED STRATEGIC FLEXIBILITY AND SALES GROWTH

S/N	FIRMS	HR	AR	R	R ²	BETA	F	RE	H ₀
1.	ALL FIRMS	+ve	+ve	.273*	0.056	0.273	17.299	S	Reject
2.	ALL MANUFACTURING	+ve	+ve	.254*	0.065	0.254	8.978	S	Reject
3.	ALL SERVICES	+ve	+ve	.209*	0.044	0.209	7.564	S	Reject
4.	SMALL-SCALE	+ve	+ve	.336*	0.0113	0.336	18.132	S	Reject
5.	MEDIUM-SCALE	+ve	+ve	0.098	0.010	0.098	13.043	NS	Do not reject
6.	LARGE-SCALE	+ve	+ve	.309*	0.095	0.309	3.683	S	Reject
7.	MARKET-DRIVEN	+ve	+ve	.307*	0.094	0.307	9.375	S	Reject
8.	NON-MARKET DRIVEN	+ve	+ve	.111	0.012	0.111	14.297	NS	Do not reject
9.	MARKET-DRIVING	+ve	+ve	.206	0.042	0.206	8.867	NS	Do not reject
10.	FOOD & BEVERAGES	+ve	+ve	.489*	0.240	0.489	5.807	S	Reject
11.	GENERAL SERVICES	+ve	+ve	.301*	0.090	0.301	4.523	S	Reject
12.	ADVERTISING	+ve	+ve	.416	0.173	0.416	0.784	NS	Do not reject
13.	AGRO-ALLIED	+ve	+ve	.372	0.139	0.372	4.031	NS	Do not reject
14.	AUTOMOBILE	+ve	+ve	.052	0.003	.052	18.548	NS	Do not reject
15.	BANKING	+ve	+ve	.582*	0.339	0.582	9.742	S	Reject
16.	ESTATE, BUILDING & CONSTRUCTION	+ve	-ve	-.392	0.154	-0.392	4.102	NS	Do not reject
17.	COMMUNICATION	+ve	-ve	-.023	0.001	-.023	3.161	NS	Do not reject
18.	INSURANCE	+ve	+ve	.601*	0.361	.601	4.569	S	Reject
19.	OIL AND GAS	+ve	+ve	.019	0.000	.019	0.216	NS	Do not reject
20.	HOUSEHOLD PRODUCTS	+ve	+ve	.134	0.018	.134	0.304	NS	Do not reject
21.	MEDIA & PUBLISHING	+ve	+ve	.618	0.382	.618	7.499	NS	Do not reject
22.	RUBBER & ALLIED	+ve	+ve	.561	0.315	.561	5.060	NS	Do not reject
23.	PHARMACEUTICAL	+ve	-ve	-.326	0.106	-0.326	0.619	NS	Do not reject
24.	INFORMATION TECHNOLOGY	+ve	+ve	.215	0.046	0.215	3.985	NS	Do not reject

* P < 0.05

6.4.3 SUMMARY

Of the two variables measured (that is market-focused strategic flexibility and sales

growth) in this section, the degree of dispersion (that is, standard deviation) is highest for market-focused strategic flexibility in all classifications of firms.

Positive relationships between market-focused strategic flexibility and sales growth were established in most categories of firms studied except medium-scale firms, market-driving firms, and the food and beverages, advertising, agro-allied, automobile, estate, building and construction, communication, oil and gas, and rubber and allied industries.

Hence, a total of ten (10) classifications out of twenty-four (24) have positive and significant relationships between market-focused strategic flexibility and sales growth.

6.5 THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE RELATIONSHIP BETWEEN MARKET ORIENTATION AND SALES GROWTH

6.5.1 RESTATEMENT OF THE RELEVANT RESEARCH QUESTION AND HYPOTHESIS

Research question two

What is the role of market-focused strategic flexibility in the market orientation - firm performance (sales growth) relationship?

Hypothesis two

H₀: Market-focused strategic flexibility does not make an impact on the relationship between market orientation and sales growth relationship.

H_a: The greater a firm's market-focused strategic flexibility, the stronger the relationship between market orientation and sales growth.

This section indicates score ranges, means and standard deviations as well as the result for testing hypotheses for all categories of firms under study.

Table 6.13 indicates that for all the firms, the score range of 89, mean value of 73.64 and standard deviation value of 14.211 for market orientation while sales growth exhibits score range of 28, mean value of 21.105 and standard deviation of 4.925. For market-

focused strategic flexibility, the score range is 82, mean value is 28.85 and standard deviation is 8.553. The table also reflects manufacturing firms as having the score range of 77, mean value of 72.45 and standard deviation of 12.986 for market orientation while sales growth indicates score range of 24, mean value of 21.32 and standard deviation of 4.712 respectively; market-focused strategic flexibility evidences score range, mean values and standard deviation of 36, 28.56 and 7.020 respectively.

For the service firms, score range is 89, mean value is 74.13 and standard deviation is 14.505 respectively, indicating a high level of variability. For market-focused strategic flexibility, the score range is 82, mean value is 28.83 and standard deviation is 9.374 respectively.

TABLE 6.13: SCORE RANGES, MEANS AND STANDARD DEVIATIONS FOR ALL FIRMS, MANUFACTURING AND SERVICES FIRMS.

Firms	Variables	N	Min	Max	Mean	S
All	Market orientation	292	15	104	73.64	14.211
	Sales growth	292	5	33	21.05	4.925
	Market-focused strategic flexibility	292	6	88	28.85	8.553
Manufacturing	Market orientation	132	27	104	72.45	12.986
	Sales growth	292	7	31	21.32	4.712
	Market-focused strategic flexibility	132	7	43	28.56	7.020
Services	Market orientation	168	15	104	74.13	14.505
	Sales growth	168	5	33	20.82	5.073
	Market-focused strategic flexibility	168	6	88	28.83	9.374

The score range, mean value and standard deviations for small-, medium- and large-scale firms are reflected in Table 6.14. Market orientation as regards small-scale firms has a mean value of 79.27. This value is higher than that of medium-scale firms, which is 69.00, and that of 69.43 for large-scale firms. The degree of dispersion from the mean (that is standard deviation) for small-scale firms is the lowest with 12.538, while those of medium- and large-

scale firms are 14.136 and 13.583 respectively.

TABLE 6.14: SCORE RANGES, MEANS AND STANDARD DEVIATIONS FOR ALL SMALL, MEDIUM AND LARGE-SCALE FIRMS

Firms	Variables	N	Min	Max	Mean	S
Small-scale	Market orientation	129	35	104	79.27	12.538
	Sales growth	129	8	32	21.10	4.942
	Market-focused strategic flexibility	129	6	47	29.83	8.250
Medium-scale	Market orientation	93	15	104	69.00	14.136
	Sales growth	93	5	33	20.88	5.266
	Market-focused strategic flexibility	93	7	88	27.92	9.837
Large-scale	Market orientation	70	27	92	69.43	13.583
	Sales growth	70	8	31	21.17	4.466
	Market-focused strategic flexibility	70	7	43	28.27	7.067

Table 6.15 depicts the mean value of market orientation for market-driven, non-market driven and market-driving firms as 78.82, 67.97 and 76.92 respectively. Non-market-driven firms evidence the highest deviation from the mean of 14.257. The market-focused strategic flexibility mean scores are 30.29 for market-driven, 30.23 for market-driving and 27.22 for non-market driven firms.

TABLE 6.15: SCORE RANGES, MEANS AND STANDARD DEVIATIONS FOR NON-MARKET DRIVEN, MARKET-DRIVEN, AND MARKET-DRIVING FIRMS

Firms	Variables	N	Min	Max	Mean	S
Non-market driven	Market orientation	148	15	95	67.97	14.257
	Sales growth	148	5	30	19.95	4.876
	Market-focused strategic flexibility	148	6	88	27.22	9.357
Market-driven	Market orientation	147	42	104	78.82	11.379
	Sales growth	147	8	33	22.12	4.689
	Market-focused strategic flexibility	147	9	48	30.29	7.188
Market-driving	Market orientation	66	42	104	76.92	11.309
	Sales growth	66	11	31	21.70	4.794
	Market-focused strategic flexibility	66	14	42	30.23	6.353

Table 6.16 depicts the score range, means, and standard deviations for the various industries.

TABLE 6.16: SCORE RANGES, MEANS AND STANDARD DEVIATIONS FOR THE VARIOUS INDUSTRIES

Firms	Variables	N	Min	Max	Mean	S
Food & Beverages	Market orientation	34	27	92	72.50	14.372
	Sales growth	34	11	30	20.71	5.340
	Market-focused strategic flexibility	34	09	39	27.41	7.932
General services	Market orientation	63	15	104	76.37	13.652
	Sales growth	63	08	33	21.24	5.034
	Market-focused strategic flexibility	63	06	48	29.17	8.488
Advertising	Market orientation	07	65	87	75.00	9.452
	Sales growth	07	17	25	22.43	2.820
	Market-focused strategic flexibility	07	16	35	27.29	6.701
Agro Allied	Market orientation	14	25	93	70.71	17.402
	Sales growth	14	05	28	21.64	6.246
	Market-focused strategic flexibility	14	07	42	27.07	9.211
Automobile	Market orientation	05	51	89	69.00	15.443
	Sales growth	05	15	21	18.80	2.880
	Market-focused strategic flexibility	05	17	34	26.60	7.635
Banking	Market orientation	21	49	99	75.76	13.520
	Sales growth	21	08	32	18.80	2.880
	Market-focused strategic flexibility	21	12	47	28.71	9.498
Estate, building and construction	Market orientation	20	56	104	76.30	9.932
	Sales growth	20	16	29	21.05	3.220
	Market-focused strategic flexibility	20	08	37	26.35	7.228
Communication	Market orientation	09	62	93	76.33	11.057

	Sales growth	09	17	27	21.11	4.167
	Market-focused strategic flexibility	09	24	42	30.33	5.685
Insurance	Market orientation	19	30	90	70.53	13.074
	Sales growth	19	13	28	21.16	4.362
	Market-focused strategic flexibility	19	08	39	29.68	7.476
Oil and gas	Market orientation	11	48	90	68.55	13.307
	Sales growth	11	15	31	21.55	5.106
	Market-focused strategic flexibility	11	20	43	31.27	7.538
Household products	Market orientation	20	38	84	67.40	10.659
	Sales growth	20	07	30	18.90	7.100
	Market-focused strategic flexibility	20	21	42	28.15	5.163
Media and publishing	Market orientation	09	34	103	64.56	21.173
	Sales growth	09	15	27	21.44	4.362
	Market-focused strategic flexibility	09	07	39	26.89	8.781
Rubber and allied	Market orientation	13	28	93	70.77	15.728
	Sales growth	13	08	27	20.46	4.875
	Market-focused strategic flexibility	13	16	35	26.77	5.615
Pharmaceutical	Market orientation	07	54	95	70.00	14.00
	Sales growth	07	18	27	21.86	3.805
	Market-focused strategic flexibility	07	19	42	30.14	7.777
Information and technology	Market orientation	16	35	98	80.13	16.982
	Sales growth	16	08	31	22.31	5.665
	Market-focused strategic flexibility	16	17	45	31.25	7.523

Table 6.17 reveals the result of the hypothesis testing . The moderated relationship shows $R = 0.435$ to be significant at 0.05 level of significance and a partial correlation of 0.267 for all firms and the moderated relationship of $R = 0.310$ is significant at 0.05 level of significance with a partial correlation of 0.138, and F value of 8.978 for manufacturing firms. All these values are lower than the values of “All firms”. The moderating effect of market-focused

strategic flexibility on market orientation and sales growth relationship is $R = 0.408$ with a partial correlation of 0.369 for service firms, which is much higher than the categories of all firms and manufacturing firms.

TABLE 6.17: MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE RELATIONSHIP BETWEEN MARKET ORIENTATION – SALES GROWTH FOR ALL FIRMS, MANUFACTURING, AND SERVICE FIRMS

Firms	R	Part corr.	F	H ₀
All	0.435*	0.267*	36.859	Reject
Manufacturing	0.310*	0.138*	8.979	Reject
Services	0.408*	0.369*	17.34	Reject

*P<0.05

Figure 6.1 reveals a progressively increasing sales growth as the market-focused strategic flexibility and market orientation increase such that the group of firms with the highest value of market-focused strategic flexibility and market orientation show the highest level of sales growth.

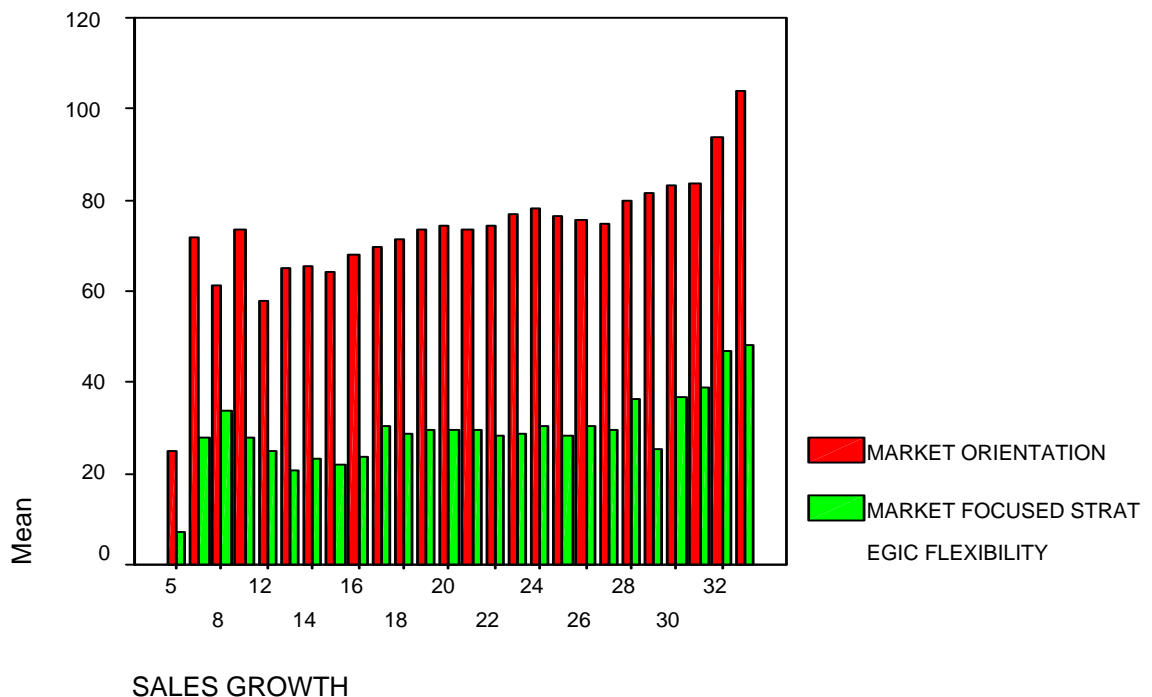


FIGURE 6.1: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN ALL FIRMS

Figure 6.2 also shows a progressively increasing sales growth with increasing market focused strategic flexibility and market orientation

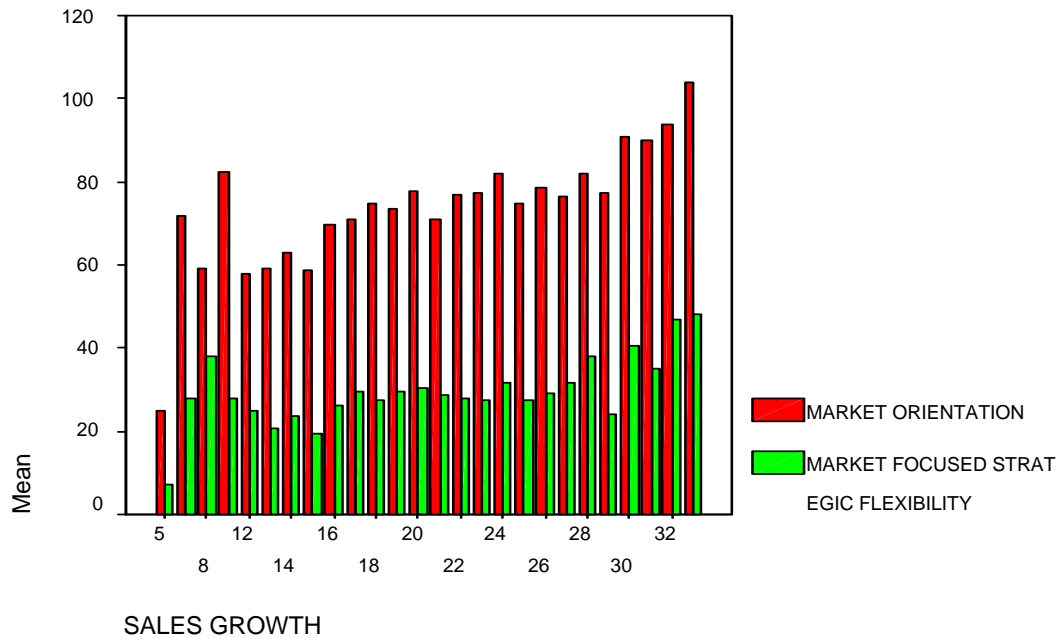


FIGURE 6.2: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN ALL MANUFACTURING FIRMS

Figure 6.3 shows that sales growth increases with increasing values of market focused strategic flexibility and market orientation.

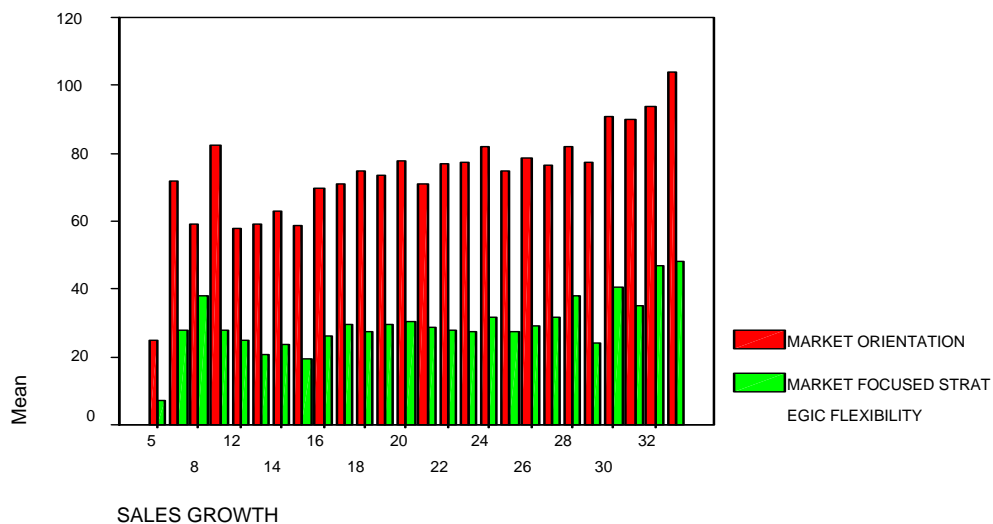


FIGURE 6.3: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN ALL SERVICE FIRMS

In Table 6.18, the large firms have market-focused strategic flexibility moderating value of

0.572, significant at 0.05 level of significance. Figures 6.4, 6.5 and 6.6 illustrate the effect of market-focused strategic flexibility on market orientation – sales growth performance. Extraordinarily, market-focused strategically flexible firms on the medium scale do not produce a correspondingly high sales growth performance (Figure 6.5). However, the highest performance is still produced by averagely high market-focused strategic flexible firms with a much higher market orientation. This shows that a medium-scale firm that is market-focused and strategically flexible may not necessarily produce better performance without being sufficiently market-oriented. As a result, large firms with the highest market-focused strategic values evidence the highest sales performance (Figure 6.6).

TABLE 6.18: MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE RELATIONSHIP BETWEEN MARKET ORIENTATION – SALES GROWTH FOR SMALL, MEDIUM- AND LARGE-SCALE FIRMS.

Firms	R	Part corr.	F	H₀
Small-scale	0.339*	0.353*	18.132	Reject
Medium-scale	0.452*	0.349*	13.043	Reject
Large-scale	0.572*	0.063*	13.683	Reject

*P<0.05

Figure 6.4 shows that the groups of firms with the highest market focused strategic flexibility have high market orientation and sales growth with few variations.

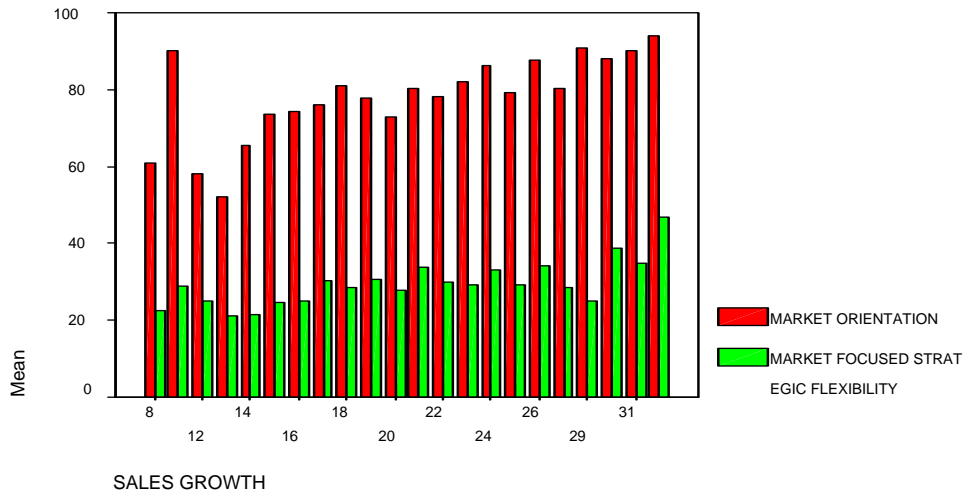


FIGURE 6.4: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN SMALL-SCALE FIRMS

The medium scale firms in Figure 6.5 have some exceptionally high market focused strategic flexible firms whose market orientation are not correspondingly high.

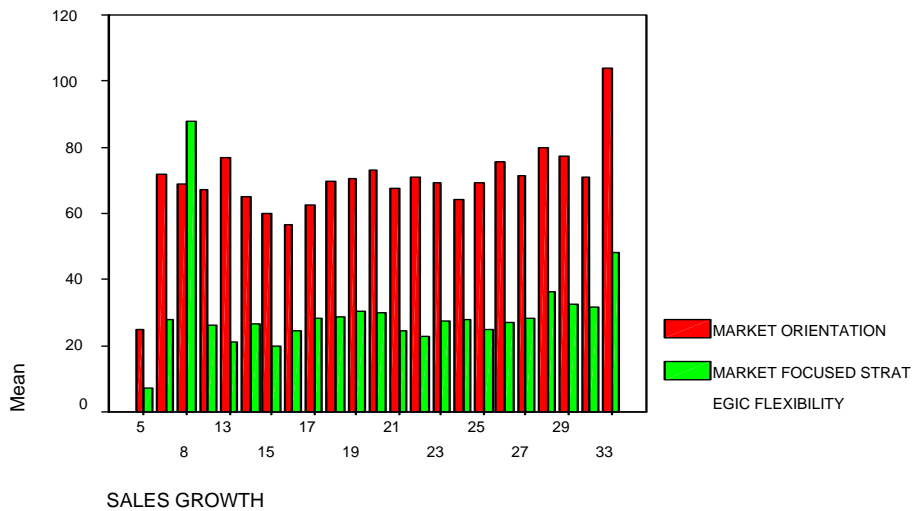


FIGURE 6.5: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN MEDIUM-SCALE FIRMS

Figure 6.6 depicts the moderating effect of market focused strategic flexibility on market orientation – sales growth relationship in large firms with no definite patterns. But most firms with high market focused strategic flexibility have high market orientation values.

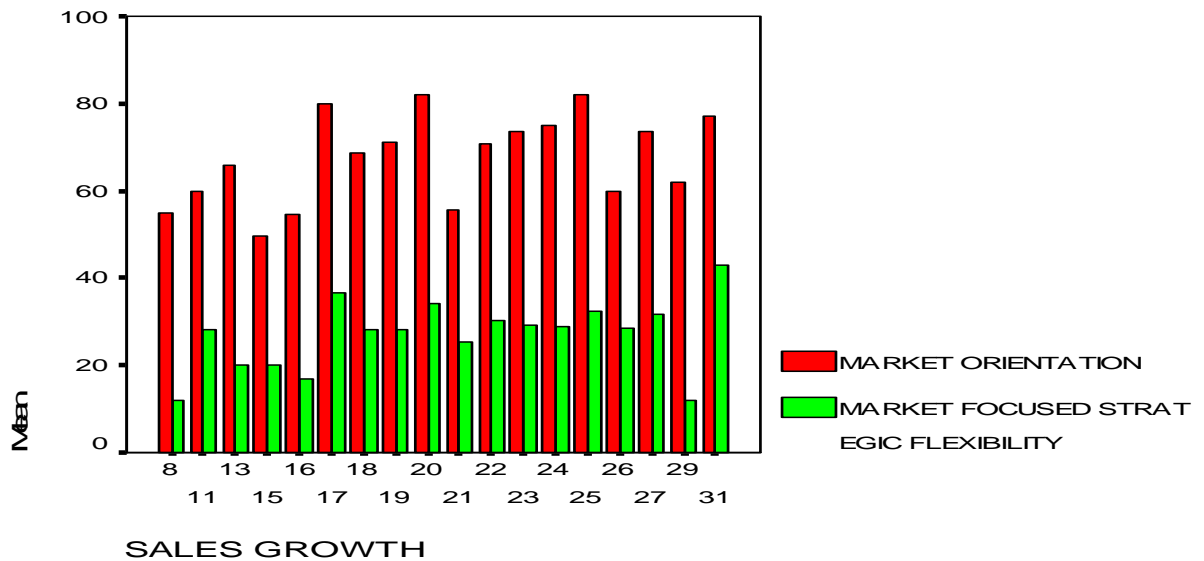


FIGURE 6.6: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN LARGE-SCALE FIRMS

In Table 6.19, the market-orientation – sales growth relationship is moderated most in the non-market driven firms with 0.408 and a partial correlation of 0.279, followed by the values of 0.378 and 0.311 for market-driving firms. For market-driven firms, there is a value of 0.152 and a moderated correlated value of 0.370 and all values are significant at 0.05 level of significance.

For market-driven firms, figure 6.7 indicates that the group of firms with the highest values in terms of market-focused strategic flexibility exhibits the best sales performance, while figure 6.8 shows that non-market driven firms evidence a less consistent outlook with firms that have higher value in market-focused strategic flexibility but relatively low values in market orientation.

TABLE 6.19: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE RELATIONSHIP BETWEEN MARKET ORIENTATION – SALES GROWTH FOR NON-MARKET DRIVEN, MARKET-DRIVEN AND MARKET-DRIVING FIRMS.

Firms	R	Part corr.	F	H ₀
Market-driven	0.370*	0.152*	9.375	Reject
Non-market driven	0.408*	0.279*	14.297	Reject
Market driving	0.378*	0.311*	8.867	Reject

*P<0.05

In Figure 6.7, the market orientation for non-market driven firms are also moderated by market focused strategic flexibility with some few variations.

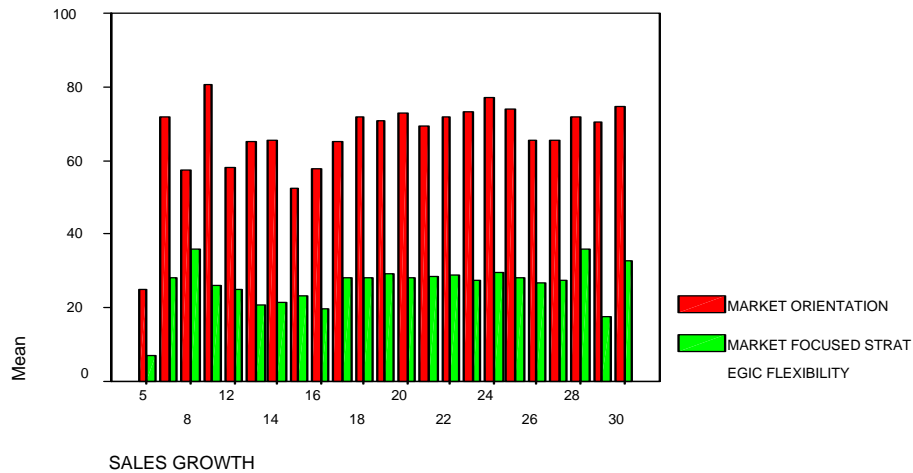


FIGURE 6.7: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN NON-MARKET DRIVEN FIRMS

Figure 6.8 reveals a definite pattern of gradual increasingly market focused strategic flexibility of firms with a correspondingly high value of market orientation and sales growth.



FIGURE 6.8: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN MARKET-DRIVEN FIRMS

Figure 6.9 reveals an irregularity in the sales performance of firms with the same market orientation and market-focused strategic flexibility values.

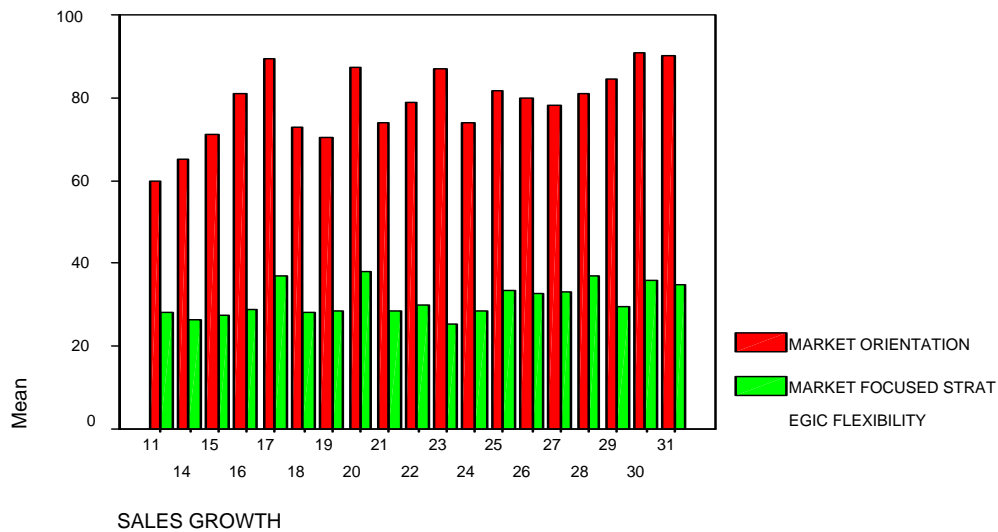


FIGURE 6.9: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN MARKET-DRIVING FIRMS

In Table 6.20, the inhibitory effect of market-focused strategic flexibility on the market orientation – sales growth relationship is evident. The moderating correlation values and partial correlations are $R = -0.11$, and 0.362 for Advertising; -0.034 and 0.451 for Estate, building and construction; and -0.082 and -0.716 for Communication. However these values are not statistically significant; hence the Null hypothesis is not rejected. Figures 6.12, 6.16 and 6.17 reveal the inconsistencies in those relationships.

Also, the General services industry exhibits the most significantly moderated market orientation – sales growth relationship, with $R = 0.609$ and partial correlation of 0.212 . The firms in this industry record a consistent moderation of market-focused strategic flexibility in the market orientation-sales growth relationship, with the highest value of sales growth relative to the market orientation values of the firms (Figure 6.11).

The Agro-allied, Insurance and Media and publishing industries evidence relationships that

vary in their levels of significance. For instance, the Agro-allied Industry's market orientation – sales growth relationship is significant at both 0.05 and 0.01 levels of significance but the moderating relationship is significant at only 0.05 level of significance.

The insurance industry shows a rather strong moderating relationship of market-focused strategic flexibility on the market orientation – sales growth relationship of $R = 0.832$, significant at both 0.05 and 0.01 levels of significance, while the partial correlation is 0.057.

TABLE 6.20: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE RELATIONSHIP BETWEEN MARKET ORIENTATION – SALES GROWTH FOR VARIOUS INDUSTRIES.

Firms	R	Part corr.	F	H ₀
Food and beverages	0.279	0.146	5.507	Do not reject
General services	0.609**	0.212**	4.523	Reject
Advertising	-0.110	0.362	0.784	Do not reject
Agro allied	0.534*	0.590**	4.301	Reject
Automobile	0.290	-0.974	18.548	Do not reject
Banking	0.565**	-0.118**	9.742	reject
Estate, building and construction	-0.034	0.451	4.102	Do not reject
Communication	-0.082	-0.716	3.161	Do not reject
Insurance	0.832*	0.057*	4.569	Reject
Oil and gas	0.436	0.226	0.216	Do not reject
Household products	0.605**	0.130**	13.04	Reject
Media and publishing	0.703*	0.733*	7.489	Reject
Rubber and allied	0.292	-0.242	5.060	Do not reject
Pharmaceutical	0.954**	-0.382**	6.19	Reject
Information and technology	0.374	0.5915	3.958	Do not reject

*P<0.01, **P<0.05

The Media and publishing firms, unlike the Agro-allied firms exhibit a much stronger and

more significant relationship with their market orientation and sales growth. For the former, $R = 0.703$ which is significant at 0.01 level of significance and for the latter, $R = 0.534$ with a high partial correlation of 0.590.

Figure 6.21 shows a somewhat consistent moderation of market-focused strategic flexibility on the market-orientation – sales growth relationship; the group of firms with the highest values of market-focused strategic flexibility and market orientation evidence the second-best sales growth values. However, figure 6.13 for Agro-allied industries reveals that the group of firms with varying combinations of market-focused strategic flexibility and market orientation exhibited different sales growth, but the firms with the highest market-focused strategic flexibility recorded the highest sales growth performance. The same occurred in the insurance industry (Figure 6.18).

The Banking, Household products and Pharmaceutical industries all have a positive and significant moderating effect on their market orientation – sales growth relationship since $R = 0.565$ for banking, 0.605 for household products, and 0.954 for Pharmaceutical. All are significant at 0.05 and 0.01 levels of significance. Their partial correlation values are -0.118, 0.130 and -0.382 for Banking, Household products and Pharmaceutical industries respectively. This brings a new dimension into the result (Table 6.20).

The correlation coefficients are positive for these industries; Banking, Pharmaceutical and Household products and are statistically significant. However, the negative partial correlation value in Banking and Pharmaceutical industries indicate an inhibitory impact of market-focused strategic flexibility on the market-orientation – sales growth relationship in both industries.

Figure 6.15 indicates irregularity in the Banking industry as the group of firms with a low level of market-focused strategic flexibility achieves a status of rather high sales growth while the group of firms with the highest market-focused strategic flexibility also maintains a high sales performance. The same trend is noticed in the Pharmaceutical industry in Figure

6.23. However, the Household products industry indicates a slightly different pattern with some consistencies, but with variations in the sales growth performance. The firms with the highest market-focused strategic flexibility and market orientation ratio achieve the second-best sales growth.

The Food and beverages, and Oil and gas industries both evidence correlation coefficients that are positive ($R = 0.279$ for Food and beverages, $R = 0.436$ for Oil and gas) but both are not statistically significant; hence, the null hypotheses are not rejected.

However, figures 6.10 and 6.19 reveal a much more consistent pattern of market-focused moderating effect with the highest moderated firms evidencing the highest value of sales growth with some variations.

The moderating relationship coefficient is 0.290 for Automobile and 0.292 for Rubber and allied industry. Since both are not statistically significant, the null hypotheses are not rejected. The partial correlation values for both industries are negative since -0.974 for Automobile and -0.242 for Rubber and allied industry.

Figures 6.14 and 6.22 however reveal a pattern of relationship with little consistency since the group of firms with the highest market orientation score and high market-focused strategic flexibility score records the highest sales growth performance.

Figure 6.10 shows how market focused strategic flexibility moderates market orientation – sales growth relationship in food and beverages industry. Group of firms with high market focused strategic flexibility have high market orientation – sales growth value with others having low values showing some variations.

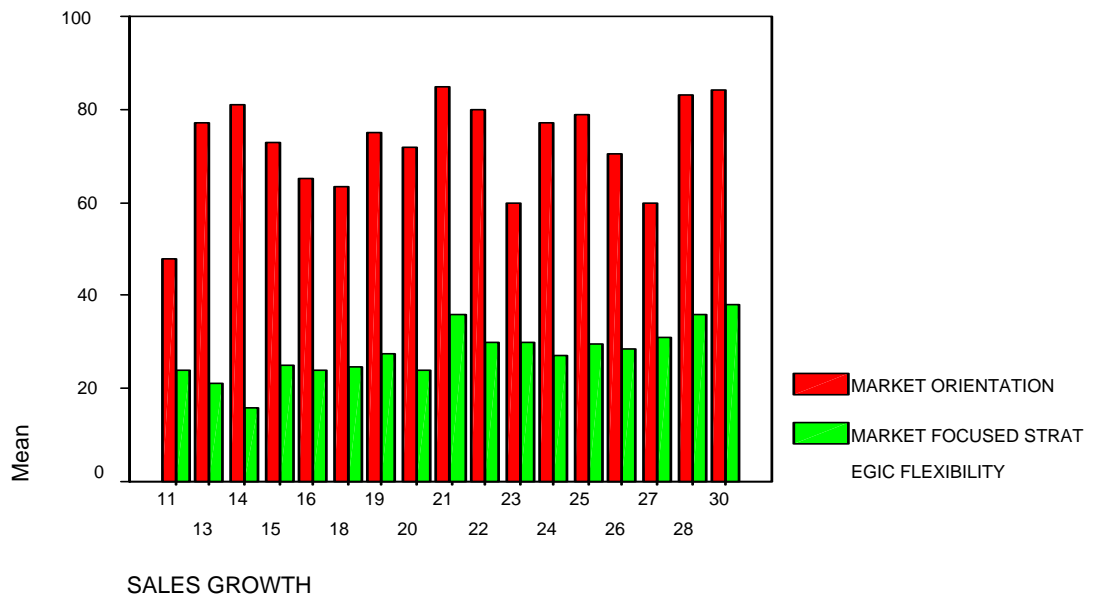


FIGURE 6.10: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN THE FOOD AND BEVERAGES INDUSTRY

Figure 6.11 shows a more definite pattern of the moderating effect of market focused strategic flexibility on market orientation – sales growth relationship with group of firms with the highest market focused strategic flexibility having high market orientation – sales growth values.

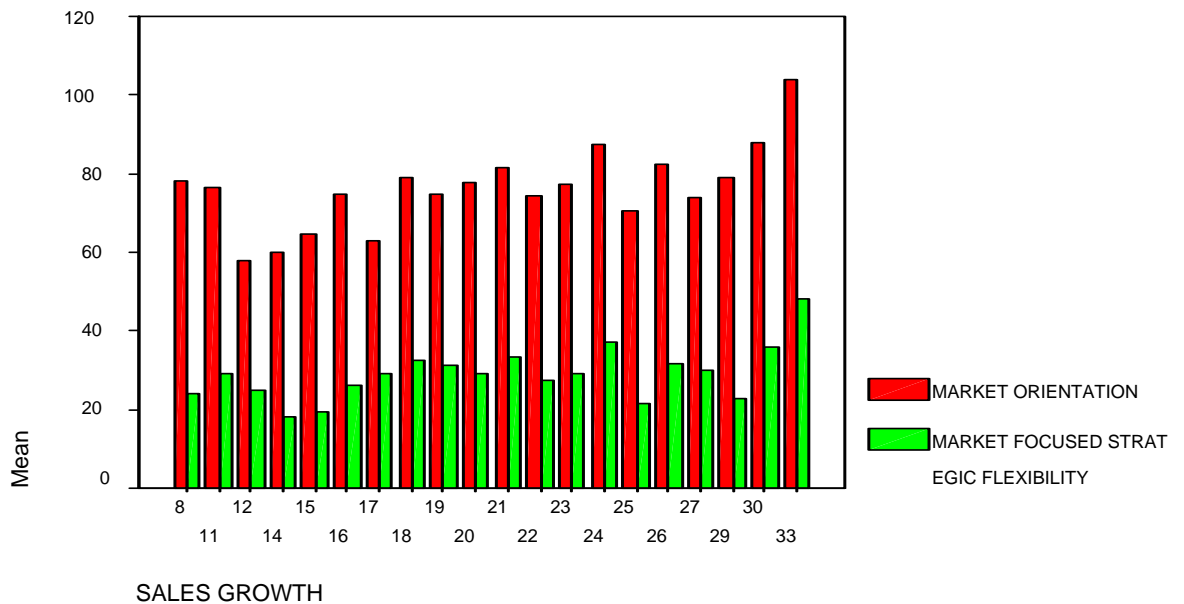


FIGURE 6.11: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN THE GENERAL SERVICE INDUSTRY

Figure 6.12 does not particularly reflect that market focused strategic flexibility moderates market orientation – sales growth relationship with group of firms with high market focused strategic flexibility values not necessarily having high market orientation – sales growth values.

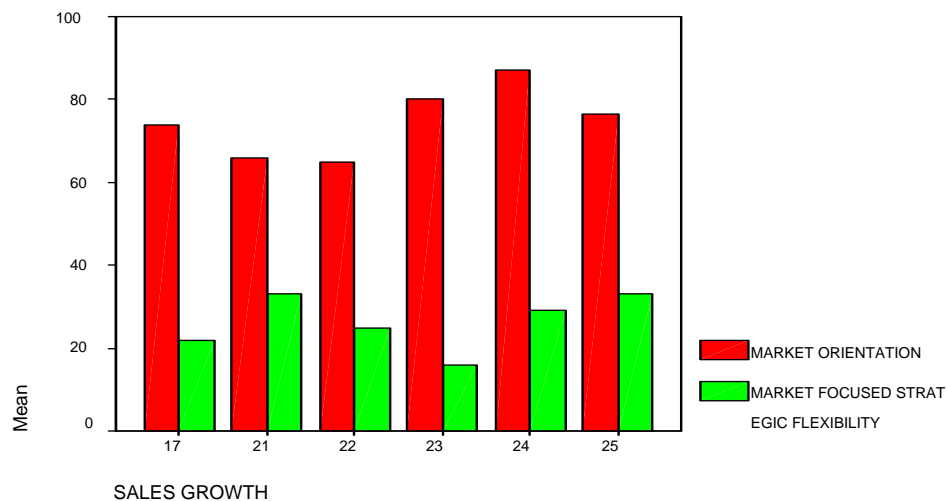


FIGURE 6.12: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN THE ADVERTISING INDUSTRY

Figure 6.13 shows that market focused strategic flexibility does not have a definite impact on the market orientation – sales growth relationship with group of firms with market focused strategic flexibility not necessarily having a comparatively high market orientation – sales growth relationship value.

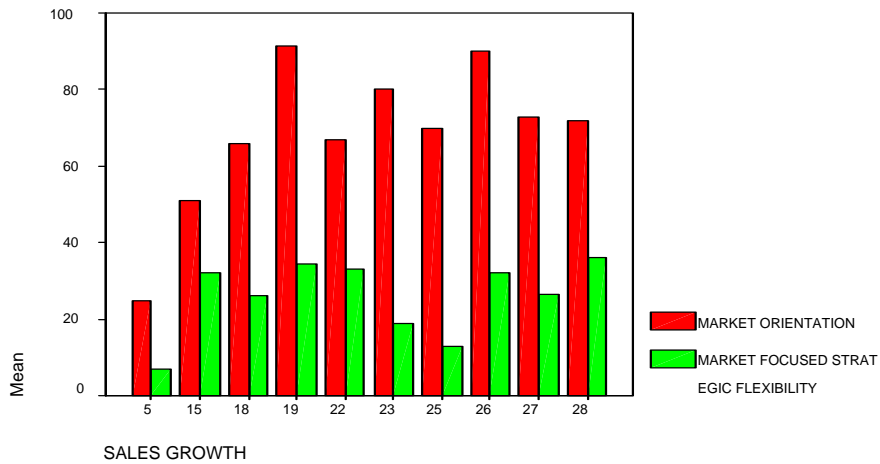


FIGURE 6.13: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN THE AGRO-ALLIED INDUSTRY

Figure 6.14 shows that market focused strategic flexibility does not have a definite impact on the market orientation – sales growth relationship with group of firms with high market focused strategic flexibility not necessarily having high market orientation – sales growth relationship values.

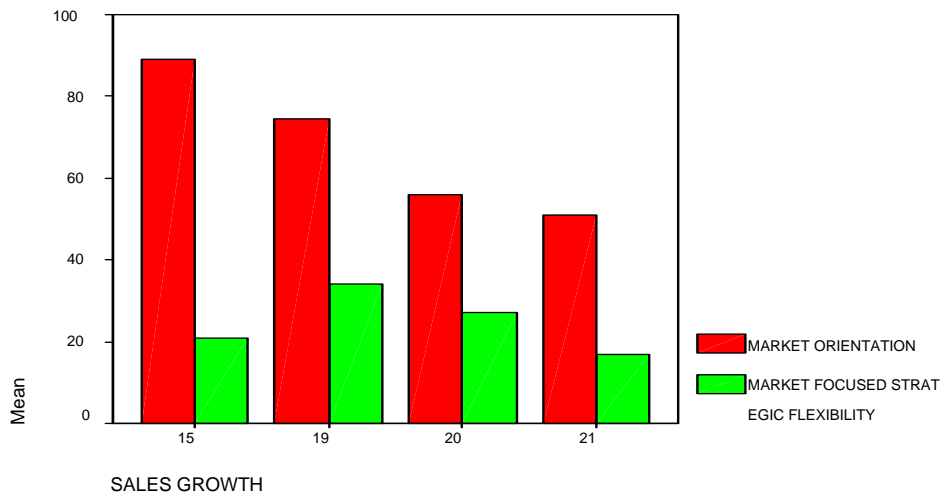


FIGURE 6.14: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN THE AUTOMOBILE INDUSTRY

Figure 6.15 depicts the moderating effect of market focused strategic flexibility on market orientation – sales growth relationship with few exceptions of group of firms with high market focused strategic flexibility having low market orientation – sales growth relationship

values.

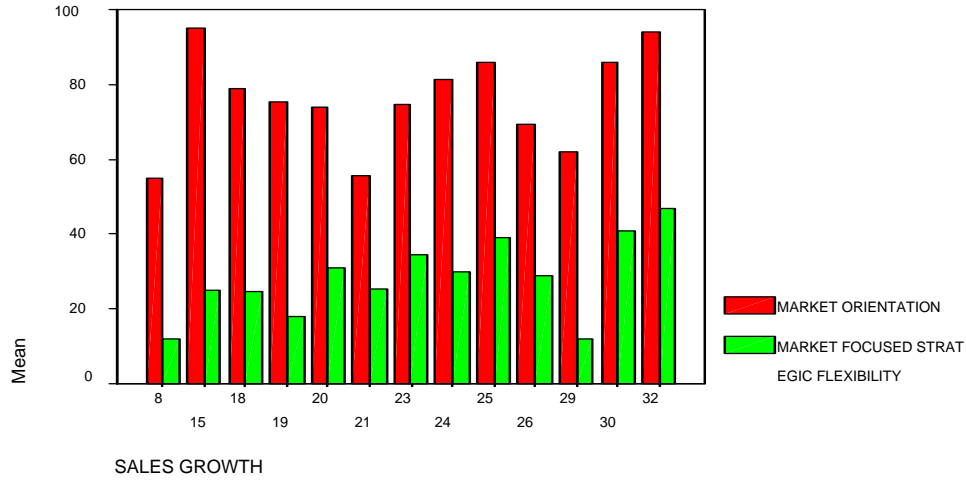


FIGURE 6.15: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN THE BANKING INDUSTRY

Figure 6.16 shows that market focused strategic flexibility does not have impact on the market orientation – sales growth relationship in the Estate, building and construction industry. The group of firms with low market focused strategic flexibility having high market orientation – sales growth relationship values.

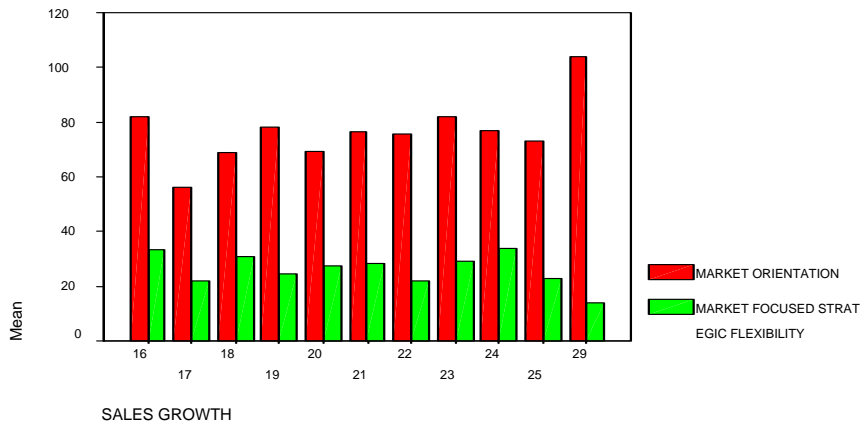


FIGURE 6.16: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN THE ESTATE, BUILDING AND CONSTRUCTION INDUSTRY

Figure 6.17 shows that market focused strategic flexibility does not also have a positive impact on the market orientation – sales growth relationship in the communication industry. The group of firms with high market focused strategic flexibility have low market orientation

– sales growth relationship values.

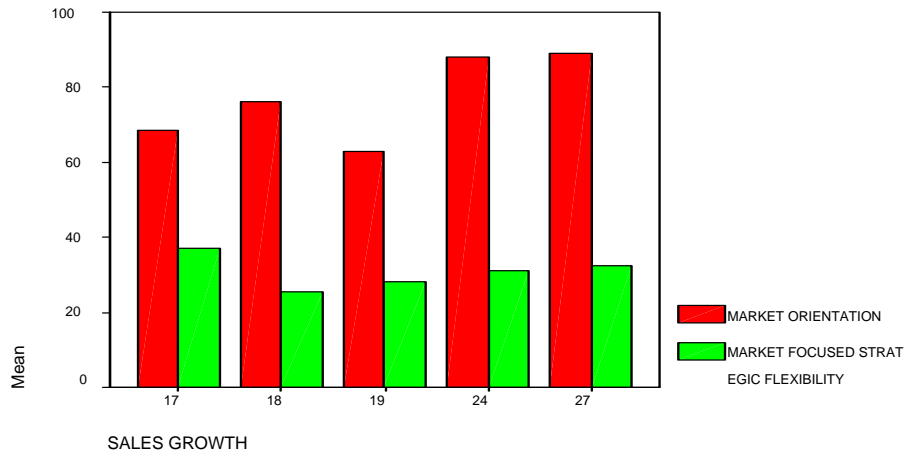


FIGURE 6.17: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN THE COMMUNICATION INDUSTRY

Figure 6.18 shows that there is a positive impact of market focused strategic flexibility on the market orientation – sales growth relationship values with group of firms with high market focused strategic flexibility values having high market orientation – sales growth relationship values.

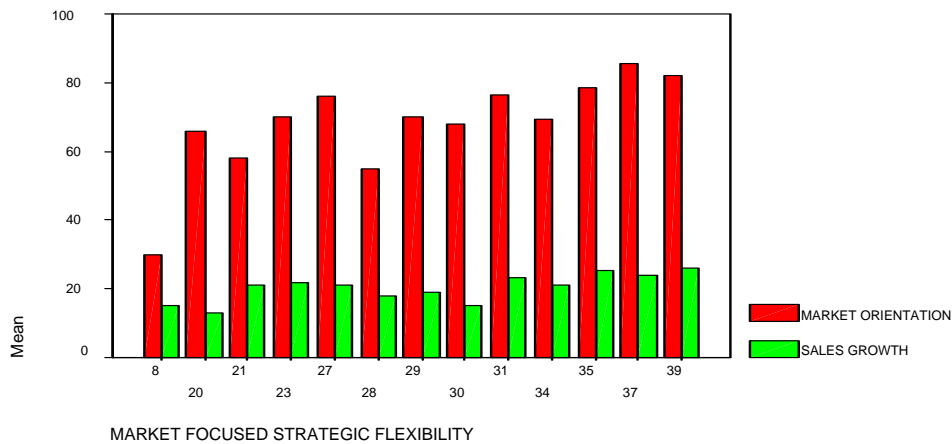


FIGURE 6.18: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN THE INSURANCE INDUSTRY

In Figure 6.19 there is no definite pattern of the moderating effect of market focused strategic flexibility on the market orientation – sales growth relationship values with indiscriminate variations in the market orientation – sales growth relationship values irrespective of the

values of market focused strategic flexibility.

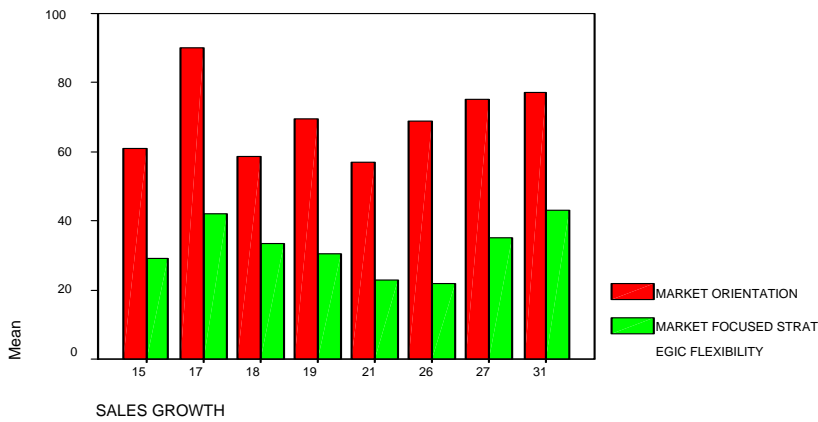


FIGURE 6.19: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN THE OIL AND GAS INDUSTRY

Figure 6.20 shows that market focused strategic flexibility has a positive impact on the market orientation – sales growth relationship values with a striking exceptions in the last group of firms.

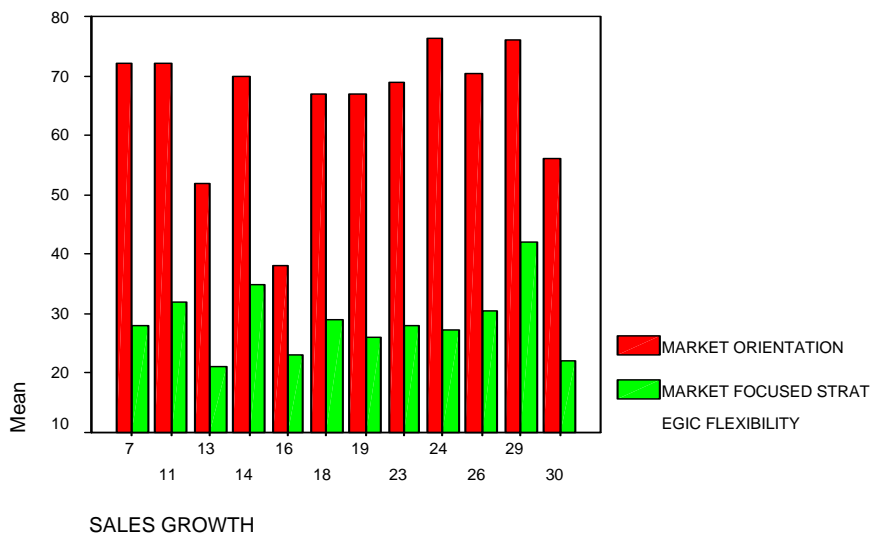


FIGURE 6.20: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN THE HOUSEHOLD PRODUCT INDUSTRY

Figure 6.21 shows that market focused strategic flexibility has a positive impact on the market orientation – sales growth relationship values in the media and publishing industry with few variations.

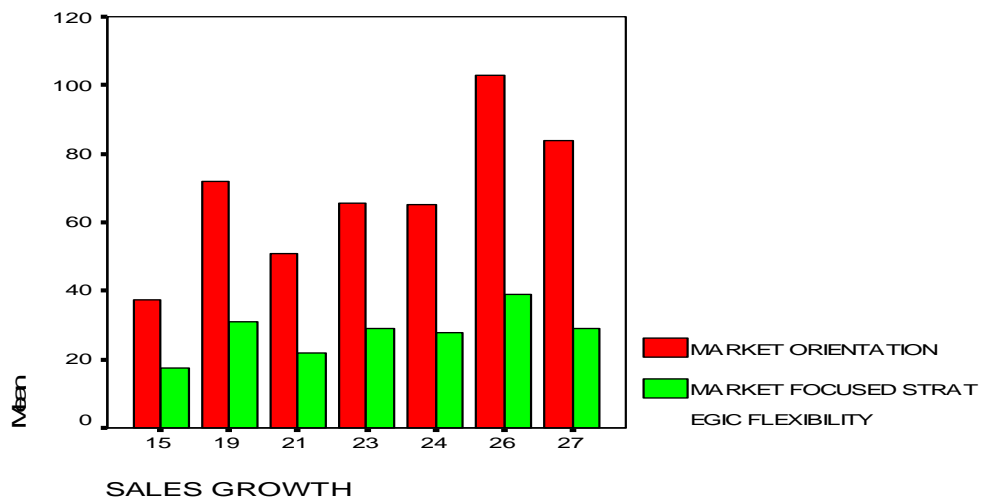


FIGURE 6.21: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN THE MEDIA AND PUBLISHING INDUSTRY

In figure 6.22, there is no definite pattern of impact of market focused strategic flexibility on the market orientation – sales growth relationship values.

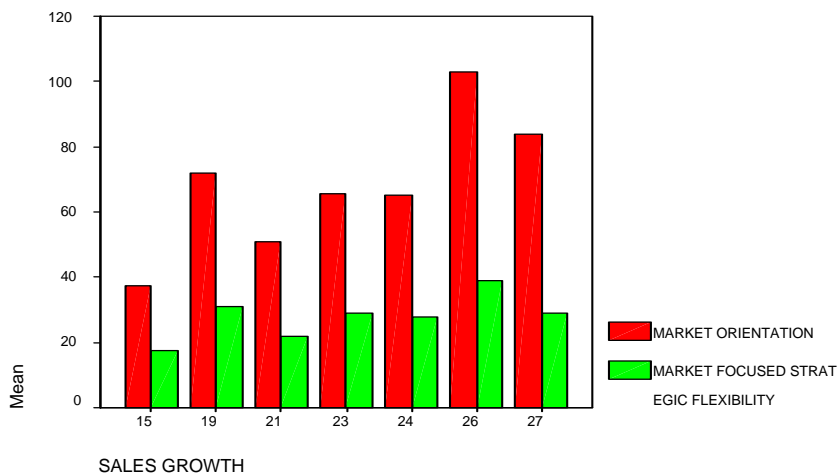


FIGURE 6.22: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN THE RUBBER AND ALLIED INDUSTRY

In figure 6.23, there is a definite pattern of positive impact of market focused strategic flexibility on market orientation – sales growth relationship values with group of firms with high market focused strategic flexibility having high market orientation – sales growth relationship values with few exceptions.

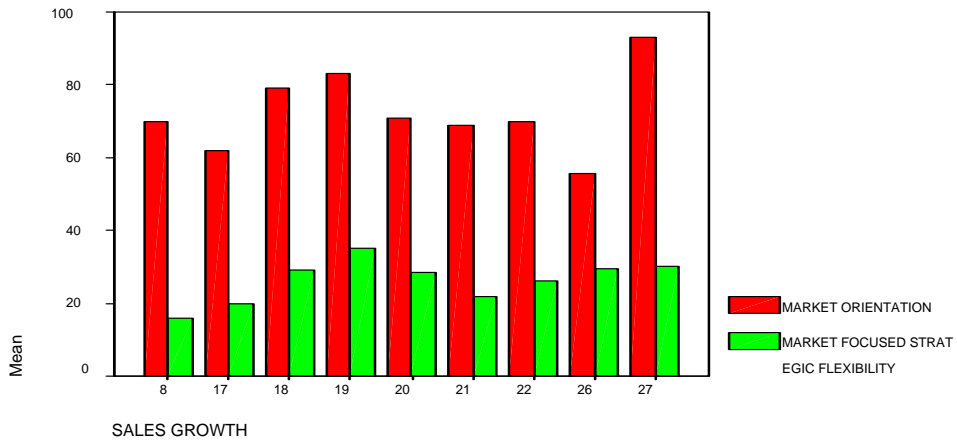


FIGURE 6.23: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN THE PHARMACEUTICAL INDUSTRY

In figure 6.24, there is no definite pattern of the impact of market focused strategic flexibility on the market orientation – sales growth relationship value with group of firms having different values of market orientation – sales growth relationship irrespective of the values of the values market focused strategic flexibility.

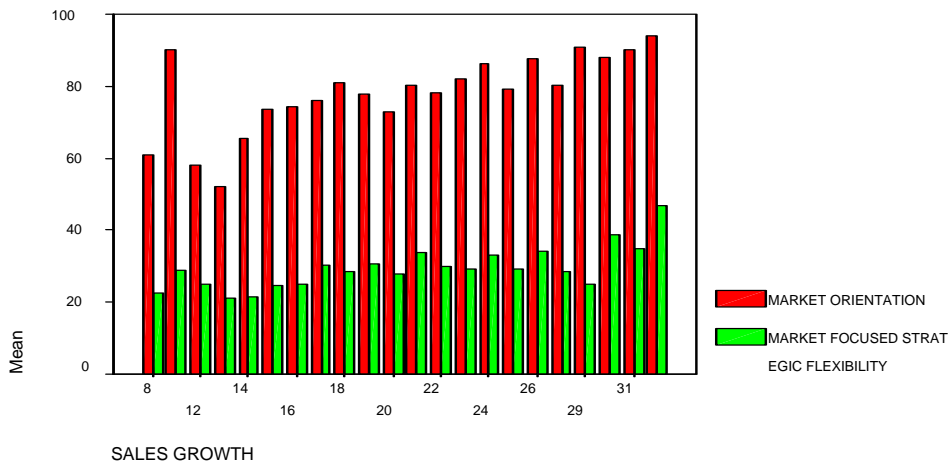


FIGURE 6.24: THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE MARKET-ORIENTATION - SALES GROWTH RELATIONSHIP IN THE INFORMATION TECHNOLOGY INDUSTRY

Table 6.21 shows the summary of the moderating effect of market-focused strategic flexibility on market orientation-sales growth relationship of firms.

TABLE 6.21: SUMMARY TABLE OF THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON THE RELATIONSHIP BETWEEN MARKET ORIENTATION AND SALES GROWTH

S/N	FIRMS	HR	AR	R	PARTIAL CORR.	R ²	BETA VALUE	F	LS	H ₀
1.	ALL FIRMS	+ve	+ve	.435**	.267**	0.110	.336	36.859	S	REJECT
2.	ALL MANUFACTURING	+ve	+ve	.310**	.138**	0.065	.254	8.978	S	REJECT
3.	ALL SERVICES	+ve	+ve	.480**	.369**	0.174	.110	17.354	S	REJECT
4.	SMALL SCALE	+ve	+ve	.339**	.353**	0.223	.216	18.132	S	REJECT
5.	MEDIUM SCALE	+ve	+ve	.452	.349	0.125	.354	13.043	NS	DO NOT REJECT
6.	LARGE SCALE	+ve	+ve	.572**	.063**	0.099	.267	13.683	S	REJECT
7.	MARKET-DRIVEN	+ve	+ve	.370**	.152**	0.115	.249	9.375	S	REJECT
8.	NON-MARKET DRIVEN	+ve	+ve	.408**	.279**	0.089	.299	14.297	S	REJECT
9.	MARKET DRIVING	+ve	+ve	.378**	.311**	0.123	.351	8.867	NS	DO NOT REJECT
10.	FOOD & BEVERAGES	+ve	+ve	.340	.146	0.279	.468	5.807	NS	DO NOT REJECT
11.	GENERAL SERVICES	+ve	+ve	.609**	.212**	0.131	.146	4.523	S	REJECT
12.	ADVERTISING	+ve	-ve	-.011	.3612	0.281	.419	0.784	NS	DO NOT REJECT
13.	AGRO-ALLIED	+ve	+ve	.534*	.590	0.439	.026	4.031	NS	DO NOT REJECT
14.	AUTOMOBILE	+ve	+ve	.290	-.974	0.949	.347	18.548	NS	DO NOT REJECT
15.	BANKING	+ve	+ve	.565**	-.118**	0.339	.582	9.742	S	REJECT
16.	ESTATE, BUILDING & CONSTRUCTION	+ve	-ve	-.034	.451	0.325	-.378	4.102	NS	DO NOT REJECT
17.	COMMUNICATION	+ve	-ve	-.082	-.716	0.513	.036	3.161	NS	DO NOT REJECT
18.	INSURANCE	+ve	+ve	.832**	.057**	0.364	.533	4.569	S	REJECT
19.	OIL AND GAS	+ve	+ve	.436	.226	0.051	-.090	0.216	NS	DO NOT REJECT
20.	HOUSEHOLD PRODUCTS	+ve	+ve	.605**	.130**	0.034	.036	13.040	S	REJECT
21.	MEDIA & PUBLISHING	+ve	+ve	.703**	.733**	0.714	.049	7.499	S	REJECT
22.	RUBBER & ALLIED	+ve	+ve	.292	-.242	0.315	.561	5.060	NS	DO NOT REJECT
23.	PHARMACEUTICAL	+ve	+ve	.954**	-.382**	0.236	-.818	6.190	S	REJECT
24.	INFORMATION TECHNOLOGY	+ve	+ve	.374	.5915	0.380	-.018	3.985	NS	DO NOT REJECT

*P < 0.01, ** P = < 0.05

S = Significant,

NS = Not Significant,

AR = Actual Relationship,

HR = Hypothesized Relationship,

LS = Level of Significance

Lastly, table 6.21 shows the moderating effect of market-focused strategic flexibility for Information technology is not significant, though positive. Thus, the null hypothesis is not rejected even though the partial correlation is 0.5915.

6.5.2 SUMMARY

This hypothesis tests the moderating effect of market-focused strategic flexibility on the relationship between market orientation and sales growth. The descriptive statistics show that market orientation exhibits the highest variability or dispersion from the mean (that is standard deviation) of all three variables in this section in all categories. The mean and the range scores differ from one classification to another.

A total of thirteen (13) out of twenty-four (24) classifications of firms have their market orientation - sales growth relationship moderated by market-focused strategic flexibility.

6.6 THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP

6.6.1 RESTATEMENT OF THE RELEVANT RESEARCH QUESTIONS AND HYPOTHESES

Research question three

What is the role of environmental variables in the market-focused strategic flexibility – firm performance (sales growth) relationship?

Hypotheses 3, 4 and 5

Hypothesis 3

H₀: Competitive intensity does not have an impact on the relationship between market focused strategic flexibility and sales growth.

H_a: The greater the competitive intensity, the stronger will be the positive relationship between market-focused strategic flexibility and sales growth.

Hypothesis 4

H₀: Demand uncertainty does not have an impact on the relationship between market-focused strategic flexibility and sales growth.

H_a: The greater the demand uncertainty, the stronger will be the positive relationship of market-focused strategic flexibility and sales growth.

VG

Hypotheses 5

H₀: Technological turbulence does not have any impact on the relationship between market-focused strategic flexibility and sales growth.

H_a: The greater the technological turbulence, the stronger will be the positive relationship between market-focused strategic flexibility and sales growth.

The score range, means, standard deviation as well as the results of the hypothesis testing for all categories of firms are shown and interpreted in this section.

In Tables 6.22, the mean values for competitive intensity, demand uncertainty and technological turbulence with respect to service firms seem higher than manufacturing and all firms, that is, 17.902, 15.970, and 13.944 compared with 17.246, 15.808 and 13.155 for manufacturing and 17.645, 15.803 and 13.723 for all firms. This reflects the volume of activities and what the intangible nature of service offerings attract. The degree of variability in the data (that is, the standard deviation) is highest in the manufacturing sector.

TABLE 6.22: SCORE RANGES, MEANS AND STANDARD DEVIATIONS FOR ALL FIRMS, MANUFACTURING AND SERVICES FIRMS

Firms	Variable	N	Min	Max	Mean	S
All	Market-focused strategic flexibility	292	6.00	88.00	28.850	8.553
	Competitive intensity	292	4.00	28.00	17.645	5.529
	Demand uncertainty	292	4.00	56.00	15.803	5.554
	Technological turbulence	292	3.00	21.00	13.723	4.362
	Sales growth	292	5.00	33.00	21.050	4.925
Manufacturing	Market-focused strategic flexibility	132	7.00	43.00	28.56	7.020
	Competitive intensity	132	4.00	28.00	17.246	5.641
	Demand uncertainty	132	4.00	56.00	15.808	6.223
	Technological turbulence	132	3.00	21.00	13.155	4.248
	Sales growth	132	7.00	31.00	21.320	4.712
Service	Market-focused strategic flexibility	168	6.00	88.00	28.830	9.374
	Competitive intensity	168	4.00	28.00	17.902	5.427
	Demand uncertainty	168	4.00	27.00	15.970	4.837
	Technological turbulence	168	3.00	21.00	13.944	4.465
	Sales growth	168	5.00	33.00	20.850	5.073

Table 6.23 depicts the mean values and other descriptive statistics for the small, medium and large firms. The small firms exhibit the highest mean values of the environmental factors with the lowest variability (standard deviation). This means that these environmental factors

impact more on the activities of the small firms in Nigeria than on those of the large and medium firms. The effect of competitive intensity is highest among the large firms, reflecting the actual situations of promotion wars, frequent and daily competitive moves and price competition among the large firms.

TABLE 6.23: SCORE RANGES, MEANS AND STANDARD DEVIATIONS FOR ALL SMALL, MEDIUM, AND LARGE-SCALE FIRMS

Firms	Variable	N	Min	Max	Mean	S
Small scale	Market-focused strategic flexibility	129	6.00	47.00	29.83	8.250
	Competitive intensity	129	4.00	28.00	19.109	5.544
	Demand uncertainty	129	4.00	28.00	17.101	5.082
	Technological turbulence	129	3.00	21.00	15.081	4.509
	Sales growth	129	8.00	32.00	21.10	4.942
Medium scale	Market-focused strategic flexibility	93	7.000	88.00	27.92	9.831
	Competitive intensity	93	4.00	26.00	16.081	5.661
	Demand uncertainty	93	4.00	24.00	14.167	5.150
	Technological turbulence	93	3.00	19.50	12.398	4.220
	Sales growth	93	5.00	33.00	20.85	5.261
Large scale	Market-focused strategic flexibility	70	7.00	43.00	28.27	7.067
	Competitive intensity	70	4.00	24.00	17.029	4.629
	Demand uncertainty	70	4.00	56.00	15.586	6.318
	Technological turbulence	70	3.00	18.00	12.979	3.510
	Sales growth	70	8.00	31.00	21.17	4.466

In Table 6.24, the mean values for the environmental factors range from 13.00 to 17.700 and the standard deviation, which is the dispersion from the mean, ranges between 3.000 to 5.700 with competitive intensity being highest in variation or volatility.

TABLE 6.24: SCORE RANGES, MEANS AND STANDARD DEVIATIONS FOR NON-MARKET DRIVEN, MARKET-DRIVEN AND MARKET-DRIVING FIRMS

Firms	Variable	N	Min	Max	Mean	S
Non-market driven	Market-focused strategic flexibility	148	6.00	88.00	27.220	9.351
	Competitive intensity	148	4.00	27.00	17.432	5.412
	Demand uncertainty	148	4.00	26.00	16.203	5.603
	Technological turbulence	148	3.00	21.00	13.618	4.331
	Sales growth	148	5.00	30.00	19.950	4.876
Market driven	Market-focused strategic flexibility	147	9.00	48.00	30.290	7.188
	Competitive intensity	147	4.00	28.00	17.629	5.644
	Demand uncertainty	147	4.00	27.00	15.262	5.309
	Technological turbulence	147	3.00	21.00	13.721	4.384
	Sales growth	147	8.00	33.00	22.120	4.689
Market Driving	Market-focused strategic flexibility	66	14.00	42.00	30.230	6.353
	Competitive intensity	66	4.00	26.00	17.417	5.729
	Demand uncertainty	66	4.00	27.00	15.826	5.066
	Technological turbulence	66	3.00	21.00	13.189	3.822
	Sales growth	66	11.00	31.00	21.700	4.794

In Tables 6.25, the Food and beverages industry experiences more competition than demand uncertainty. The mean value for competitive intensity is 17.794 as against the values of 15.750 and 12.618 for demand uncertainty and technological turbulence. However, the competitive intensity values display the greater variability.

Also, the Rubber and allied industry exhibit a higher degree of competitive intensity with a mean of 19.000 as against 17.214 for the General services industry and a lower degree of variability of 3.291 as against 5.848 for the latter industry. Also, the mean values for demand uncertainty and technological turbulence seem to follow the same pattern with 17.346 and 14.654 as against 15.314 and 13.754.

The Media and publishing industry exhibit the greatest effect from competitive intensity, this is evident in the increasing number of media outlets in the country. From Mean_{CI} (mean of

competitive intensity) = 16.167 compared to Mean_{DU} (mean of demand uncertainty) = 13.833, Mean_{TT} (mean of technological turbulence) = 14.167 it is evident that the variability is highest as far as the value of demand uncertainty is concerned.

A comparison of the Agro-allied, Automobile and Household products industry as depicted in Table 6.25 shows that the competitive intensity is greatest in the Automobile industry, that is Mean_{CI} (mean of competitive intensity) = 19.900 > 17.107 and 16.400 for Agro-allied and Household products respectively. While the value of demand uncertainty is greater for Household industry when compared to the other two industries, that is Mean_{DU} (mean of demand uncertainty) = 17.275 > 15.900 for Automobile and 14.107 for Agro-allied, this may be due to the nature of the products in the Household industry which are mostly fast moving consumer goods. The values of technological turbulence in the Automobile and the Household industries are closely related (12.400 for the Automobile and 12.475 for the Household products industry). These indicate that the level of changes in technology, opportunities created by technology and its manifestation in the formulation of new products are higher in these industries than in the Agro-allied industry, which is 11.286.

The Information technology industry exhibits a lesser effect of technological turbulence in the country compared to the level of competitiveness (mean_{CI} = mean of competitive intensity) = 19.937 > mean_{TT} (mean of technological turbulence) = 17.594 with the degree of variability lowest in technological turbulence. It also shows that the Banking sector is experiencing a higher degree of competition when compared to the value of other environmental variables and also that a similar result is obtained in the Estate, Building and Construction industry. In banking, the Mean_{CI} (mean of competitive intensity) = 19.405 > Mean_{DU} (mean of demand uncertainty) = 16.619, and Mean_{TT} (mean of technological turbulence) = 15.381, while for Estate, Building and Construction we have Mean_{CI} (mean of competitive intensity) = 18.425, Mean_{DU} (mean of demand uncertainty) = 15.475, and Mean_{TT} (mean of technological turbulence) = 12.475. And the Estate, Building and Construction industry exhibit the higher variability in measurements (the standard deviation). The degree of promotional activities, daily competitive moves, variability in product/brand features, the price and quality demanded as well as the opportunities created by technology are higher in the Banking sector.

**TABLE 6.25: SCORE RANGES, MEANS AND STANDARD DEVIATIONS FOR
VARIOUS INDUSTRIES**

Industry	Variable	N	Min	Max	Mean	S
Food & beverage	Market-focused strategic flexibility	34	9.00	39.00	27.410	7.932
	Competitive intensity	34	4.00	28.00	17.794	6.240
	Demand uncertainty	34	4.00	24.00	15.750	5.052
	Technological turbulence	34	3.00	21.00	12.618	4.227
	Sales growth	34	11.00	30.00	20.710	5.340
Advertising	Market-focused strategic flexibility	07	16.00	35.00	27.290	6.701
	Competitive intensity	07	8.00	24.00	18.357	5.483
	Demand uncertainty	07	7.00	22.00	16.143	5.023
	Technological turbulence	07	13.00	20.00	16.429	2.371
	Sales growth	07	17.00	25.00	22.430	2.820
General services	Market-focused strategic flexibility	63	9.00	39.00	27.410	7.932
	Competitive intensity	63	6.00	48.00	17.214	5.848
	Demand uncertainty	63	4.00	28.00	15.314	5.899
	Technological turbulence	63	4.00	25.00	13.754	5.399
	Sales growth	63	13.00	21.00	17.000	4.959
Agro allied	Market-focused strategic flexibility	14	7.00	42.00	27.070	9.211
	Competitive intensity	14	4.00	27.00	17.107	5.485
	Demand uncertainty	14	4.00	21.00	14.107	5.122
	Technological turbulence	14	7.00	17.00	11.286	3.423
	Sales growth	14	15.00	28.00	21.640	6.246
Estate, building & construction	Market-focused strategic flexibility	20	8.00	37.00	26.350	7.228
	Competitive intensity	20	5.00	26.00	18.425	5.324
	Demand uncertainty	20	7.00	24.00	15.475	4.865
	Technological turbulence	20	3.00	21.00	12.475	4.453
	Sales growth	20	16.00	29.00	21.050	3.220
Automobile	Market-focused strategic flexibility	05	9.00	39.00	27.410	7.932
	Competitive intensity	05	17.00	34.00	19.900	7.635
	Demand uncertainty	05	6.00	22.00	15.900	7.128
	Technological turbulence	05	3.00	17.00	12.400	5.722
	Sales growth	05	15.00	21.00	18.800	2.280
Banking	Market-focused strategic flexibility	21	12.00	47.00	28.710	9.498
	Competitive intensity	21	6.00	26.00	19.405	5.118
	Demand uncertainty	21	9.00	24.00	16.619	4.696
	Technological turbulence	21	7.00	21.00	15.381	3.078
	Sales growth	21	8.00	32.00	22.190	5.372
Communication	Market-focused strategic flexibility	09	24.00	42.00	30.330	5.635
	Competitive intensity	09	11.00	22.00	16.722	4.009
	Demand uncertainty	09	11.00	21.00	15.833	3.317
	Technological turbulence	09	9.00	20.00	13.111	3.179
	Sales growth	09	17.00	27.00	21.11	4.167

Insurance	Market-focused strategic flexibility	19	8.00	39.00	29.680	7.476
	Competitive intensity	19	11.00	23.00	16.895	4.092
	Demand uncertainty	19	10.00	21.00	15.658	3.202
	Technological turbulence	19	9.00	18.00	13.368	2.837
	Sales growth	19	13.00	28.00	21.160	4.362
Oil and gas	Market-focused strategic flexibility	11	20.00	43.00	31.270	7.538
	Competitive intensity	11	4.00	22.00	15.955	6.669
	Demand uncertainty	11	4.00	23.50	13.636	6.261
	Technological turbulence	11	3.00	18.00	11.545	4.698
	Sales growth	11	15.00	31.00	21.550	5.106
Household product	Market-focused strategic flexibility	20	21.00	42.00	28.150	5.163
	Competitive intensity	20	4.00	23.00	16.400	4.573
	Demand uncertainty	20	12.00	56.00	17.275	9.437
	Technological turbulence	20	4.00	19.50	12.475	4.265
	Sales growth	20	7.00	30.00	18.900	7.100
Media & publishing	Market-focused strategic flexibility	09	7.00	39.00	26.890	8.781
	Competitive intensity	09	4.00	25.00	16.167	5.831
	Demand uncertainty	09	4.00	26.00	13.833	6.736
	Technological turbulence	09	3.00	21.00	14.167	5.545
	Sales growth	09	15.00	27.00	21.440	4.362
Rubber & Allied	Market-focused strategic flexibility	13	16.00	35.00	26.770	5.615
	Competitive intensity	13	10.00	22.00	19.000	3.291
	Demand uncertainty	13	13.00	21.50	17.346	2.295
	Technological turbulence	13	4.00	20.00	14.654	4.095
	Sales growth	13	8.00	27.00	20.460	4.875
Pharmaceutical	Market-focused strategic flexibility	07	19.00	42.00	30.140	7.777
	Competitive intensity	07	11.00	22.00	16.571	4.577
	Demand uncertainty	07	11.00	23.00	15.643	4.069
	Technological turbulence	07	12.00	18.50	14.786	2.118
	Sales growth	07	18.00	27.00	21.860	3.805
Information technology	Market-focused strategic flexibility	16	17.00	45.00	31.250	7.523
	Competitive intensity	16	11.50	26.00	19.937	4.462
	Demand uncertainty	16	7.00	24.00	17.563	5.128
	Technological turbulence	16	9.50	21.00	17.594	3.908
	Sales growth	16	8.00	31.00	22.310	5.665

In Table 6.26, the environmental factors of competitive intensity, demand uncertainty and technological turbulence are all significant for each of the firms under study as R_{CI} (correlation coefficient for competitive intensity) = 0.245, R_{DU} (correlation coefficient for demand uncertainty) = 0.218 and R_{TT} (correlation coefficient for technological turbulence) = 0.216.

All the values are statistically significant at 0.05 and 0.01 levels of significance. The partial

correlations are 0.252, 0.290 and 0.194 for competitive intensity, demand uncertainty and technological turbulence respectively. The Null hypothesis is consequently rejected for all firms since the environmental factors have a strong and positive effect on market-focused strategic flexibility and sales growth.

However, this result differs from those of the manufacturing and the service firms. The technological turbulence is significant at 0.05 level of significance for the service firms. Just like the “All Firms” categories, the service firms have a significant impact on the market-focused strategic flexibility and sales growth relationship R_{CI} (correlation coefficient for competitive intensity) = 0.301, R_{DU} (correlation coefficient for demand uncertainty) = 0.323, R_{TT} (correlation coefficient for technological turbulence) = 0.211, partial correlations of 0.171, 0.172 and 0.166). These indicate that the service firms must have contributed immensely to the result obtained for the “All Firms” category.

TABLE 6.26: MODERATING EFFECT OF ENVIRONMENTAL FACTORS ON THE RELATIONSHIP BETWEEN MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH FOR ALL FIRMS, MANUFACTURING AND SERVICE FIRMS

Firms	Variable	R	Part corr	F	H₀
All	Competitive intensity	0.245*	0.252*	9.384	Reject
	Demand uncertainty	0.218**	0.290**	8.738	Reject
	Technological turbulence	0.216**	0.194**	15.736	Reject
Manufacturing	Competitive intensity	0.112	0.250	4.520	Do not reject
	Demand uncertainty	0.078	0.255	4.472	Do not reject
	Technological turbulence	0.212*	0.211**	7.964	Reject
Service	Competitive intensity	0.301*	0.171**	4.678	Reject
	Demand uncertainty	0.323**	0.172**	4.434	Reject
	Technological turbulence	0.211**	0.166**	7.615	Reject

* $P < 0.01$, ** $P < 0.05$

Hence for the manufacturing firms, the Null hypothesis for the Technological turbulence is rejected while all the Null hypotheses in respect of the service firms are rejected. Figures 6.25, 6.26 and 6.27 depict these relationships.

Figure 6.25 reveals a definite positive pattern of impact of competitive intensity, demand

uncertainty and technological turbulence on the market focused strategic flexibility – sales growth relationship.

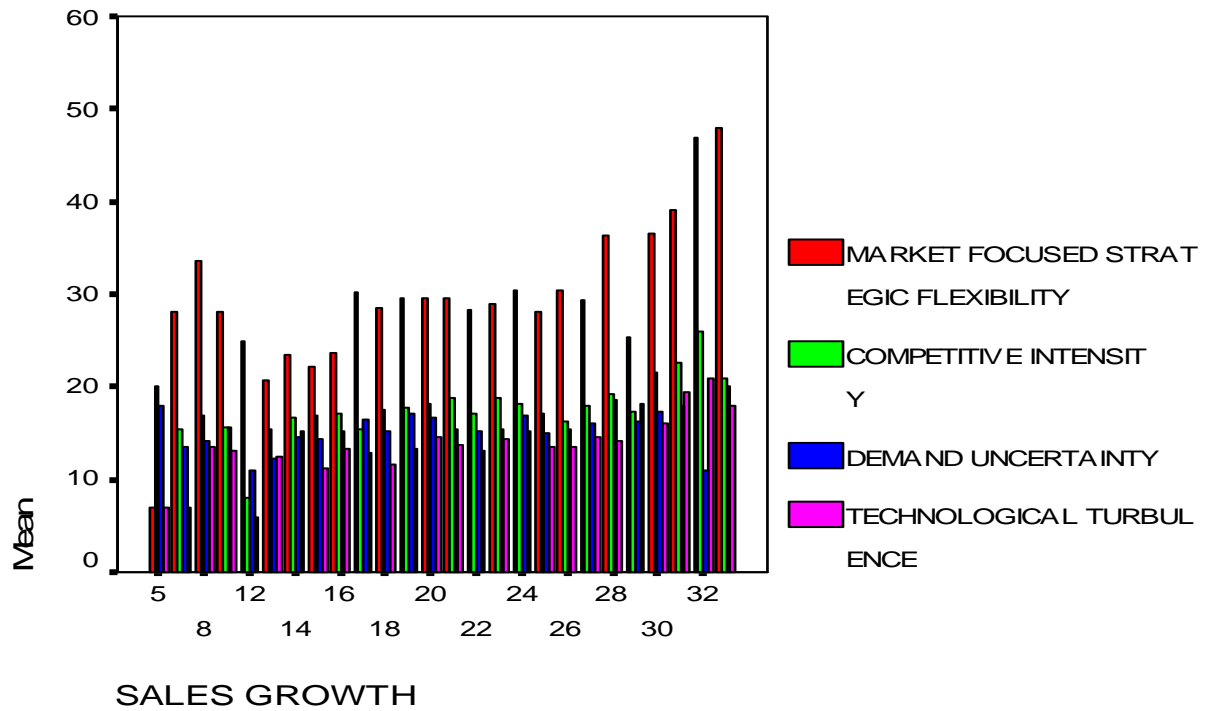


FIGURE 6.25: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN ALL FIRMS

Figure 6.26 reveals a variation of impact of competitive intensity and demand uncertainty on the market focused strategic flexibility – sales growth relationship with technological turbulence having a more definite pattern.

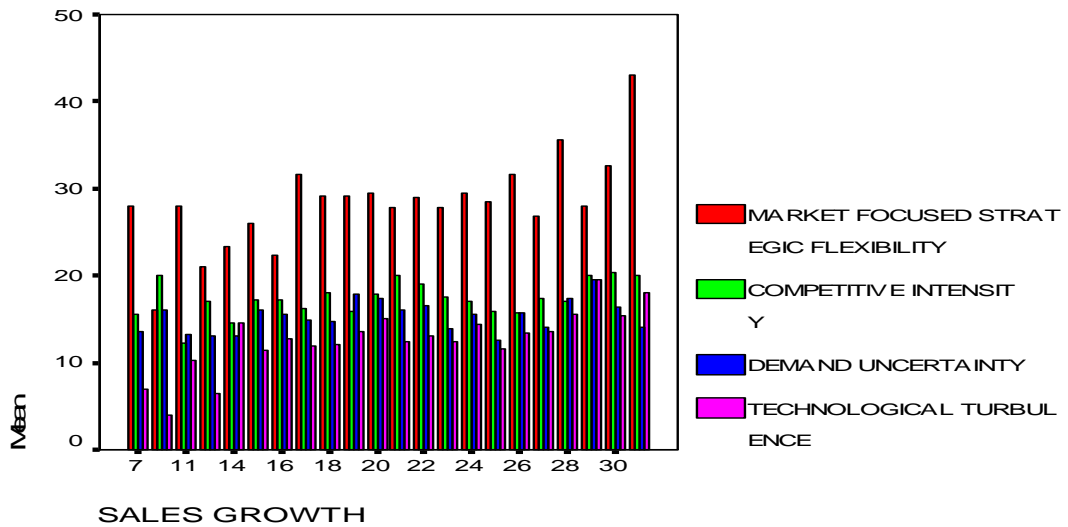


FIGURE 6.26: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN ALL MANUFACTURING FIRMS

Figure 6.27 reveals a definite positive pattern of impact of competitive intensity, demand uncertainty and technological turbulence on the market focused strategic flexibility – sales growth relationship in the service industry.

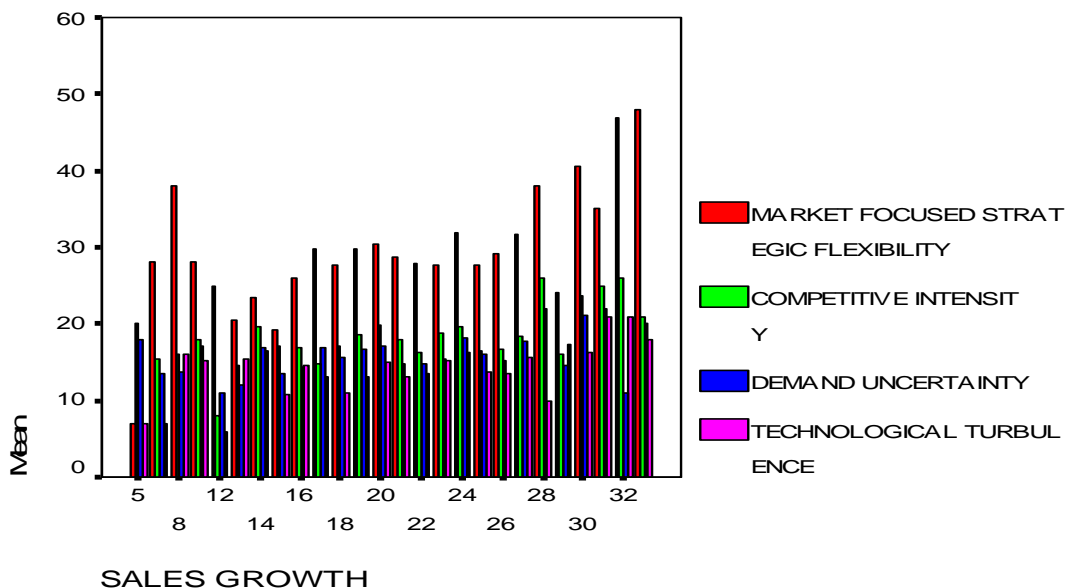


FIGURE 6.27: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN ALL SERVICES FIRMS

In Table 6.27, the effects of competitive intensity and demand uncertainty are both

significant in small firms at 0.05 level of significance, R_{CI} (correlation coefficient for competitive intensity) = 0.365, and R_{DU} (correlation coefficient for demand uncertainty) = 0.379. Their partial correlation values are 0.292 and 0.316 while their F values are 8.402, and 8.021. Technological turbulence is only significant at 0.05 level of significance, with a partial correlation of 0.267 and an F value of 11.216.

Thus, the Null hypotheses are rejected for the small firms. However, none of the environmental factors are significant for the medium firms, so all the Null hypotheses are not rejected: that is, the environmental variables of competitive intensity, demand uncertainty and technological turbulence do not have a statistically significant effect on the firms' market-focused strategic flexibility and sales growth relationship. The situation of the large firms is quite different because competitive intensity is significant at 0.01 level of significance R (correlation coefficient) = 0.265, partial correlation = 0.254. Though the effects of both demand uncertainty and technological turbulence are positive and strong, they are both not statistically significant. So the Null hypothesis is only rejected for competitive intensity. Figures 6.28, 6.29 and 6.30 illustrate these relationships.

TABLE 6.27: MODERATING EFFECT OF ENVIRONMENTAL FACTORS ON THE RELATIONSHIP BETWEEN MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH FOR SMALL-, MEDIUM- AND LARGE-SCALE FIRMS

Firms	Variable	R	Part corr	F	H ₀
Small-scale	Competitive intensity	0.365**	0.292**	8.402	Reject
	Demand uncertainty	0.379**	0.316**	8.021	Reject
	Technological turbulence	0.322*	0.267**	11.216	Reject
Medium-scale	Competitive intensity	0.59	0.514	0.600	Do not reject
	Demand uncertainty	0.530	0.097	0.450	Do not reject
	Technological turbulence	0.075	0.079	4.926	Do not reject
Large-scale	Competitive intensity	0.265*	0.254*	5.312	Reject
	Demand uncertainty	0.090	0.304	3.610	Do not reject
	Technological turbulence	0.124	0.303	3.603	Do not reject

* $P < 0.01$, ** $P < 0.05$

Figure 6.28 shows a definite positive pattern of the impact of competitive intensity, demand uncertainty and technological turbulence on the market focused strategic flexibility – sales

growth relationship with the values of the market focused strategic flexibility – sales growth increasing with increasing values of competitive intensity, demand uncertainty and technological turbulence.

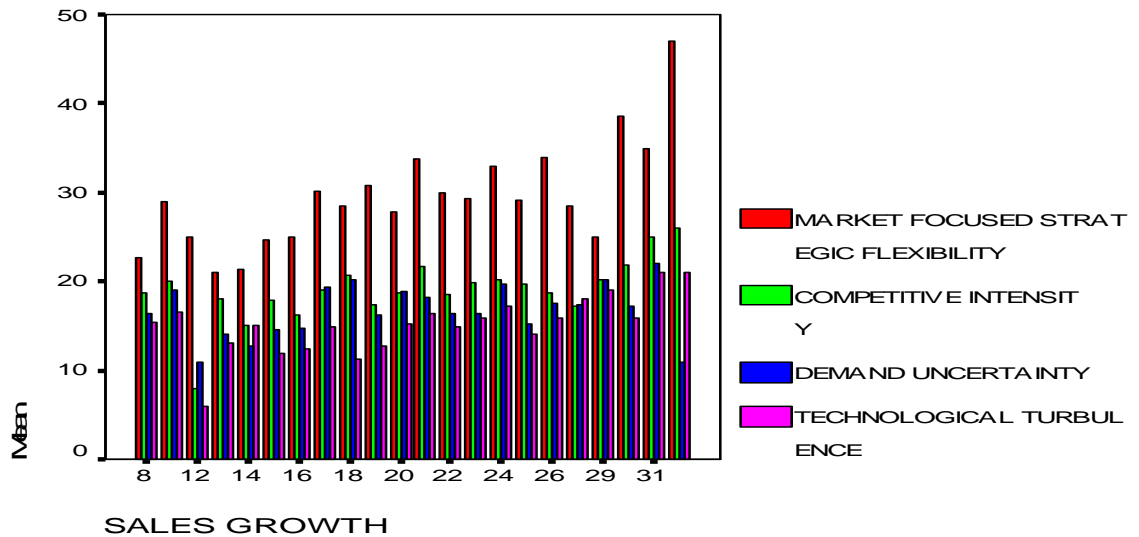


FIGURE 6.28: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN SMALL-SCALE FIRMS

Figure 6.29 shows no definite pattern of impact of the environmental factors on the market focused strategic flexibility – sales growth relationship.

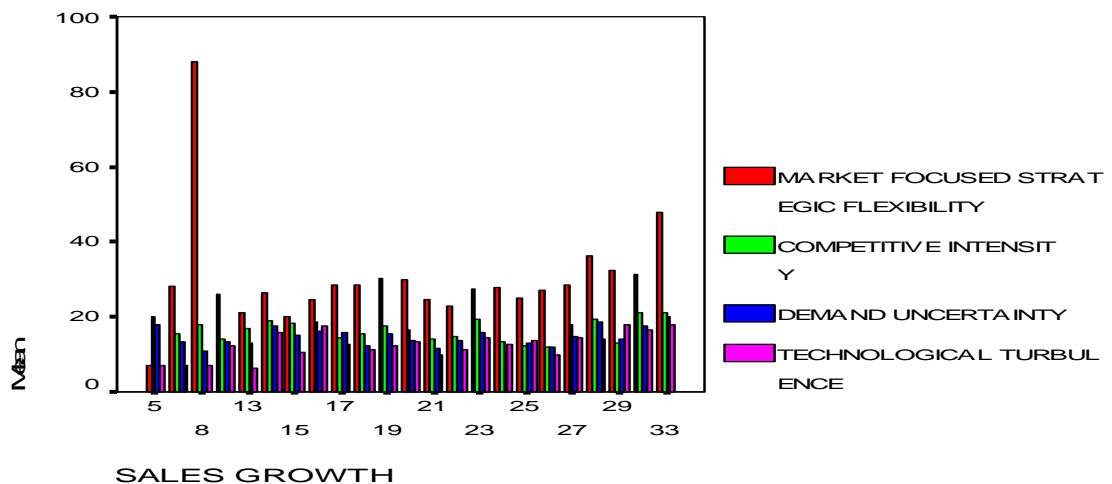


FIGURE 6.29: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN MEDIUM-SCALE FIRMS

Figure 6.30 reveals a consistent impact of the competitive intensity on the market focused

strategic flexibility – sales growth relationship while demand uncertainty and technological turbulence have inconsistent impacts.

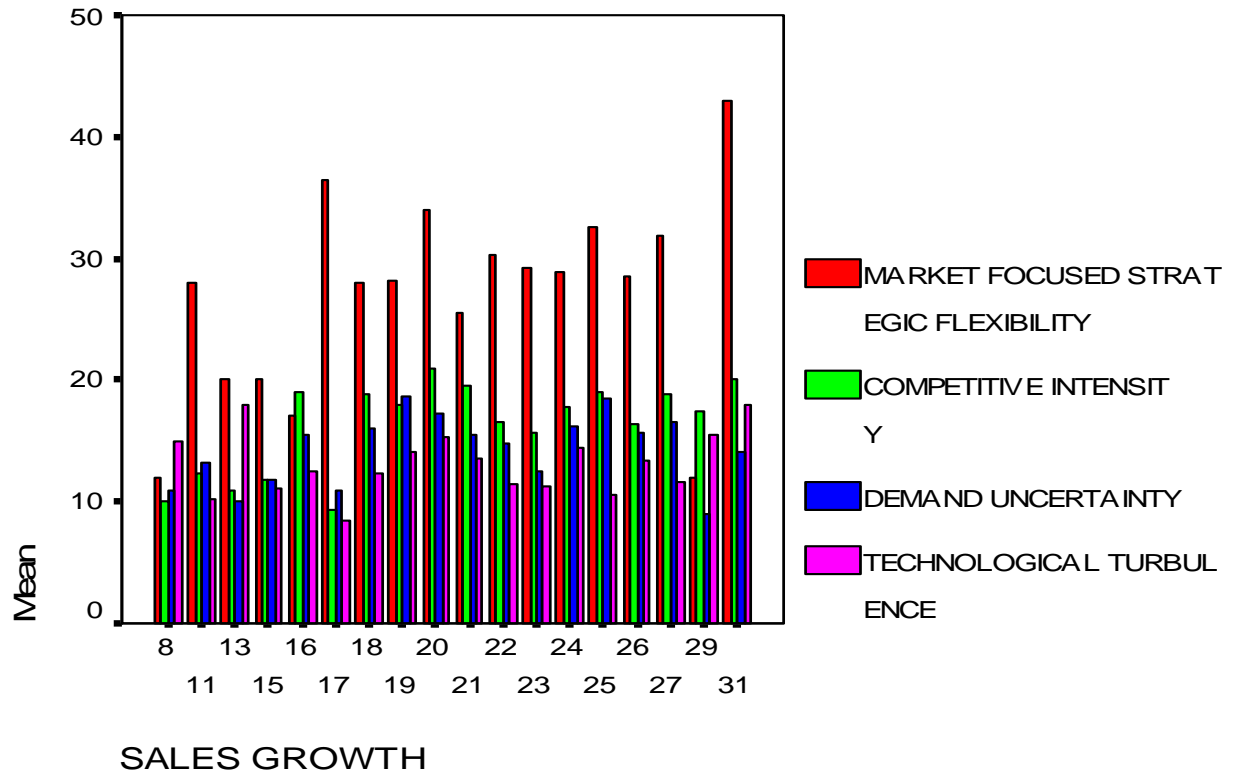


FIGURE 6.30: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN LARGE-SCALE FIRMS

Table 6.28 reveals that competitive intensity is not statistically significant among the market-driven firms R (correlation coefficient) = 0.158, R_p (Partial coefficient) = 0.289 and $F = 8.656$ but that both demand uncertainty and technological turbulence are significant at 0.05 level of significance with R (correlation coefficient) = 0.237, and 0.292 respectively and $R_p =$ (Partial coefficient) 0.274 and 0.248 respectively. While the Null hypotheses are rejected in cases of demand uncertainty and technological turbulence, they are not rejected in the case of competitive intensity. Competitive intensity and demand uncertainty are both significant among the non-market driven firms R_{CI} (correlation coefficient for competitive intensity) = 0.285, R_{DU} (correlation coefficient for demand uncertainty) = 0.231, R_p (Partial coefficient) = 0.089, R_p (Partial coefficient) = 0.108 respectively, so the Null hypotheses are rejected. Thus, the effect of technological turbulence supports the Null hypotheses R_{TT} (correlation coefficient for technological turbulence) = 0.154, R_p (Partial coefficient) = 0.079, not statistically significant.

However, none of these environmental variables are statistically significant for the market-driving firms. Though competitive intensity and demand uncertainty have inhibitory effects on the market-focused strategic flexibility and sales growth relationship in the market-driving firms, none of these are statistically significant. All the alternative hypotheses for the market-driving firms are not supported and figures 6.31, 6.32, and 6.33 illustrate these relationships.

In Table 6.29, the competitive intensity and demand uncertainty have a significant impact on the market-focused strategic flexibility and sales growth relationship in the Food and beverages industry R_{CI} (correlation coefficient for competitive intensity) = 0.369, R_{DU} correlation coefficient for demand uncertainty) = 0.384, R_{pCI} (Partial coefficient for competitive intensity) = 0.478, R_{pDU} (Partial coefficient for demand uncertainty) = 0.522). The Null hypotheses for these environmental factors are therefore rejected. However, technological turbulence does not have a significant effect. So the Null hypothesis is not rejected. Figures 6.35 and 6.46 show these relationships.

TABLE 6.28: MODERATING EFFECT OF ENVIRONMENTAL FACTORS ON THE RELATIONSHIP BETWEEN THE MARKET-FOCUSED STRATEGIC FLEXIBILITY–SALES GROWTH RELATIONSHIP FOR NON-MARKET DRIVEN, MARKET-DRIVEN AND MARKET–DRIVING FIRMS

Firms	Variable	R	Partial Corr.	F	H ₀
Non-market driven	Competitive intensity	0.285**	0.089**	1.201	Reject
	Demand uncertainty	0.231**	0.108**	0.906	Reject
	Technological turbulence	0.154	0.079	4.451	Do not reject
Market-driven	Competitive intensity	0.158	0.289	8.656	Do not reject
	Demand uncertainty	0.237**	0.274**	8.942	Reject
	Technological turbulence	0.292**	0.248**	10.792	Reject
Market-driving	Competitive intensity	-0.068	0.215	1.903	Do not reject
	Demand uncertainty	-0.001	0.207	1.814	Do not reject
	Technological turbulence	0.142	0.192	1.679	Do not reject

** P < 0.05

Figure 6.31 shows definite positive impact of demand uncertainty and technological turbulence on the market focused strategic flexibility – sales growth relationship while

competitive intensity impacts are inconsistent.

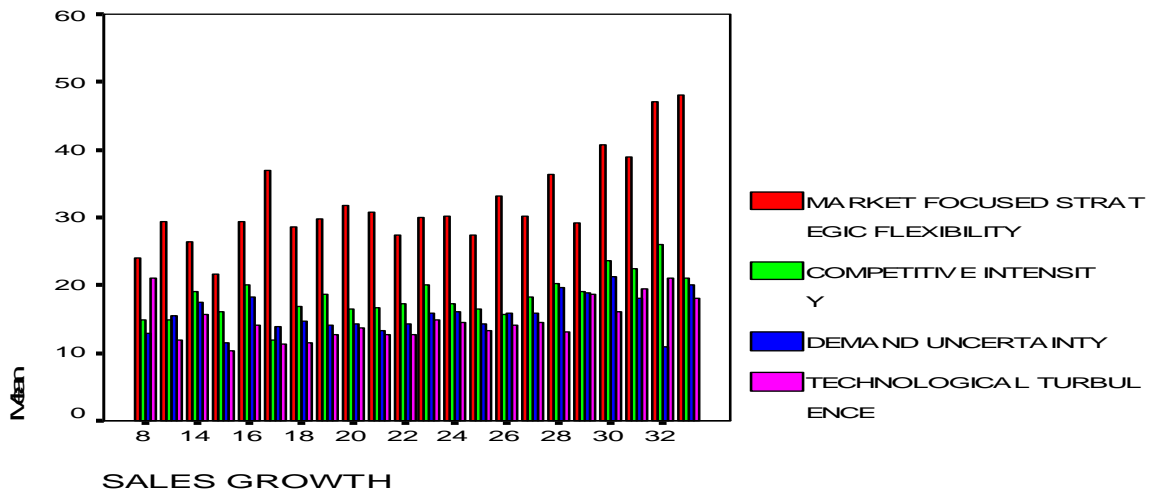


FIGURE 6.31: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN MARKET-DRIVEN FIRMS

Figure 6.32 reveals that high values of technological turbulence and demand uncertainty do not show definite impact on market focused strategic flexibility – sales growth. The impact of competitive intensity on the other hand is consistent with high values of competitive intensity impacting positively on the market focused strategic flexibility – sales growth relationship.

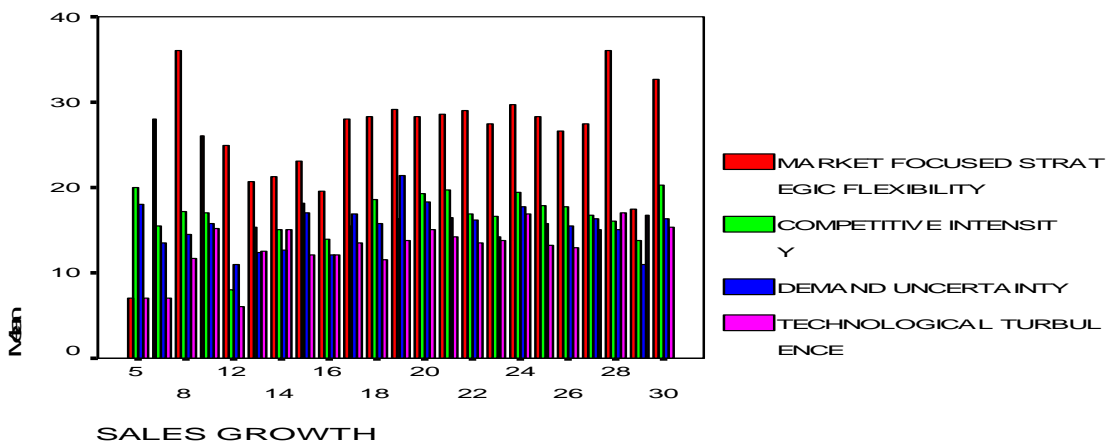


FIGURE 6.32: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN NON-MARKET DRIVEN FIRMS

Figure 6.33 shows that high values of competitive intensity and demand uncertainty do not have positive impact on the market focused strategic flexibility – sales growth relationship

while technological turbulence have impacts that are not consistent.

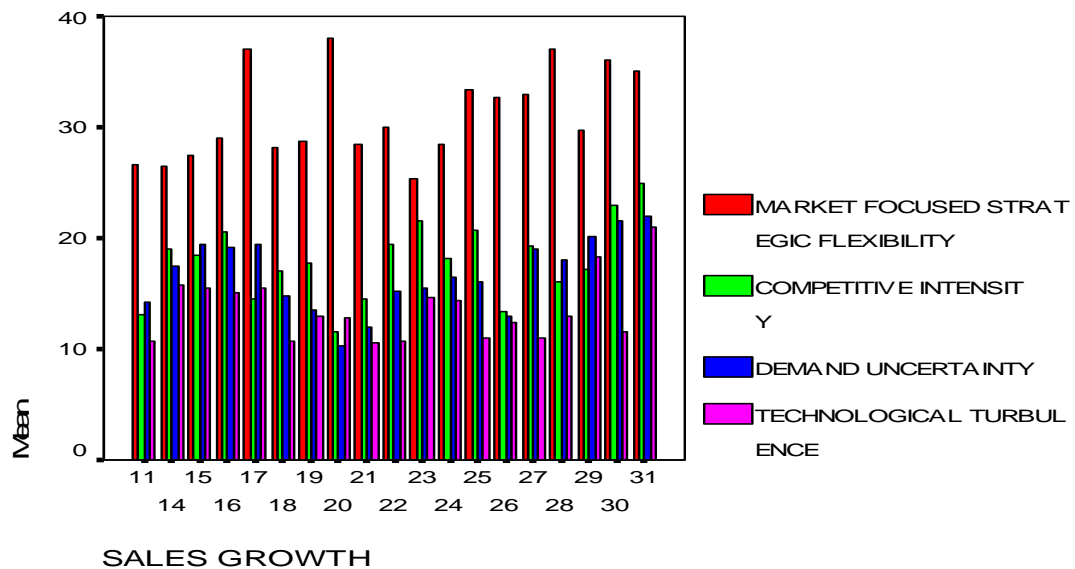


FIGURE 6.33: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN MARKET-DRIVING FIRMS

In addition, demand uncertainty and technological turbulence effects are statistically significant as regards the market-focused strategic flexibility - sales growth relationship for both the General services and Rubber and allied Industries; they are R_{DU} (correlation coefficient for demand uncertainty) = 0.270, R_{DU} (correlation coefficient for demand uncertainty for Rubber and allied Industries) = 0.702, R_{TT} (correlation coefficient for technological turbulence) = 0.312 and 0.582 respectively. The Rubber & allied industry exhibit higher values showing a greater impact of these environmental variables on the market-focused strategic flexibility and sales growth relationship. The Null hypotheses for these environmental factors are therefore rejected in both industries while the results for competitive intensity do not support the alternative hypotheses in both industries (that is, competitive intensity does not have any significant effect on the market-focused strategic flexibility - sales growth relationship).

TABLE 6.29: MODERATING EFFECT OF ENVIRONMENTAL FACTORS ON THE RELATIONSHIP BETWEEN MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH FOR THE VARIOUS INDUSTRIES

Firms	Variable	R	Partial Corr.	F	H₀
Food and beverage	Competitive intensity	0.369*	0.478*	4.949	Reject
	Demand uncertainty	0.384*	0.522*	5.799	Reject
	Technological turbulence	0.144	0.488	4.891	Do not reject
Advertising	Competitive intensity	0.555	0.359	0.418	Do not reject
	Demand uncertainty	0.325	0.530	0.925	Do not reject
	Technological turbulence	0.579	-0.268	8.404	Do not reject
General Services	Competitive intensity	0.220	0.292	2.984	Do not reject
	Demand uncertainty	0.270*	0.320**	3.441	Reject
	Technological turbulence	0.312*	0.285*	2.981	Reject
Agro-allied	Competitive intensity	-0.207	0.333	1.262	Do not reject
	Demand uncertainty	-0.183	0.349	1.010	Do not reject
	Technological turbulence	-0.089	0.364	1.551	Do not reject
Estate, building & construction	Competitive intensity	0.463*	-0.393*	1.650	Reject
	Demand uncertainty	0.059	-0.390	1.565	Do not reject
	Technological turbulence	0.178	0.394	1.568	Do not reject
Automobile	Competitive intensity	-0.701	-0.216	0.199	Do not reject
	Demand uncertainty	0.274	-0.224	1.231	Do not reject
	Technological turbulence	0.502	0.656	3.722	Do not reject
Banking	Competitive intensity	0.501*	0.424*	6.748	Reject
	Demand uncertainty	0.353	0.578	4.748	Do not reject

	Technological turbulence	0.374	0.492	6.783	Do not reject
Communication	Competitive intensity	0.245	0.007	0.045	Do not reject
	Demand uncertainty	0.609	-0.353	1.025	Do not reject
	Technological turbulence	0.291	-0.243	1.758	Do not reject
Insurance	Competitive intensity	0.121	0.628	5.464	Do not reject
	Demand uncertainty	0.101	0.500	4.530	Do not reject
	Technological turbulence	0.118	0.618	5.054	Do not reject
Oil and gas	Competitive intensity	0.209	0.011	0.007	Do not reject
	Demand uncertainty	0.064	0.026	0.052	Do not reject
	Technological turbulence	0.178	-0.067	0.987	Do not reject
Household products	Competitive intensity	-0.101	0.164	0.774	Do not reject
	Demand uncertainty	-0.220	0.166	0.368	Do not reject
	Technological turbulence	-0.057	0.177	2.346	Do not reject
Media and publishing	Competitive intensity	0.815**	0.403**	1.858	Reject
	Demand uncertainty	0.687**	0.260**	3.391	Reject
	Technological turbulence	0.754*	0.143*	3.678	Reject
Rubber & allied	Competitive intensity	0.050	0.562	2.308	Do not reject
	Demand uncertainty	0.702**	0.577**	2.910	Reject
	Technological turbulence	0.582**	0.275*	5.188	Reject
Pharmaceutical	Competitive intensity	0.648	-0.384	0.353	Do not reject
	Demand uncertainty	0.608	-0.547	0.937	Do not reject
	Technological turbulence	0.650	-0.786	3.999	Do not reject
Information technology	Competitive intensity	0.361	0.184	0.335	Do not reject
	Demand uncertainty	0.623**	0.029*	0.681	Do not reject
	Technological turbulence	0.091	0.199	0.786	Do not reject

*P < 0.01, ** P < 0.05

In Figure 6.34, competitive intensity and demand uncertainty have positive impacts on the market focused strategic flexibility – sales growth relationship in a definite and consistent way while technological turbulence does not have a definite pattern of impact.

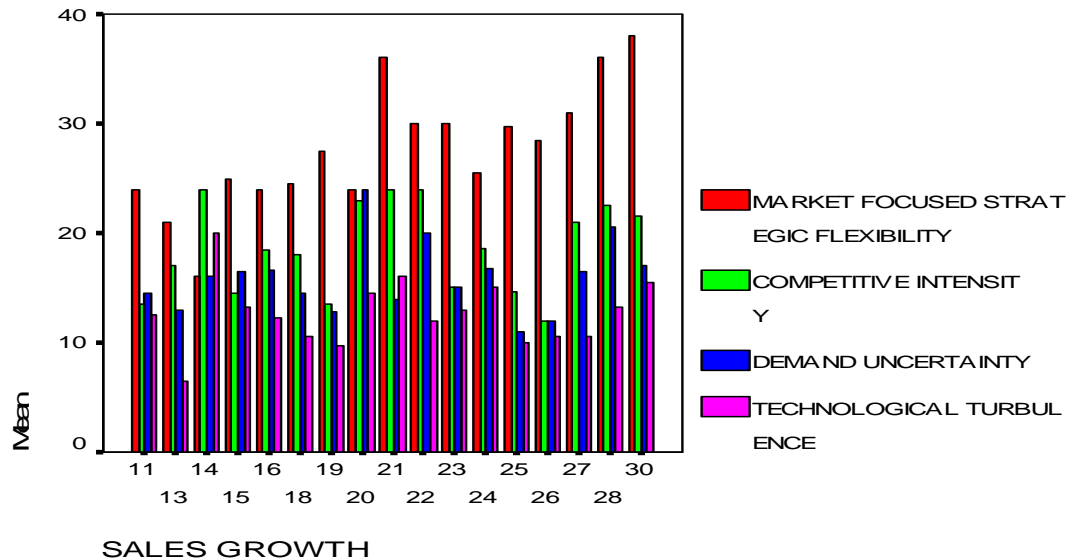


FIGURE 6.34: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN THE FOOD AND BEVERAGE INDUSTRY

Figure 6.35 shows the impact of environmental forces on the market focused strategic flexibility – sales growth relationship. There is consistent and positive impact of demand uncertainty and technological turbulence on market focused strategic flexibility – sales growth while the impact of competitive intensity is not consistent and evident.

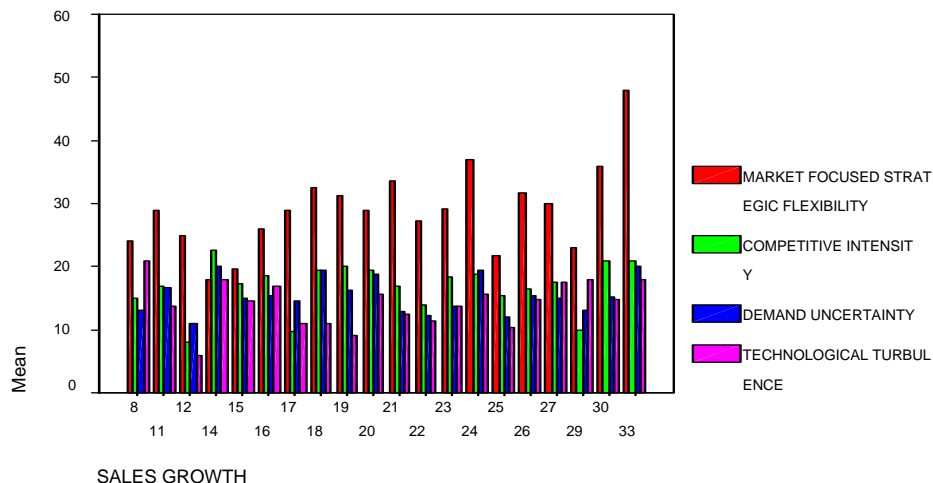


FIGURE 6.35: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN THE GENERAL SERVICES INDUSTRY

Figure 6.36 shows the moderating effect of the environmental factors on the market focused strategic flexibility – sales growth relationship. The impact of these environmental factors are not consistent with varying values of the market focused strategic flexibility – sales growth. So no significant pattern of impact is noticed as the market focused strategic flexibility – sales growth relationship is not particularly stronger with increasing values of the environmental factors.

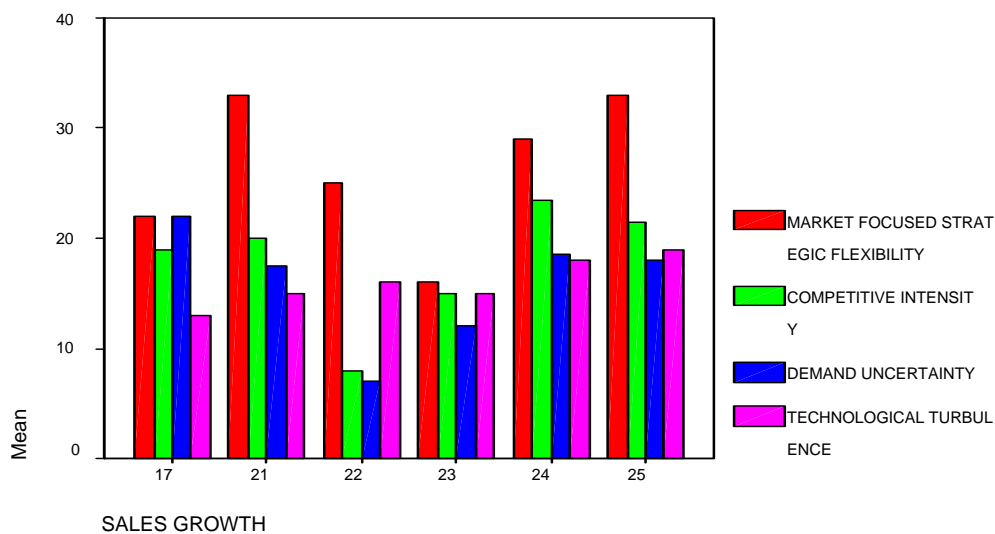


FIGURE 6.36: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN THE ADVERTISING INDUSTRY

The Banking and Estate, Building and construction industries are evidently being affected by competitive intensity R (correlation coefficient) = 0.501 and R_p (partial coefficient) = 0.424, 0.463 and R_p (partial coefficient) = -0.393. The Null hypotheses are supported for other environmental variables that is, demand uncertainty and technological turbulence but the Null hypothesis is rejected for competitive intensity, and Figure 6.39 and 6.40 explain these relationships.

In the Media and publishing industry, competitive intensity and demand uncertainty have a positive effect on the market-focused strategic flexibility and sales growth relationship R_{CI} (correlation coefficient for competitive intensity) = 0.815, R_{DU} (correlation coefficient for demand uncertainty) = 0.687, with $R_{p_{CI}}$ (partial coefficient for competitive intensity) = 0.403, $R_{p_{DU}}$ (partial coefficient for demand uncertainty) = 0.260 respectively. They are significant at both 0.01 and 0.05 levels of significance while technological turbulence is significant at

0.01 level of significance R_{TT} (correlation coefficient for technological turbulence = 0.754, R_p (partial coefficient) = 0.143. Thus, the Null hypotheses are rejected for all the environmental factors in the Media and Publishing industry.

Figure 6.37 shows how the environmental factors (that is, competitive intensity, demand uncertainty and technological turbulence) impact on the market focused strategic flexibility – sales growth relationship in the Agro-allied industry. There is no definite pattern of relationship and this shows that these environmental factors have no significant moderating impact on the market focused strategic flexibility – sales growth in the agro-allied industry.

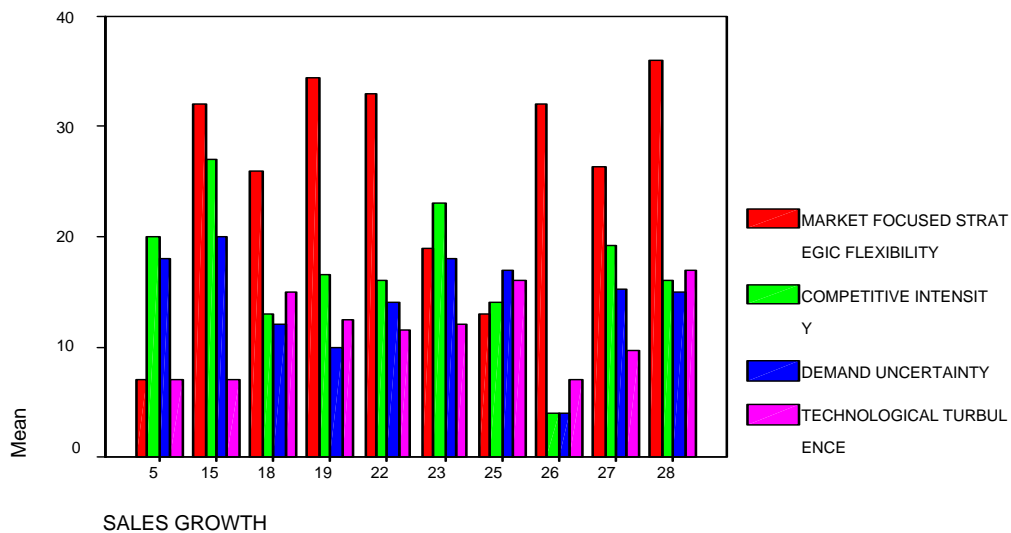


FIGURE 6.37: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN THE AGRO-ALLIED INDUSTRY

Figure 6.38 shows the impact of environmental factors on the market focused strategic flexibility – sales growth relationship in the automobile industry. There is no definite pattern of relationship which shows that these environmental factors have no significant moderating impact on the market focused strategic flexibility – sales growth relationship in the Automobile industry.

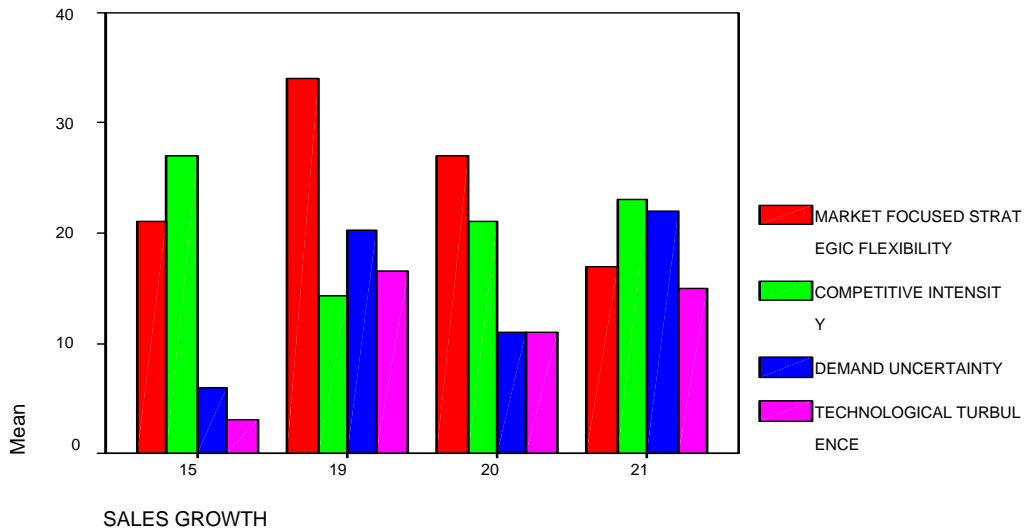


FIGURE 6.38: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN THE AUTOMOBILE INDUSTRY

Figure 6.39 reveals that only competitive intensity moderates the market focused strategic flexibility – sales growth relationship with an increasingly stronger relationship between market focused strategic flexibility – sales growth as the values of competitive intensity increase. This is not the same for demand uncertainty and technological turbulence, though a definite pattern is evolving with some variations.

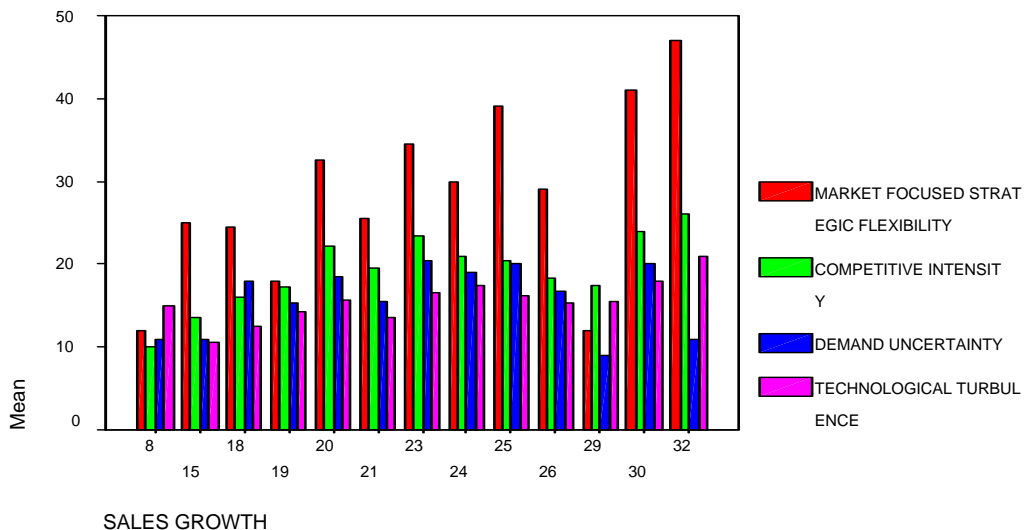


FIGURE 6.39: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN THE BANKING INDUSTRY

In Table 6.29, only demand uncertainty is statistically significant at 0.05 level of significance in the Information technology industry. Though the competitive intensity and technological turbulence effects are positive, they are not statistically significant. Hence, the Null hypotheses are not rejected for these environmental factors. The null hypothesis is rejected only for demand uncertainty R (correlation coefficient) = 0.623, R_p (partial coefficient) = 0.029. Figure 6.48 depicts this relationship.

Figure 6.40 shows that competitive intensity and demand uncertainty impact negatively on the market focused strategic flexibility – sales growth relationship of some group of firms. That is, as the values of competitive intensity and demand uncertainty increases, the smaller the market focused strategic flexibility – sales growth values. Technological turbulence on the other hand has an increasing impact on the market focused strategic flexibility – sales growth relationship.

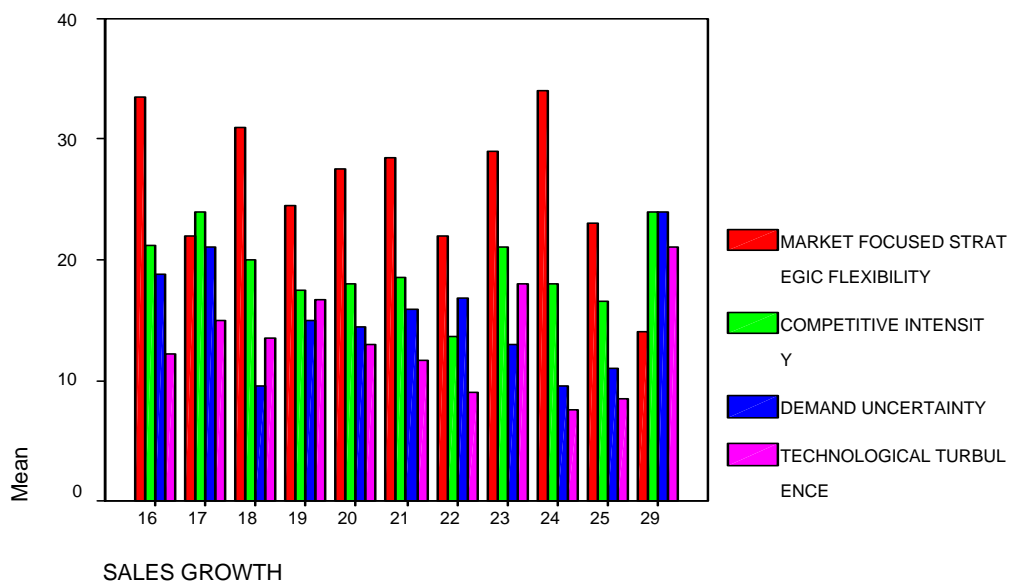


FIGURE 6.40: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN THE ESTATE, BUILDING & CONSTRUCTION INDUSTRY

Table 6.29 also shows that R_{CI} (correlation coefficient for competitive intensity) = 0.555 for the Advertising industry, R_{CI} (correlation coefficient for competitive intensity) = 0.245 for the Communication industry, R_{CI} (correlation coefficient for competitive intensity) = 0.121 for Insurance, R_{CI} (correlation coefficient for competitive intensity) = 0.209 for Oil and gas, R_{CI} (correlation coefficient for competitive intensity) = 0.648 for Pharmaceutical with respect

to competitive intensity; R_{DU} (correlation coefficient for demand uncertainty) = 0.325 for Advertising, R_{DU} (correlation coefficient for demand uncertainty) = 0.101 for Insurance, R_{DU} (correlation coefficient for demand uncertainty) = 0.064 for Oil and gas, R_{DU} (correlation coefficient for demand uncertainty) = 0.608 for Pharmaceutical, R_{TT} (correlation coefficient for technological turbulence) = 0.579 for Advertising, R_{TT} (correlation coefficient for technological turbulence) = 0.291 for Communication, R_{TT} (correlation coefficient for technological turbulence) = 0.650 for Pharmaceutical. All relationships are positive and strong with the Pharmaceutical industry exhibiting the strongest and most positive relationship. But all these relationships are not statistically significant for each of these environmental variables. Thus, the Null hypotheses are not rejected for all these industries. Figures 6.36, 6.41, 6.42, 6.43 and 6.47 show these effects diagrammatically.

Figure 6.41 shows an inconsistent impact of all the environmental factors on the market focused strategic flexibility–sales growth relationship. Increasing values of the environmental factors are not associated with stronger market focused strategic flexibility–sales growth relationship.

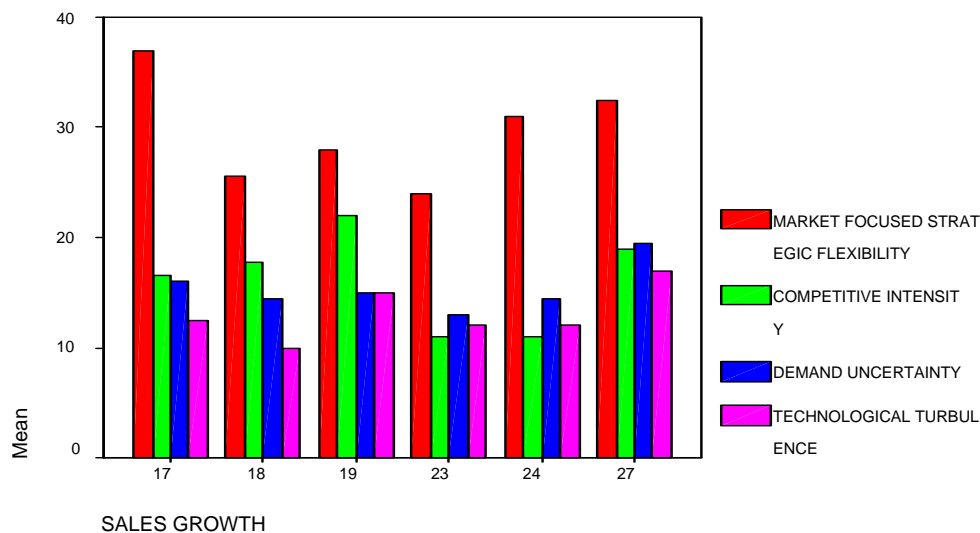


FIGURE 6.41: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN THE COMMUNICATION INDUSTRY

Figure 6.42 shows a definite pattern of increasing impact of the environmental factors on the market focused strategic flexibility – sales growth relationship but with some variations or

inconsistencies because high values of the environmental factors are not associated with high market focused strategic flexibility – sales growth relationship values.

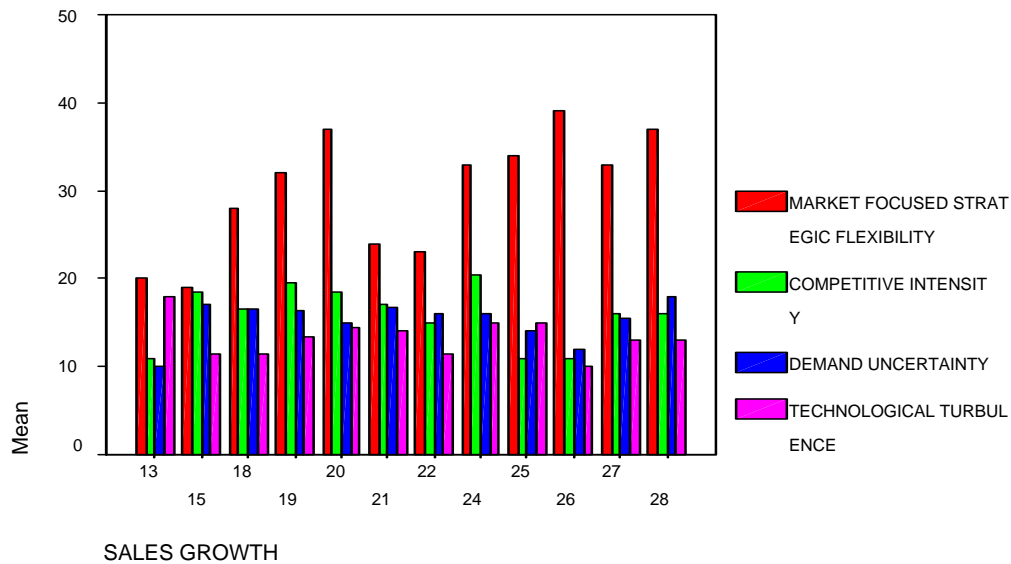


FIGURE 6.42: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN THE INSURANCE INDUSTRY

Some of the environmental variables have a negative effect on the market-focused strategic flexibility – sales growth relationship. For example: R_{CI} (correlation coefficient for competitive intensity) = -0.207 for Agro-allied, R_{CI} (correlation coefficient for competitive intensity) = -0.701 for Automobile and R_{CI} (correlation coefficient for competitive intensity) = -0.101 for Household products, R_{DU} (correlation coefficient for demand uncertainty) = -0.183 for Agro-allied, and R_{DU} (correlation coefficient for demand uncertainty) = -0.220 for Household products. Also R_{TT} (correlation coefficient for technological turbulence) = -0.089 for Agro-allied, and R_{TT} (correlation coefficient for technological turbulence) = -0.057 for Household products. Thus, while the environmental variables have inhibitory effects in some instances, in other situations they do have positive effects. For instance, R_{CI} (correlation coefficient for competitive intensity) is negative for Agro-allied, Automobile and Household products, the R_{DU} (correlation coefficient for demand uncertainty) is negative for Agro-allied and Household products. R_{TT} (correlation coefficient for technological turbulence) is also negative for both the Household products and Agro-allied industries while the demand uncertainty and technological turbulence are positive for Automobile industry though not

statistically significant that is, R_{TT} (correlation coefficient for technological turbulence) = 0.502 and the R_{DU} (correlation coefficient for demand uncertainty) = 0.274.

Figure 6.43 shows that competitive intensity and technological turbulence's impact on the market focused strategic flexibility – sales growth relationship are higher than demand uncertainty but not consistent with the increasing market focused strategic flexibility – sales growth relationship values.

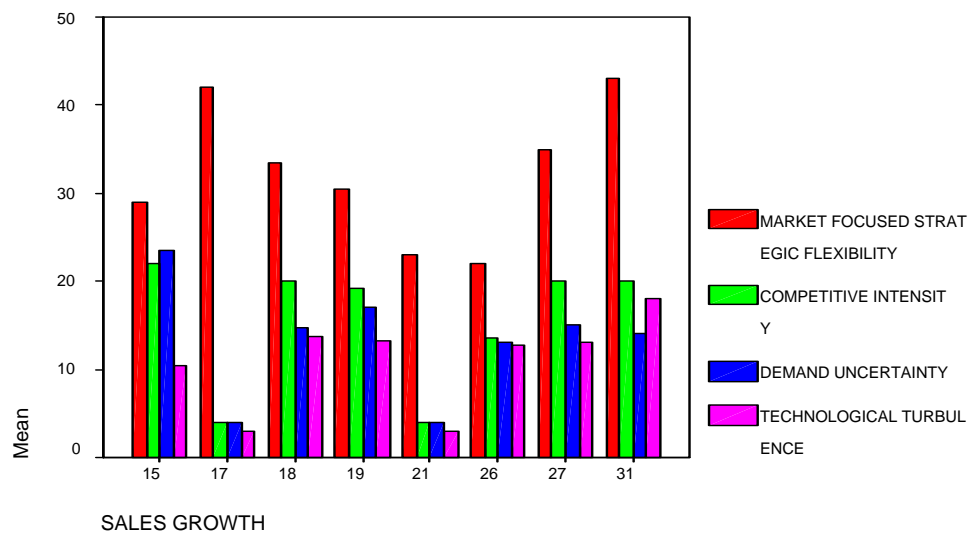


FIGURE 6.43: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN THE OIL AND GAS INDUSTRY

The varying effects and relationships between these variables are depicted in figures 6.37, 6.38 and 6.44. However, all these effects and relationships are not statistically significant so the null hypothesis is not rejected. Table 6.30 illustrates a summary of all these effects.

Figure 6.44 shows the impact of the environmental factors on the market focused strategic flexibility – sales growth relationship in the household industry and it shows an irregular pattern of relationship with high values of the environmental factors not necessarily associated with higher market focused strategic flexibility – sales growth values. Demand uncertainty is extra-ordinarily high in some firms without an increase in market focused strategic flexibility – sales growth.

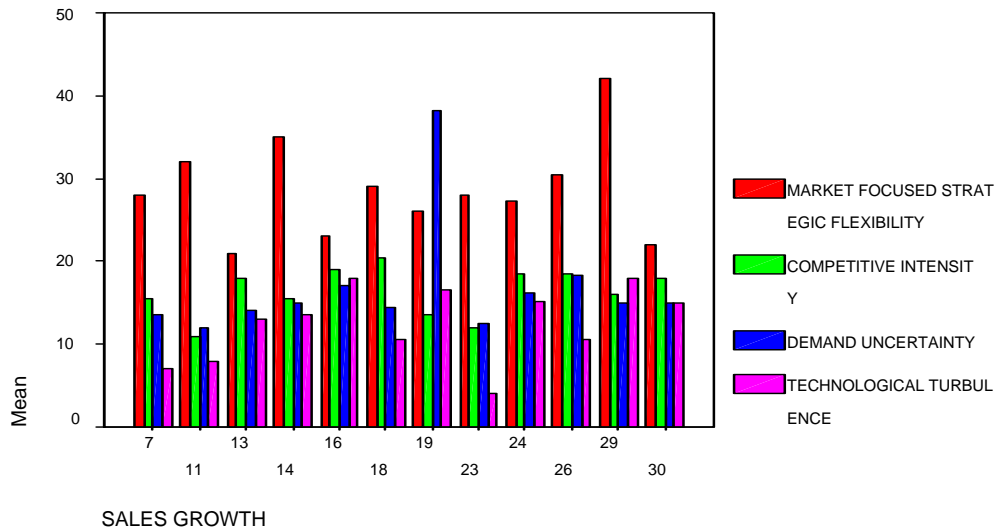


FIGURE 6.44: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN THE HOUSEHOLD PRODUCTS INDUSTRY

Figure 6.45 shows a definite pattern of increasing effects of the environmental factors (that is, competitive intensity, demand uncertainty and technological turbulence) on the market focused strategic flexibility – sales growth relationship with an associated increase in the market focused strategic flexibility – sales growth values. This shows that all the environmental factors moderate the market focused strategic flexibility – sales growth relationship in the media and publishing industry.

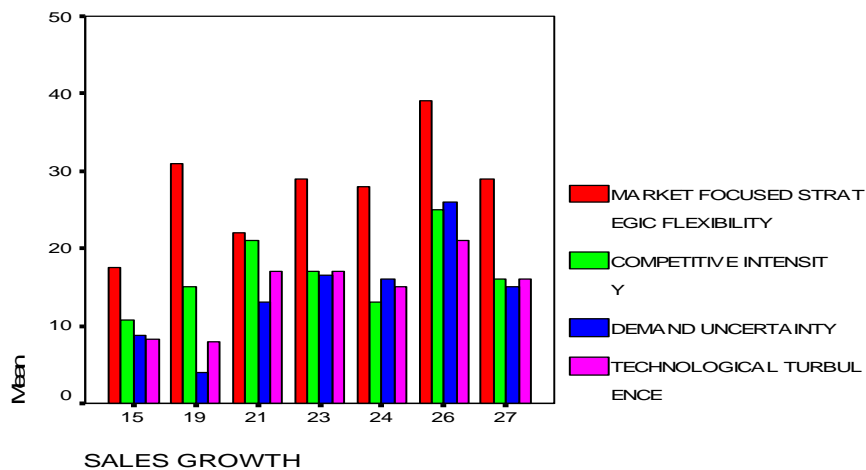


FIGURE 6.45: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN THE MEDIA & PUBLISHING INDUSTRY

In Table 6.25 and 6.29, environmental factor (that is, competitive intensity) in the

Advertising, Communication, Insurance, Pharmaceutical and Oil and gas industries have no significant effect on the market-focused strategic flexibility – sales growth relationship, but the mean values of the effect of this environmental variable is high when compared to other industries in which the effects of the environmental factors are significant and tangible. For example, the mean value for Advertising is = 18.357, for Communication it is 16.722, and for Oil and gas it is 15.955. For Pharmaceutical, it is 16.571. The mean values in the Service firms, Food and beverages industry and General services industry, where the effects of environmental factors on the market-focused strategic flexibility - sales growth relationship are positive and significant are less than the mean value of Advertising that does not exhibit a positive and significant environmental factor effect on the market-focused strategic flexibility - sales growth relationship.

The degree of variation is highest in the Oil and gas industry when the values in Tables 6.25 are evaluated. Figure 6.46 shows a consistent pattern of increasing impact of demand uncertainty and technological turbulence on the market focused strategic flexibility – sales growth relationship. As the values of these two environmental factors increase, the market focused strategic flexibility – sales growth values also increase with few variations. However, the effect of competitive intensity does not show any definite pattern. This reveals that it does not necessarily moderate the market focused strategic flexibility – sales growth relationship.

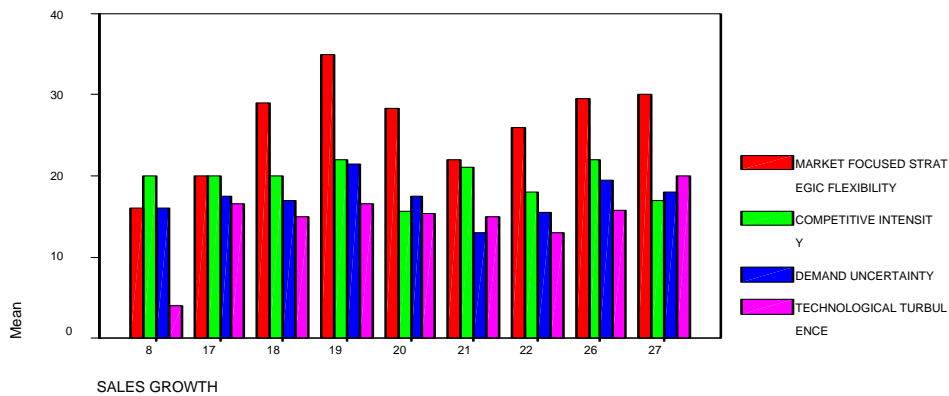


FIGURE 6.46: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN THE RUBBER & ALLIED INDUSTRY

Figure 6.47 shows an irregular pattern of the impact of the environmental factors on the market focused strategic flexibility – sales growth relationship with the highest values of environmental factors not necessarily facilitating very high market focused strategic flexibility – sales growth relationship values.

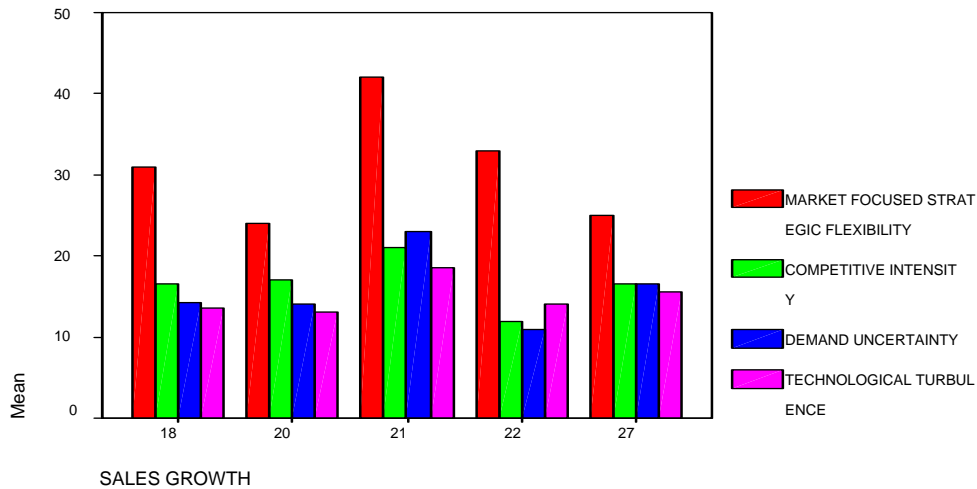


FIGURE 6.47: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN THE PHARMACEUTICAL INDUSTRY

Figure 6.48 shows that demand uncertainty increases with the market focused strategic flexibility – sales growth values with few variations. While irregular pattern of relationship exists between market focused strategic flexibility – sales growth and the values of other environmental factors.

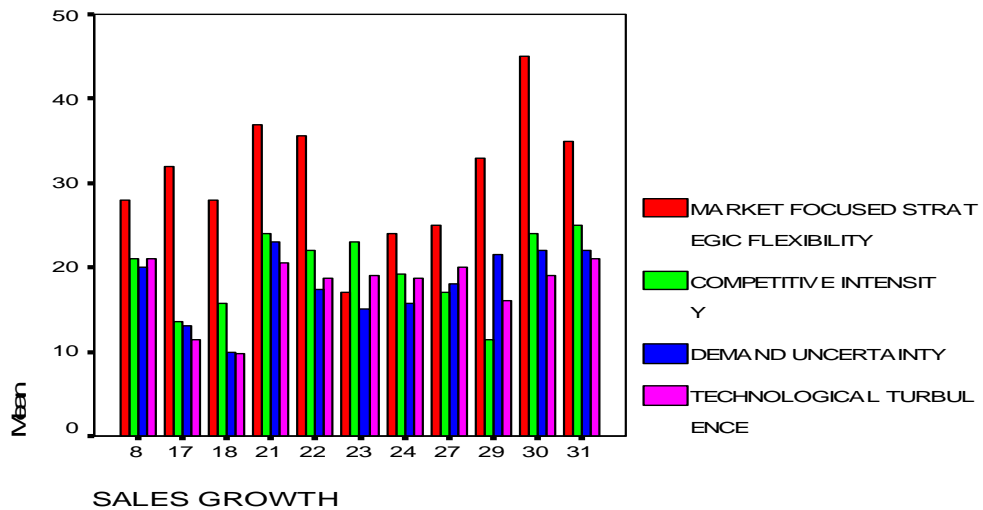


FIGURE 6.48: THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP IN THE INFORMATION TECHNOLOGY INDUSTRY

Table 6.30 shows the summary of the moderating effects of the environmental factors on the market-focused strategic flexibility-sales growth relationship among the firms and industries.

TABLE 6.30: SUMMARY TABLE OF THE MODERATING EFFECT OF ENVIRONMENTAL FACTORS ON THE RELATIONSHIP BETWEEN MARKET-FOCUSED STRATEGIC FLEXIBILITY - SALES GROWTH

S/N	FIRMS	HR			AR			R			PARTIAL CORR.			R2			BETA VALUE			F		
		CI	DU	TT	CI	DU	TT	CI	DU	TT	CI	DU	TT	CI	DU	TT	CI	DU	TT	CI	DU	TT
1.	ALL FIRMS	+ve	+ve	+ve	+ve	+ve	+ve	.245**	.218**	.216**	.252	.290	.1937	.061	.057	.098	.220	.231	.192	9.384	8.738	15.736
2.	ALL MANUFACTURING	+ve	+ve	+ve	+ve	+ve	+ve	.112	.078	.212*	.250	.255	.211	.065	.065	.110	.251	.255	.208	4.520	4.472	7.964
3.	ALL SERVICES	+ve	+ve	+ve	+ve	+ve	+ve	.301*	.323*	.211*	.171	.172	.166	.054	.051	.085	.177	.179		4.678	4.434	7.615
4.	SMALL-SCALE	+ve	+ve	+ve	+ve	+ve	+ve	.365*	.399*	.322*	.292	.316	.267	.118	.113	.151	.308	.342	.269	8.402	8.821	11.216
5.	MEDIUM-SCALE	+ve	+ve	+ve	+ve	+ve	+ve	.059	.053	.075	.100	.097	.079	.011	.010	.099	.100	.097	.076	.514	.450	4.926
6.	LARGE-SCALE	+ve	+ve	+ve	+ve	+ve	+ve	.265	.099	.124	.254	.304	.303	.137	.097	.097	.253	.305	.304	5.312	3.611	3.603
7.	MARKET-DRIVEN	+ve	+ve	+ve	+ve	+ve	+ve	.158	.237**	.292**	.289	.274	.248	.107	.110	.130	.289	.276	.249	8.656	8.942	10.792
8.	NON-MARKET DRIVEN	+ve	+ve	+ve	-ve	-ve	+ve	.285**	.231*	.154	.089	.108	.079	.016	.012	.058	.092	.111	.078	1.201	.906	4.451
9.	MARKET-DRIVING	+ve	+ve	+ve	+ve	+ve	+ve	-.068	-.001	.142	.215	.207	.192	.057	.054	.051	.214	.207	.192	1.903	1.814	1.679
10.	FOOD & BEVERAGES	+ve	+ve	+ve	+ve	+ve	+ve	.369*	.384*	.144	.478	.522	.488	.242	.272	.240	.509	.565	.492	4.949	5.799	4.891
11.	GENERAL SERVICES	+ve	+ve	+ve	+ve	+ve	+ve	.220	.270*	.312*	.292	.320	.285	.090	.103	.090	.298	.332	.298	2.984	3.441	2.981
12.	ADVERTISING	+ve	-ve	-ve	-ve	-ve	+ve	.555	.325	.579	.359	.530	-.268	.173	.316	.808	.420	.546	-.268	.418	.925	8.404
13.	AGRO-ALLIED	+ve	+ve	+ve	-ve	-ve	+ve	-.207	-.183	.089	.333	.349	.364	.187	.155	.220	.326	.348	.347	1.262	1.010	1.551
14.	AUTOMOBILE	+ve	+ve	+ve	-ve	+ve	+ve	-.701	.274	.502	-.261	-.224	-.656	-.166	.552	.788	-.346	-.160	-.463	.199	1.231	3.722
15.	BANKING	+ve	+ve	+ve	+ve	+ve	+ve	.501*	.353	.374	.424	.578	.492	.428	.345	.430	.409	.612	.461	6.748	4.748	6.783
16.	ESTATE, BUILDING & CONSTRUCTION	+ve	-ve	-ve	-ve	-ve	-ve	.463*	.059	.178	-.393	-.390	.394	.163	.156	.156	-.441	-.390	-.400	1.650	1.565	1.568
17.	COMMUNICATION	+ve	-ve	-ve	-ve	-ve	-ve	.245	.609	.291	.007	-.353	-.243	.015	.255	.369	.007	-.410	-.208	-.045	1.025	1.758
18.	INSURANCE	+ve	+ve	+ve	+ve	+ve	+ve	.121	.101	.118	.628	.500	.618	.406	.362	.387	.627	.602	.620	5.464	4.530	5.054
19.	OIL AND GAS	+ve	+ve	+ve	+ve	+ve	+ve	.209	.064	.178	.011	.026	-.067	.002	.013	.198	.011	.026	-.061	.007	.949	.414
20.	HOUSEHOLD PRODUCTS	+ve	+ve	+ve	-ve	-ve	-ve	-.0101	-.220	-.057	.164	.166	.177	.083	.041	.216	.160	.169	.159	.774	.368	2.346
21.	MEDIA & PUBLISHING	+ve	+ve	+ve	+ve	+ve	+ve	.815**	.687**	.754*	.403	.260	.143	.382	.531	.550	.596	.254	.148	1.858	3.391	3.673
22.	RUBBER & ALLIED	+ve	+ve	+ve	+ve	+ve	+ve	.050	.702**	.582*	.562	.577	.275	.316	.368	.509	.563	.789	.246	2.308	2.910	5.188
23.	PHARMACEUTICAL	+ve	+ve	+ve	+ve	+ve	+ve	.648	.608	.650	-.384	-.547	-.966	.150	.319	.667	-.504	-.679	-.966	.353	.464	.111
24.	INFORMATION TECHNOLOGY	+ve	+ve	+ve	+ve	+ve	+ve	.361	.623**	.091	.184	.029	.199	.049	.095	.108	.196	.036	.193	.335	.681	.786

*P < 0.01, ** P < 0.05

6.7 SUMMARY

The mean, range score and standard deviation vary among the different classifications of firms. The three environmental variables in this study affect the various firms' classifications differently. That is, competitive intensity, demand uncertainty and technological turbulence have positive and significant moderating effects on the relationship between market-focused strategic flexibility and sales growth in All firms, Service firms, Small-scale firms, and the Media and Publishing industry. The individual environmental variables also have different effects on the relationship between market-focused strategic flexibility and sales growth in the different firms and classifications.

For example, competitive intensity is found to moderate market-focused strategic flexibility - sales growth relationship in Large-scale firms, Non-market oriented firms, the Food and beverages industry, the Estate, building and construction industry, and the Banking industry. Also, demand uncertainty is found to moderate the relationship in Manufacturing firms, Market-driven firms, General services, and Rubber and allied industries.

So, in this chapter, the results and the interpretation of the results were presented. The discussion, conclusion and recommendations stemming from the research results are presented in chapter seven.

CHAPTER SEVEN

DISCUSSION, CONCLUSION AND RECOMMENDATION

7.1 INTRODUCTION

In chapter one, the objectives of the study were spelled out. Chapter two presented the theoretical foundation of the study and the literature review was given in chapter three. Five hypotheses were formulated in chapter four. An exposition of the research methodology followed in chapter five. In chapter six the research results were presented and interpreted. Chapter seven discusses the research findings, arrives at conclusions and offers recommendations. Section 7.2 discusses the outcome of the study with cross references to other relevant studies, section 7.3 draws some conclusions and in section 7.4 recommendations are made and possible areas of future research into the topic are identified. The limitations of the study are also outlined.

7.2 DISCUSSION

In this section, the findings from the field survey will be integrated with the theoretical foundation and literature review. The purpose of the study is to determine the relationship between market-focused strategic flexibility and sales growth, establish the moderated effect of market-focused strategic flexibility in the market orientation - sales growth relationship and finally, discover the effect of environmental variables on the said relationship.

The focus of this section is consequently:

- To discuss the relationship between market-focused strategic flexibility and sales growth.
- To discuss the moderating effect of market-focused strategic flexibility on the given relationship.
- To discuss the effects of environmental variables (i.e. competitive intensity, demand uncertainty and technological turbulence) on the said relationship.

The conceptual model presented in Chapter five (Figure 5.1) supports the set of objectives linking market-focused strategic flexibility with sales growth, the moderating role of market-

focused strategic flexibility in the market orientation – sales growth relationship and the moderating effect of the environmental variables in market-focused strategic flexibility – sales growth performance. The model describes the key variables of the phenomenon being researched and indicates how the variables are linked together with the different hypotheses attached.

7.2.1 THE RELATIONSHIP BETWEEN MARKET-FOCUSED STRATEGIC FLEXIBILITY AND SALES GROWTH

The positive and statistically significant relationships between market-focused strategic flexibility and sales growth for all firms (especially manufacturing and service firms) in Nigeria suggest that the firms strive to adapt or react to the prevailing variables in their business environment when these variables alter to ensure adequate performance.

Generally, superior performances in the Nigerian firms are mostly achieved as the firms reduce the gaps between their capabilities and the effects of the varying environmental factors (Lavie, 2006). Also, Hitt, Keats, and Demarie (1998); Grewal and Tansuhaj (2001); and Finney, Campbell and Powell (2005) have studied the effect of strategic flexibility on firms' performance. The results of the present study are consistent with their findings. The positive and statistically strong relationship between market-focused strategic flexibility and sales growth in the small firms (which is also the highest amongst the firms researched) shows that the small firms in Nigeria have an ability to satisfy their customers and continue doing so.

The finding by Pelham and David (1995) underscores this finding, as they established that changes in the market environment, business strategy and organizational structure have impacts on small firms' performance. They further assert that small firms cannot compete successfully by adapting the practices of large firms; for instance rather than attempting to combat the cost advantages that large firms enjoy, the managers of small firms can achieve a sustainable competitive advantage by instilling behaviours capable of continually satisfying their customers. The findings that less organizational sophistication may be an advantage in continually meeting customers' desires and aspirations. Kirca, Jayachandran and Bearden, (2005) substantiate the strategic flexibility of small firms rather than large firms and this further supports the higher values they exhibit in terms of the relationship of market-focused strategic flexibility with

performance.

The non-significance of the relationship between market-focused strategic flexibility and sales growth for market-driving firms is surprising because by definition they are able to shape market behaviours directly: through creation and removal of customer and competitor constraints and they shape market behaviour indirectly by creating new customer preferences and reversing new and existing competitors' preferences (Jaworski, Kohli and Sahay, 2000). So one would have thought that the capabilities necessary for being strategically flexible, would have been enshrined in the framework of such firms, but though the relationship between market-focused strategic flexibility and sales growth in these firms is positive, it is not statistically significant. This finding is not consistent with the research outcome of Kumar, Scheer and Kotler (2000) who assert that market-driving firms have the ability to generate intra-firm innovations valued by customers. Radical innovations strengthen the capabilities of the firm in terms of two dimensions: 1) a leap in the value proposition made to customers, and 2) a unique business system (Kumar, Scheer, and Kotler, 2000). The leap in customer value is produced by innovations that translate into superior technological and/or marketing capabilities and unique business systems which require superior capabilities that are hard to acquire. Though their position seems logical, in a situation where most of the market-driving firms operate in the same industry and all adopt market-focused strategic flexibility or innovative strategies, such strategies cease to be sufficient to create sustainable advantage.

The result for the market-driven and non-market driven firms shows that it was not difficult for the former firms, having developed an organizational culture of ensuring customer satisfaction through continuous analysis of and responses to customers and competitors (Gainer and Padanyi, 2005) to be market-focused strategically. In the same vein, the non-market driven firms exhibit a non-statistically significant relationship.

The relationship between market-focused strategic flexibility and sales growth in the following industries – Advertising, Agro-allied, Automobile, Estate, Building and construction, Oil and gas, Household products, Media and publishing, Pharmaceutical and Information technology – is not statistically significant. This denotes that their performance is not linked with being strategically flexible in relation to the product-market. Since market-focused strategic flexibility

has to do with the ability of firms to respond to various demands from dynamic competitive environments and to develop, produce and distribute their resources effectively to deal with changes (Johnson, Lee, Siani and Grohmann, 2003), the ability of market-focused strategic flexibility to produce superior performance in these firms depends on the dynamic capabilities residing in different firms to tackle the changes in the environment (Bowman and Ambrosini, 2003; March and Stock, 2003; Zott, 2003; Child and Tsai, 2005; Wan, 2005; Knorr and Mahoney, 2005; Lazonick and Prencipe, 2005; Jones et al. 2005 and Zahra, Sapienza and Davidson, 2006).

The non-significance of the result may also be due to the degree of change in the environmental factors in these industries, which may be insignificant since market-focused strategic flexibility is essential in a situation of environmental turbulence apart from the fact that this strategy may seize to be a competitive advantage if adopted by most firms in the industries being studied; that is, it may not significantly lead to higher sales growth.

In addition, the Food and beverages, General services, Banking, Insurance and Rubber and allied industries indicate a strong and statistically significant relationship between market-focused strategic flexibility and sales growth. This reveals the extent of strategically-flexible capabilities as regards environmental dynamism prevalent in these industries.

It furthermore indicates that firms in these industries possess the capability for substitution, transformation and evolution in order to alter their overall capability configuration, thus facilitating easy adaptation to the dynamism of their business environment and ensuring better performance (Lavie, 2006). A successful match between customer value opportunities and the organization's capabilities is considered to be one of the most important marketing activities (Zeithmal, 2000; Rindfleisch and Moorman, 2003; Roehrich, 2004; and Best, 2005). Such a matching is necessary to create superior products and services through the identification, development, and deployment of key resources (brands, sales forces, customer trust) (for example, Day, 1994; King and Tucci, 2002; Johnson, Lee, Saini, and Gronhmann, 2003; Knorr and Mahoney, 2005; Lazonick and Prencipe, 2005; Certo et al., 2006).

Presently in Nigeria the most dynamic industries are the Banking and Insurance industries, necessitated by the government's recapitalization policies (Bamidele, 2005). This is consistent

with the findings of this research. In addition the Food and beverages and General service industries' environment has shown some degree of volatility with respect to product/service offerings, necessitated by changes in customers' tastes and desires and the level of competitiveness.

Negative results witnessed in industries such as Estate, Building and construction, Communication and Pharmaceutical demonstrate that the more the firms in these industries increase their strategic flexibility in the products market, the lower their performance; that is, market-focused strategic flexibility has an inhibitory effect on the performance of these firms. Harrigan (2004) point out that firms which practice strategic flexibility without a need for it in their industry and framework with respect to product markets are likely to witness inconsistent performance at first and later a perpetual reduction in performance, because customers are likely to perceive such firms negatively since they try to fill non-existing capability gaps in resource configuration, thus producing excess resources in some areas that are not useful and reducing the availability of the resources needed; hence becoming less efficient and effective.

7.2.2 THE MODERATING EFFECT OF MARKET-FOCUSED STRATEGIC FLEXIBILITY ON MARKET ORIENTATION - SALES GROWTH PERFORMANCE

The different results obtained in the market orientation – performance relationship in the past, for example, Narver and Slater (1990); Reichheld and Sasser (1990); Jaworski and Kohli (1993); Pelham and Wilson (1996); Gatignon and Xuereb (1997); McNaughton, Osborne, Morgan and Kutwaroo (2001); Noble, Sinha and Kumar (2002); Akinova (2002); Gonzales, Vijance and Casiettes (2002); Hooley et al. (2003); Sandvik and Sandvik (2003); Agarwal et al. (2003); Kara, Spillion and De-shield (2004); Zhou et al. (2005); Ellis (2006); and Gebhardt et al.(2006) suggest a moderating variable between market-orientation and a firm's performance. This fact is substantiated by the result obtained in this study. Out of the 24 categories of firms, thirteen categories have their market orientation – sales growth relationship moderated by market-focused strategic flexibility: All firms, Manufacturing firms, Service firms, Small firms, Large firms, Market-driven firms, Non-market driven firms, Market-driving firms, the General services industry, the Banking industry, the Insurance industry, the Household products industry, the Media and publishing industry, and the Pharmaceutical industry.

Even those industries whose relationships of market-focused strategic flexibility with sales growth were not statistically significant did display the statistically significant moderating effect of market-focused strategic flexibility in their market orientation – sales growth relationship. They include Non-market driven firms, and the Household products, Media and publishing, and Pharmaceutical industries.

Another striking result is the moderating role of market-focused strategic flexibility in the market orientation – sales growth relationship of non-market driven firms that do not exhibit a positive relationship between market-focused strategic flexibility and sales growth. This perhaps suggests that the moderating role of market-focused strategic flexibility is beyond a firm being market-driven since most firms attempt to adapt to changes in their business environment in order to maintain their present performance or surpass it (Oxtoby et al., 2002; George, 2005; Russo and Harrison, 2005; Brown and Blackmon, 2005; Jones et al., 2005; Cooper, 2006). It could thus mean that organizations might be strategically flexible in their product-market capability without necessarily being market-driven. It then follows that market-focused strategic flexibility exists as an option for survival in a highly dynamic business environment, so that businesses which are not market-oriented may also attempt to be strategically flexible in their product-market options. This result is a total deviation from the suppositions of Johnson, Siani, Lee and Grohmann (2003) that only firms that are market-driven/driving are likely to be strategically flexible with respect to product-market options. The non-significant relationship between market-focused strategic flexibility and sales growth for market-driving firms is another deviation from this view.

7.2.3 THE MODERATING EFFECT OF ENVIRONMENTAL VARIABLES ON THE MARKET-FOCUSED STRATEGIC FLEXIBILITY – SALES GROWTH RELATIONSHIP

The ‘All firms’, Service firms, Small firms as well as the Media and publishing industry evidence the significant moderating effect of the environmental variables on the market-focused strategic flexibility and sales growth relationship. Canina, Enz and Harrison (2005), Brown and Blackmon (2005), Child and Tsai (2005), Jones et al. (2005), and Schneider et al. (2006) agree on the impacts of environmental variables on service offerings. It is also noted that All firms, Service firms and Small firms earlier showed a strong and significant relationship between

market-focused strategic flexibility and sales growth. So the presence of such environmental variables as competitive intensity, demand uncertainty and technological turbulence strengthens the relationship between market-focused strategic flexibility and sales growth. Demand uncertainty (which has been noted by Pelham and David (1995) as being one of the major variables that moderates the strategic orientations of Small firms and their performances), technological turbulence, and competitive intensity have been found to moderate the Small firms' market-focused strategic flexibility – sales growth relationship; but none of these factors have been established for the Large firms – though moderating effects are noted they are not statistically significant.

This may imply that changes in strategies for Large firms are affected primarily by the changing customers' tastes and desires since a statistically significant strong relationship exists between market-focused strategic flexibility and sales growth.

Demand uncertainty and technological turbulence have been found to moderate the market-focused strategic flexibility – sales growth relationship in market-driven firms while competitive intensity is not significant. This may imply that competition among firms in this category will lessen as each firm determines how best to satisfy its customers; this will necessitate variability in product/brand features, price, and quality, with more opportunities being created by technology to produce new products with striking features.

The Non-market driven firms evidence competitive intensity and demand uncertainty moderating their insignificant market-focused strategic flexibility – sales growth relationship. This is a reflection of the conditions prevalent among this group of firms. Competitive intensity also moderates the market-focused strategic flexibility – sales growth relationships in the Food and beverages, Banking, Estate, Building and construction, and Media and publishing industries.

Banking, and Food and beverages, evidence a strong significant relationship between market-focused strategic flexibility and sales growth. The moderation by demand uncertainty of the market-focused strategic flexibility – sales growth relationship in this industry is in line with earlier research conducted into the market-orientation – firm performance relationship and the effect of the environment (Gatgnon and Xuereb, 1997; Slater and Narver, 2000; Kumar and Subramanian, 2000; Akinova, 2000; Liu et al., 2003). The prevalence of excessive promotions

and evolving competitive moves in these industries must have been responsible for this phenomenon.

Demand uncertainty is prevalent in the Food and beverages, General services, Media and publishing, Rubber and allied as well as Information technology industries. This environmental variable has been found to moderate the market-focused strategic flexibility – sales growth relationship. Only the Food and beverages, General services and Rubber and allied industries evidence a significant market-focused strategic flexibility – sales growth relationship. The moderating effect of demand uncertainty is as a result of variability in consumer demand, brand features, the quality of products or services demanded by the customers as well as variability in price and competitive moves.

Adebayo (2005) has established that customers in the Food and beverages sector are very sensitive to price and brand quality. Also, the findings of Okoroafor (1993) that service-oriented firms in Nigeria are highly competitive in their moves apart from the high variability in service features, to retain customers, concur with the findings of this research.

Technological turbulence is prevalent in the General services, Media and publishing, Rubber and allied industries and a significant relationship in the market-focused strategic flexibility – sales growth association is noticeable here. The technological turbulence in these industries clearly stems from the changes in technology and the opportunities created by technology.

7.3 CONCLUSION

This section elaborates on the conclusion of the research. Customers today are highly informed and more demanding. Responsiveness to customers' needs and changing market conditions has become important for firms to succeed and this calls for the introduction of product-market options and capabilities that can enhance a firm's market-focused strategic flexibility status.

Given the consistent interaction between the dimensions of market-focused strategic flexibility, market orientation and firm performance, it is important that the efforts of firms to enhance the assemblage of resources and options as regards market-focused strategic flexibility is especially important to firms that wish to gain competitive advantage. The findings suggested that market-focused strategic flexibility could aid a firm in continually satisfying its customers in the face of

changing market conditions and thus increase firms' performance.

Therefore, the results suggest that market-focused strategic flexibility acts as a driver of organizational positioning in a dynamic business environment and that it should be incorporated into any conceptualization of an organizational success framework since it exists on a continuum characterized by the degree to which a firm acquires, allocates and reconfigures its resource portfolio. Reacting to market feedback may allow firms to adapt successfully to an external environment which may be characterized as being dynamic. Market-focused strategic flexibility is a means of responding to the environment and thus promotes better performance in a firm.

Because of its external focus, market-focused strategic flexibility is well positioned to appreciate the prevalent culture in a firm. As seen in the results, it also facilitates the response of non-market driven firms, just as it does for market-driven firms. Cultivating a market-focused strategic flexibility strategy may indeed become one of the primary means for maintaining competitive advantage. Environmental dynamism is a force in an emerging economy that could cause a firm to be strategically flexible with respect to product-market options.

In terms of the topic of this study, market-focused strategic flexibility is found to have a significant impact on the sales growth of All firms, Service firms, Small firms, Large firms, Market-driven firms, the Food and beverages industry, the General services industry, and the Rubber and allied products industry. In addition, market-focused strategic flexibility is found to mediate the market orientation – sales growth relationship in All firms, Manufacturing firms, Service firms, Small firms, Large firms, Market-driven firms, Non-market driven firms, Market-driving firms, and the General services, Banking, Insurance, Household products, Media and publishing, and Pharmaceutical industries.

Furthermore, findings indicate that environmental factors (i.e. competitive intensity, demand uncertainty, and technological turbulence) influence the market-focused strategic flexibility – sales growth relationship in Service firms, Manufacturing firms, Small firms, Market driven firms, Non-market driven firms, and the Food and beverages, General services, Banking, Estate, building and construction, Media and publishing, Rubber and allied, and Information technology industries.

The study's results suggest that firms will increase their performance by developing and accumulating resources and resource based capabilities that help in effective configuration and deployment to changes in the business environment. The result specifically suggests that a firm with market-focused strategic flexibility is likely to improve its performance in a dynamic environment and that market-focused strategic flexibility will influence the performance of both market-driven and non-market driven in their market orientation – firm performance relationship. The environmental factors are pure moderators of the market-focused strategic flexibility relationship for most firms.

7.4 RECOMMENDATIONS, IMPLICATIONS, LIMITATIONS AND SUGGESTIONS FOR FURTHER STUDIES.

This study indicates that market-focused strategic flexibility has a significant impact on sales growth and that it interacts with the different components of market-orientation to facilitate performance. It also indicates that different environmental factors moderate the market-focused strategic flexibility – sales growth relationships.

Therefore, organizations hoping to enhance corporate performance in a dynamic business environment should consider the following:

- Generating real options by devising and configuring resource-based capabilities
- Building a portfolio of product-market resources.
- Configuration, reconfiguration and deployment of resources to arrest negative changes in the business environment.
- Firms that are not operating in a dynamic business environment need not adopt a market-focused strategic flexibility as this may cause the firm to seem inconsistent in the eyes of its customers and eventually reduce effective performance.
- In a constantly changing business environment, firms can adopt a market-focused strategic flexibility because it is able to enhance their business performance.
- The need for the identification of options and resources and of capabilities of deployment constitutes an impetus to effective market-focused strategic flexibility implementation, since market-focused strategic flexibility derives from capabilities in

- assembling and maintaining an appropriate resource portfolio and coupling the resource portfolio with the identification and recognition of options.
- Firms must develop ‘sense making’ skills to anticipate developments in the market place. This involves devising a mental model for visualizing latent market potential and allowing for broad-based panoramic surveillance of the market in order to identify emerging environmental variables and best practices. Sensing, surveillance, and visualization of the market all greatly facilitate the recognition and uncovering of shadow options as they emerge.

Thus, the implications of this study for management and the business community are as follows:

- It is expedient that managers generate real options by the composition and configuration of resource-based capabilities and build portfolio of product-market resources that will cause their companies to maintain and enhance performances in a rapidly-altering business environment.
- It is paramount that managers study and continuously scan their environment to be aware of the degree of its dynamism because the findings of this research indicate that firms which are not operating in a dynamic business environment should not adopt a market – focused strategic flexibility.
- Managements whose companies are market-oriented should embrace a market – focused strategic flexibility after a thorough investigation of the inherent characteristics of the industry in which the firm operates since this kind of flexibility does not enhance the performance of firms in every industry.
- The proper assessment by management of environmental factors would help to determine the varying effects of these different factors on the performance of the companies because they see performance of the firms differently, depending on the nature of the business, industry and products .Such an assessment will help in applying a market-focused strategic flexibility in order to curtail the impact on the firm s performance.
- In addition, the findings show that it is possible for an organization to achieve sustainable competitive advantage in a highly uncertain environment when all the firms in the industry are not practicing market-focused strategic flexibility. The result shows that where all firms in an industry practice this kind of flexibility as a strategy, it ceases to

constitute an edge by means of which such firms achieve competitive advantage, except that the firm commands superior resources and capabilities as regards the product-market.

- The findings also demonstrate that managers, whether market oriented or not, should make concerted efforts to be strategically flexible with respect to the product–market so as to enhance their performance, since non-market-oriented firms, according to the findings of this research, have their market orientation-performance relationship highly moderated by market-focused strategic flexibility.
- The performance gaps between an organization’s goals and the outcomes realized will need to be addressed by management concerning their stances towards competitive, technological, and demand uncertainty, and importantly, the composition of an optimal resource capability portfolio to ensure improvement in business performance.

The limitations identified in the study are presented thus:

- Some firms could be classified as both manufacturing and service in terms of the definitions used and so they are placed in the two categories to reflect the actual situation. The ambiguity of the firms’ functions also affects the classification of the industry. There is a suspicion that some of these classifications might have affected the results obtained for these industries.
- The study did not focus on the combined moderating effect of market-orientated and environmental factors on the market-focused strategic flexibility – sales growth relationship. And it is also difficult to say whether market-focused strategic flexibility could absorb the effects of environmental factors when it moderates market-orientation – firm performance.
- Some firms included in the All firms, Service, Manufacturing, Small, Medium, Large, Market-driven, Non-market driven and Market-driving firms could not be analyzed as an industry because of the small numbers of firms there and so were not listed under any industry.
- The fact that this study refers only to a single country extinguishes the opportunity of making comparison and generalizing to the other parts of the world.

The following suggestions are made for future investigations:

- Research into the combined effects of market-focused strategic flexibility and environmental factors as mediators of the market orientation – firm performance relationship.
- This same research can be carried out in other nations so that a broad comparison of the concepts of market-focused strategic flexibility as it affects firm performance can be made.
- Research into the effects of key characteristics of industries and market-focused strategic flexibility could be carried out to further explain the differences in the firms' adoption of market-focused strategic flexibility.

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APPENDIX 1
GRADUATE SCHOOL OF BUSINESS LEADERSHIP
UNIVERSITY OF SOUTH AFRICA (UNISA)
QUESTIONNAIRE

Dear respondent,

This questionnaire is specifically designed for the purpose of studying the relationship between market-focused strategic flexibility and sales growth.

The findings will be used strictly for research purposes. Therefore, you are not required to write your names so as to guarantee the confidentiality of the expected responses.

Thank you.

Please kindly fill in the correct information and tick where appropriate.

SECTION A
ORGANIZATIONAL PROFILE

Name of organization: _____

Number of employment: _____

Scope of business: _____

Age of company: _____

Number of departments: _____

Names of departments: _____

Present rank: _____

Present total investment and working capital _____

SECTION B

Please tick the appropriate number below:

Note:

- 1 = Not at all
- 2 = To a very slight extent
- 3 = To a small extent
- 4 = To a moderate extent
- 5 = To a considerate extent
- 6 = To a great extent
- 7 = To an extreme extent

MARKET ORIENTATION

	Scale Items	1	2	3	4	5	6	7
1	We review the likely effect of changes in our business environment (e.g. technology or regulation changes) On customers.							
2.	The firm analyses data on customer satisfaction							
3	The firm makes use of information that states customer preferences							
4	The firm has a structured programme that obtains the feedback necessary to fully understand customers							
5	The firm studies underlying trends or patterns in its customers' dispositions							
6.	A major strength of this firm is effective and efficient customer analysis							

7	The firm responds to negative customer satisfaction information.	1	2	3	4	5	6	7
8.	The firm responds to changing customer requirements.							
9	If customers complain, changes are made.							
10	The firm responds to factors affecting its market							
11	A high priority is placed on implementing changes to increase future customer satisfaction							
12	The top management team discuss competitors' strengths and weaknesses							
13	We take advantage of targeted opportunities to take advantage of competitors' weaknesses							
14	If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response							
15	We target customer and customer groups where we have developed, or can develop, a competitive advantage							

SECTION C
FOR MARKET-DRIVING FIRMS

Please answer the following questions appropriately.

- Have you eliminated any players in the market (i.e. retailers, wholesalers, distributors, suppliers, etc.) to facilitate better performance of your product or service? Yes No

- If yes, whom did you eliminate and how?

- Have you added to the players in the market in any way or modified the players (that is retailers, wholesalers, distributors, suppliers, etc.) to facilitate better performance of your product or service? Yes No

- If yes what modification did you do and how?

- Have you changed the functions of any of the industry players in the market in any way or modified the players (i.e. retailers, wholesalers, distributors, suppliers, etc.) to facilitate better performance of your product or service?

Yes No

- If yes which of the industry players and how?

- Have you in any way built customer constraints into your product offering?

Yes No

- If yes what? _____

-
- Have you in any way removed customer constraints in your product offering or service to enhance customer patronage? Yes No
 - If yes what? _____

 - Have you in any way removed constraints initiated by competitors to enhance customer patronage? Yes No
 - If yes what? _____

 - Have you in any way created customer preference or reversed any of the existing preference to enhance product acceptance? Yes No
 - If yes what? _____

 - Have you in any way created new competitor preference or reversed any of the existing competitor preference to enhance product acceptance?
Yes No
 - If yes what? _____

Please tick the appropriate number below:

Note:

- 1 = Not at all (does not exist)
- 2 = Exists to a very slight extent
- 3 = Exists to a small extent
- 4 = Exists to a moderate extent
- 5 = Exists to a considerate extent
- 6 = Exists to a great extent
- 7 = Exists to an extreme extent

SECTION D
MARKET- FOCUSED STRATEGIC FLEXIBILITY

	Scale Items	1	2	3	4	5	6	7
1	Organizational objectives of building excess resources in relation to their product/market option.							
2.	Organizational attempt to build capabilities to respond to desperate situations.							
3	Emphasis on managing macro-environmental risks (i.e. political, economic, and financial risks).							
4	Excess liquidity resources or options to enhance speed and maneuvering capabilities.							

5	Preference for projects that generate product-market options.							
6	Focus on option generation and identification (e.g. selection of new product projects).							
7	Belief in holding of product-market options.							

SECTION E: ENVIRONMENTAL VARIABLES

1. COMPETITIVE INTENSITY

	Scale Items	1	2	3	4	5	6	7
1	Competition in our industry is cut throat							
2	Many promotion wars in our industry							
3	Frequent and daily competitive moves							
4	Prevalent price competition							

2. DEMAND UNCERTAINTY

	Scale Items	1	2	3	4	5	6	7
1	Uncertainty created by variability in consumer demand.							
2	Variability in product/brand features							
3	Variability in price demanded							
4	Competitive moves in the industry							
5	Variability in quality demanded							

3. TECHNOLOGICAL TURBULENCE

	Scale Items	1	2	3	4	5	6	7
1	Changes in technology i.e. product design, production methods, process and product delivery.							
2	Opportunities created by technology i.e. product design, production methods, process and product delivery.							
3	Manifestation of a new product as a result of technology.							

SECTION F

Please tick the appropriate number below:

Note:

- 1 = Not at all
- 2 = To a very slight extent
- 3 = To a small extent
- 4 = To a moderate extent
- 5 = To a considerate extent
- 6 = To a great extent
- 7 = To an extreme extent

SALES GROWTH SCALE

Scale Items	1	2	3	4	5	6	7
1. Our sales surpass last year's sales significantly							
2. Our sales have witnessed unstable growth in the last five years.							
3. We have not made significant growth in sales relative to the market leader in our industry.							
4. Our sales growth is better than our competitors generally							
5. Our sales growth has changed our market share of the industry in the last three years.							

APPENDIX 2

ESTIMATION OF THE SAMPLE SIZE

Daniel and Terrell (2006) advance the formula below to determine the sample size for estimating means:-

$$n = \frac{Z^2 r^2}{d^2}$$

So from the pilot survey gathered the following values are supplied;

$$Z = \text{level of confidence} = 1.96$$

$$r = \text{population of variability (variance) = (standard deviation)}^2 \\ = 73.10$$

$$d = \text{discrepancy to be tolerated between the true value of estimated parameter (that is market-focused strategic flexibility). This is one-half of the desired internal width.}$$

$$n = \frac{(1.96)^2 (73.10)^2}{41}$$

$$n = 500.769 \approx 500 \text{ firms}$$

APPENDIX 3

LISTS OF NAMES OF FIRMS AND THE NATURE OF BUSINESS

LARGE FIRMS

S/N	NAMES	BUSINESS	NATURE OF BUSINESS
1.	United Bank of Africa (UBA)	Banking	Service
2.	Intercontinental Bank Plc.	Banking	Service
3.	Obat Oil and Petroleum	Oil and gas sector	Manufacturing
4.	Linkage Assurance Plc.	Insurance	Service
5.	Consolidated Breweries Plc.	Brewing	Manufacturing
6.	Lasaco Assurance Plc.	Insurance	Service
7.	Paterson Zochonis Industries Plc.	Household products	Manufacturing
8.	Crown Tissue Mill Ltd.	Tissue	Manufacturing
9.	Nigeria Distilleries Limited	Spirit	Manufacturing
10	Intercontinental Distillers Limited	Distillers of spirit	Manufacturing
11	Solak Textile Industry Ltd.	Textile	Manufacturing
12	Aluminum Rolling Mills	Aluminum products	Manufacturing
13	Sovereign Trust Insurance Plc.	Insurance	Service
14	Newswatch Communications Ltd.	Publishing	Service

15	Union Bank of Nigeria Plc.	Banking	Service
16	First City Monument Bank Plc	Banking	Service
17	Ilushin Estate Limited	Rubber production	Manufacturing
18	Evans Brothers Nig. Publishing Ltd.	Book Publishing	Service
19	Alcatel Nigeria Limited	Communication	Manufacturing
20	Lister Flour Mill	Flour	Manufacturing
21	Bovas Petroleum Company	Oil and gas	Service
22	MTN Nigeria Communication Ltd.	Telecommunication	Service
23	Association Match Industries (Nig.) Ltd.	Production of safety matches	Manufacturing
24	Niger Insurance Plc.	Insurance	Service
25	Obasanjo Farms Nig. Ltd.	Agro-Allied products	Manufacturing
26	Royal Exchange Assurance (Nig.) Plc.	Insurance	Service
27	Nucleus Venture Limited	Importation/distribution of goods	Service
28	Sosaplast Nigeria Limited	Plastics production	Manufacturing
29	Ecobank Nigeria Plc.	Banking	Service
30	Chevron Nigeria Ltd.	Oil and Gas Exploration	Manufacturing
31	Sumal Foods Limited	Confectionery	Manufacturing

32	Great Nigeria Insurance Plc.	Insurance	Service
33	Rofico Limited	Beverages	Manufacturing
34	Zenith Bank Plc.	Banking	Service
35	Longman Nig. Plc.	Book Publishing	Service
36	Vmobile Nig. Ltd.	Telecommunication	Service
37	Equity Indemnity Insurance Company Ltd.	Insurance	Service
38	Dangote Group of Company	Household products	Manufacturing
39	Briscoe Nig Ltd.	Automobile industry	Service
40	Niger Biscuit Company Ltd.	Confectionery	Manufacturing
41	Cocoa Industries Limited	Cocoa products	Manufacturing
42	Fan Milk Plc. Ibadan	Dairy products	Manufacturing
43	The Daily Times of Nig. Plc.	Printing/publishing	Service
44	Leadway Assurance Co. Ltd.	Insurance	Service
45	Nigeria Breweries Plc.	Production	Manufacturing
46	Total Filling Station	Fuel	Service
47	Boc Gases Nig. Ltd.	Industrial and medical gases	Manufacturing

48	Dunlop Nigeria Plc.	Rubber and allied	Manufacturing
49	First Bank of Nigeria Plc.	Banking	Service
50	Seven-Up Bottling Company	Drinks	Manufacturing
51	Vita foam Nigeria Plc.	Household products	Manufacturing
52	Aiico Insurance Plc.	Insurance	Service
53	Industrial and General Insurance Co. Ltd.	Insurance	Service
54	West African Portland Cement	Cement production	Manufacturing
55	Unilever Plc.	Household products	Manufacturing
56	Waterside Rubber Estate Ltd.	Crumb rubber production	Manufacturing
57	Afribank (Nig.) Plc.	Banking	Service
58	Oceanic Bank	Banking	Service
59	GlaxoSmithKline Nig. Plc	Pharmaceutical products	Manufacturing
60	Emzor Pharmaceutical Indu	Pharmaceutical products	Manufacturing
61	Oando Group	Oil marketing	Service
62	Wema Bank Plc.	Banking	Service
63	Shonghi Packaging Industry	Plastic products	Manufacturing

64	Promasidor	Food production	Manufacturing
65	Cadbury Nigeria Plc.	Food and beverages	Manufacturing
66	Guaranty Trust Bank	Banking	Service
67	Nigerian German Chemicals Plc.	Pharmaceutical	Manufacturing
68	Guinness Nigeria Plc.	Brewery	Manufacturing
69	Skye Bank Plc.	Banking	Service
70	U.A.C of Nigeria Plc.	Household products	Manufacturing

MEDIUM FIRMS

S/N	NAMES	BUSINESS	NATURE OF BUSINESS
1.	GBF Int. Ventures Ltd.	Nylon making	Manufacturing
2.	Crystal Foods and Drugs Limited	Production of foods and drugs	Service
3.	Fig Oil Limited	Oil marketers	Service
4.	Ogunnaike Agriculture Industries for Hope Farn Nig. Ltd.	General management livestock	Manufacturing
5.	Lumog	Perfume production	Manufacturing
6.	Wemasec and Finance Plc.	Generating funds and giving loans	Service

7.	B & T Ventures (Nig.) Ltd	Agro-processing and the manufacturing of agro-processing machinery	Manufacturing
8.	Netoxide Nigeria Limited	Manufacturing and importation of chemicals	Manufacturing
9.	Akin Abraham Engineering Service Ltd.	Electromechanical Engineering	Service
10	Abbey Group of Companies	Sawmill and hotel	Service
11	Tastee Fried Chicken	Restaurant	Service
12	Petrolog Ltd	Oil and gas	Service
13	Agro-Allied Processing Co. Ltd	Agro-allied	Manufacturing
14	Coscharis Technology Ltd.	Electronic equipment	Manufacturing
15	Voda Paints Ltd	Paints	Manufacturing
16	Nnanfang Motor Nig. Ltd.	Motorcycles	Manufacturing
17	Avian Specialities Limited	Farming	Manufacturing
18	Prince Kpodoh & Sons	Agro-allied	Manufacturing
19	Allianz Maritime Ltd.	Shipping support, warehousing & haulage	Service
20	Tropical Paints & Chemical Co. Limited	Production of paints and allied products	Manufacturing
21	Simidebis Nigeria Ltd.	Telecommunication	Service
22	Olayemi & Co.	Consultancy, auditing &	Service

		general accountancy	
23	Roland Oil Nig. Ltd.	Petroleum marketing	Service
24	Portland Transport	Haulage	Service
25	Efuntase & Co. Nig. Limited	Wire, nail & steel wire products	Manufacturing
26	Nigachem Nigeria Limited	General merchandizing	Service
27	Vivax Limited	Importing & exporting of livestock, food additives, consultancy and general farm production	Service
28	Premier Hotel	Hospitality industry	Service
29	Deli Foods (Nig.) Ltd.	Confectionery	Manufacturing
30	Femstar & Company Ltd.	Bottling company	Manufacturing
31	Presidential Insurance Company Limited	Insurance	Service
32	Cashcraft Asset Management Ltd.	Stock broking	Service
33	Blessed Food & Drinks Nig. Ltd.	Sachet, cup, and bottled water	Manufacturing
34	Abeokuta Commercial & Industrial Company Ltd.	Foam products	Manufacturing
35	Aqual Silver Limited	Water processing	Manufacturing
36	Sog Petroleum Co. Ltd.	Petroleum processing	Manufacturing
37	Vigilant Insurance Co. Ltd.	Insurance	Service

38	Westafco Nig. Ltd.	Ceramic product	Manufacturing
39	A & T Chemical Industries Ltd.	Industrial and household chemical products	Manufacturing
40	Belltech Integrated Communication Ltd.	Internet service provider	Service
41	Belltech Integrated Oil Nig. Ltd.	Production of oil	Belltech Integrated
42	Tope Allied Foods Ltd.	Confectionery	Belltech Integrated
43	Mr. Bigg's	Restaurant	Manufacturing
44	Motara Industries Limited	Polythene products	Manufacturing
45	Berger Paints	Paints	Manufacturing
46	Frigoglass Industries Nig. Ltd	Crown production	Manufacturing
47	Nampak Nigeria Plc.	Metal containers	Manufacturing
48	Cosmos Trade Nig. Ltd.	Equipment/maintenance	Service
49	Kefatos Consultants	Financial & management consultants	Service
50	Johnson Products Nig. Ltd.	Cosmetics, toiletries and household products	Manufacturing
51	Race Cargo Airlines Ltd.	Cargo handling	Service
52	Mercyland Guest House	Hotel management	Service
53	Wayne Ltd Manufacturing	Wayne products	Manufacturing

54	Lucky Fibres (Nig) Ltd.	Polythene, BCF yarn and WTN carpets and rugs	Manufacturing
55	Alpha Speedlink (Nig.) Ltd.	Computer services & information technology	Service
56	Alsan Insurance Brokers Ltd	Daily need products	Manufacturing
57	Nasal Insurance Co. Ltd.	Insurance	Manufacturing
58	Psalm 121 Block Industry	Blocks	Manufacturing
59	Aina Filling Station	Petroleum products	Service
60	Splendix Nigeria Ltd.	Domestic & industrial cleaning	Service
61	Atlass Portfolios Limited	Stock market	Service
62	Unaab Consult Ltd.	Consultancy, agro-allied investment	Service
63	UNAAB-LFN Agro-Allied Industry	Livestock feeds	Manufacturing
64	Odade Publishers	Publishing	Manufacturing
65	Complete Pure Water	Table water	Manufacturing
66	Midway Scientific Guards Ltd.	Industrial security	Service
67	Wandel Int'l Ltd	Motorcycle	Service
68	Asolad Ventures Nig. Ltd.	Confectionery	Manufacturing
69	Elmac Assurance (Nig.) Limited	Insurance	Service

70	Dataflex (Nig.) Ltd.	Information technology	Service
71	Washaman Nig. Ltd.	Laundry	Service
72	Standard Alliance Insurance Plc.	Insurance	Service
73	Century Media Limited	Publishing	Manufacturing
74	Imperial Telecommunications Ltd.	Telecommunications	Service
75	Aesk	Sales	Service
76	Pensure PFA Limited	Fund administration	Service
77	Folia Nigeria Enterprises	Office equipment	Service
78	ABX International	Servicing company	Service
79	Leaf Tobacco & Commodities Nig. Ltd.	Leaf tobacco	Service
80	Fandok Nig. Ltd.	Plastic bags	Service
81	Decross Limited	Audio, video and CD replication	Service
82	Academy Press plc.	Printing / publishing	Manufacturing
83	Royal Trust Assurnace	Insurance	Service
84	Shokas Industries Ltd.	Textile	Manufacturing
85	Johnson[?] Wax Nigeria Ltd.	Household products	Manufacturing
86	Persevere Industries Ltd.	Polythene	Manufacturing

87	Jide Taiwo & Co.	Estate surveying	Service
88	Goldlink Insurance Company	Insurance	Service
89	Unik Industries Ltd.	Footwear	Manufacturing
90	Arco Foam	Foams	Manufacturing
91	Architectural Products Ltd.	Architectural products	Manufacturing
92	Ecas Telecommunications & system Ltd.	Telecommunication	Service
93	Mulak Investment Ltd.	Industrial & agro-allied products	Manufacturing

SMALL FIRMS

S/N	NAMES	BUSINESS	NATURE OF BUSINESS
1.	Egba – Community Bank	Banking	Service
2.	More Sun Nig. Ltd	Household products	Manufacturing
3.	Fag Catering & Rental Services	General catering services	Service
4.	True Success Communication	Magazine	Manufacturing
5.	Flysafe Travels & Tours Ltd.	Travels & tours	Service
6.	Swiss Specialty Chemical Ltd.	Chemicals	Manufacturing
7.	Voga Tech Int'l Ventures	Satellite communication and allied systems	Service

8.	TBO Allied Ventures Ltd.	Engineering	Service
9.	Gemini Blocks Industry	Concrete blocks	Manufacturing
10.	Lase Ventures	Sachet water	Manufacturing
11.	Peju Olabisi Enterprises	Goods	Service
12.	Kolfaj Nig. Ltd. Ent.	Livestock production	Manufacturing
13.	Spider International Ltd.	Refractory	Service
14.	Raholat Enterprises Nig. Ltd.	Building materials	Service
15.	Elerunwon Concrete Works	Concrete works	Manufacturing
16.	Ajetunmobi Block Industry	Concrete works	Manufacturing
17.	Oakland City Insurance Brokers Ltd.	Insurance	Service
18.	Obanibasiri Trading Stores	Building materials	Service
19.	Ladejobi Nig. Ltd.	Printing	Service
20.	Tunrasfat Technical & Engineering Ltd.	Generator	Service
21.	Coral Prints	Printing	Service
22.	A-City Entertainment	Decoration	Service
23.	Pentagon Plastic Industries Ltd.	Plastic rubber	manufacturing
24.	Ibukunolu Natural Water	Natural table water	Manufacturing

25.	Global Plastic Industries Ltd.	Plastic materials	Manufacturing
26.	Palace Carpets International	Sales of rugs, carpets, underlay, interior decoration	Service
27.	U. K. Holdings	Wears	Service
28.	Blistone Nigeria Plc.	Toiletries	Service
29.	ProxyTrust Concepts	Branding of products	Service
30.	Musbass Global Ventures Ltd.	Water & juice production	Manufacturing
31.	Summit Paper Industries Ltd.	Stationers & envelope-makers	Manufacturing
32.	City Ballon Accessories	Beads accessories	Service
33.	Idea Konsult Limited	Information technology	Service
34.	Y. T. S Fashions	Dress making	Service
35.	Adegboyega Associates	Constructions	Service
36.	S. O.O. Products Ventures	Cassava processing	Manufacturing
37.	Citygate Consulting Nig. Ltd.	Information communication &	Service
38.	Fitting Finishes	Interior finishing	Service
39.	Compula[?]b Nigeria Ltd.	Hardware, software & networking	Service
40.	Supercard Ltd	Smart card technology & information tech	Service
41.	Headstone Technologies Ltd.	Information technology	Service

42.	Ola-Jimlak Technical Company Ltd.	Engineering equipment	Service
43.	Pyramid Global Foods/Bev. Ltd.	Spices	Manufacturing
44.	Tinaleen Cosmetics Industry	Body cream, relaxer	Manufacturing
45.	Austrade Investment Ltd.	Electrical appliances	Service
46.	A. T. International Ltd.	Auto cars	Service
47.	Olusegun Olunuga & Co.	Auditing of account	service
48.	T.J. Signs Publicity	Signs, publicity	Service
49.	Rosco Casket	Furniture & undertaking	Service
50.	Pabok Soft Drinks Depot	Soft drinks	Service
51.	Sind Osno Importing & Exporting Nig. Ltd.	African wax	Service
52.	Royal Community Bank	Banking	Service
53.	Igbobi Community Bank	Banking	Service
54.	Marrow Water & Equipment Nig. Ltd.	Water equipment	Service
55.	Reams Nigeria Ltd.	Haulage	Service
56.	Kabsal Nigeria Ltd.	Clearing & forwarding	Service
57.	Aborisade Blocks Industry	Block making	Manufacturing
58.	G. Ade-Ile Aiye (Nig.) Ltd	Plastic company	Manufacturing

59.	Heritage Systems	Computer & telecommunication	Service
60.	Adpett Nig. Ltd.	Civil geotechnics & gen. business	Service
61.	Magbel Technology Ltd	System consultants(CIT)	Service
62.	Cospam Nig. Ltd.	Fire fighting equipment	Manufacturing
63.	Equivalent Investment Nig. Ltd.	Wears & industrial uniforms	Manufacturing
64.	Deson Bolaji Nig. Enterprises	Creative design	Service
65.	Adetola Akinsulire & Co.	Auditing	Service
66.	Kollydec Ventures	Pure water	Manufacturing
67.	Next Level	Boutique	Service
68.	Irewole Nig. Ltd	Bakery	Manufacturing
69.	Independent Bakery Ltd	Confectionery	Manufacturing
70.	Babatunde Nig. Enterprises	General contractor	Service
71.	Zenith Nigergroup Co. Ltd.	Surveying	Service
72.	Mike Rich Ventures (Nig)	Fashion accessories/boutique	Service
73.	TAB Auditors	Accounting firm	Service
74.	Naks International Company Ltd.	Engineering	Service
75.	YHWH Decorators	Decorations	Service

76.	Abuede Industries Ltd.	Sculptural /marble works	Manufacturing
77.	Optimum Link	Advertising placement	Service
78.	Mineralite Ltd.	Trading mining equipment	Service
79.	Boltech Engineering Works	Engineering works	Service
80.	Asmond Vision Centre	Optical materials	Service
81.	Precious Music Incorporated	Gospel music	Service
82.	Fash Educational Consult	Educational consultant	Service
83.	Osenat Quality Printing	Printing	Service
84.	De-maab Nig. Ltd.	Aluminum fabrication	Manufacturing
85.	Kola Okanlawon Service Ltd	Printing/publishing	Service
86.	Plast Poly Limited	Polythene	Manufacturing
87.	Ashinton Concept Ventures	Creative design	Manufacturing
88.	Alowonle Blocks Industry	Concrete blocks	Manufacturing
89.	Ola Jesu Victory Nig. Ltd.	Vibrated blocks, sands and cement	Manufacturing
90.	Prince Eze Nnaya	Wears	Service
91.	Romix International (Nig.) Ltd	Investment/property company	Service

92.	Success Nig. Enterprises	Baking & confectionery	Service
93.	Lord's Cyber Café	Browsing	Service
94.	Ketlas Nigeria Ltd.	General contractor	Service
95.	Kando Ajobina Nig. Ltd.	Soap & ointment	Manufacturing
96.	Zonic Paints Industry	Paints	Manufacturing
97.	Itua Moses Ventures	Sporting equipment/magazine	Service
98.	A & P Foods Limited	Confectionery	Manufacturing
99.	Radiarot Supermarket	Goods	Service
100.	Alive Merchandise Int'l Ltd.	Battery operations	Service
101.	Cicom International Ltd.	Corporate sign-making	Service
102.	Tyler Garage	Vehicle maintenance	Service
103.	Franco Feelings International Company	Wine	Service
104.	International Uniforms Nig. Ltd.	Outfit designing	Service
105.	Pamora Nig. Ltd.	Importing and training	Service
106.	S. Makintosh Nig. Ltd.	Equipment	Service

107.	Arin-Alabi Management Consultants & Co.	Insurance	Service
108.	Wabal Investment Ltd.	Aluminium construction	Manufacturing
109.	Victory Computer College	Computer training	Service
110.	Nisisbol Ventures	Information technology	Service
111.	Homepro Ltd.	Interior fittings & furnishing	Service
112.	Wilson Foods & Confectionery	Bakery	Manufacturing
113.	Uwagboe Industry Ltd.	Pure water	Manufacturing
114.	Oyolola Farms Ltd.	Farming	Manufacturing
115.	Globamico Company Ltd.	Information technology	Service
116.	Surry J. Feeds Nig. Co. Ltd.	Agro-allied	Manufacturing
117.	Prince Dayo Nig. Ltd.	Construction	Service
118.	Tunde Olayinka & Co.	Property management	Service
119.	B & H Boutique	Wears	Service
120.	Naomi Investment Nig. Ltd.	Paints	Manufacturing
121.	Oru Community Bank	Banking	Service
122.	Think & Thank Poly Product	Polythene bags	Manufacturing

123.	Molusi Community Bank	Banking	Service
124.	Cyber Access and Communication Ltd.	Telecommunication	Service
125.	Pleasure Water Enterprises	Sachet pure water	Manufacturing
126.	Homcum Cybercafe	Internet	Service
127.	De Mars Resources	Packaging	Service
128.	Ladun Concrete Blocks Industry.	Block industry	Manufacturing
129.	City Loss Adjusters (Nig.) Ltd.	Insurance	Service

APPENDIX 4

LIST OF CATEGORIES AND NUMBERS OF FIRMS

S/N	CATEGORIES OF FIRMS	N
1	ALL FIRMS	292
2	ALL MANUFACTURING	132
3	ALL SERVICES	168
4	SMALL FIRMS	129
5	MEDIUM FIRMS	93
6	LARGE FIRMS	70
7	MARKET-DRIVEN	147
8	NON-MARKET DRIVEN	148
9	MARKET-DRIVING	66
10	FOOD & BEVERAGES	34
11	GENERAL SERVICES	63
12	ADVERTISING	07
13	AGRO-ALLIED	14
14	AUTOMOBILE	05
15	BANKING	21
16	ESTATE, BUILDING & CONSTRUCTION	20
17	COMMUNICATION	09
18	INSURANCE	19
19	OIL AND GAS	11
20	HOUSEHOLD PRODUCTS	20
21	MEDIA & PUBLISHING	09
22	RUBBER & ALLIED	13
23	PHARMACEUTICAL	07
24	INFORMATION TECHNOLOGY	16
25	OTHERS (NOT CATEGORIZED)	24

APPENDIX 5

CATEGORIZATION AND DEFINITION OF FIRMS

S/N	CATEGORIZATION	DEFINITION
1	ALL FIRMS	All the firms under study
2	ALL MANUFACTURING	All the firms that engage in production of tangible products
3	ALL SERVICES	All firms whose offerings are intangible
4	SMALL-SCALE	All firms whether service or manufacturing whose investment is less than N2million or \$15,000 and scale of operation is small.
5	MEDIUM-SCALE	All firms whether service or manufacturing whose investment is between \$15,000 and \$75,000.
6	LARGE SCALE	All firms whether service or manufacturing whose investment is larger than \$75,000.
7	MARKET-DRIVEN	All firms whose average score on the market orientation scale items is not less than 5.5.
8	NON-MARKET DRIVEN	All firms whose average score on the market orientation scale items is less than 5.5.
9	MARKET-DRIVING	All firms whose responses in the market driving questions are more than 50% in the affirmative.
10	FOOD & BEVERAGES	All firms whose businesses are in food, confectionary, and beverages.
11	GENERAL SERVICES	All firms whose businesses involve provision of supplies of materials, hospitality, transport, steel and aluminum as well as consulting and auditing.
12	ADVERTISING	All firms whose businesses involve brand positioning, production of advert materials and printing
13	AGRO-ALLIED	All firms whose businesses involve production of agricultural products, livestock and provision of agricultural related services.
14	AUTOMOBILE	All firms whose businesses involve sales, repairs, servicing and production of automobile and its related materials.
15	BANKING	All firms whose operations involve full financial services.
16	ESTATE, BUILDING & CONSTRUCTION	All firms whose operations involve estate, valuation, sales and repairs, building and general construction.
17	COMMUNICATION	All firms whose operations involve communication generally including the global telephone services.
18	INSURANCE	All firms whose businesses involve insurance
19	OIL AND GAS	All firms whose businesses involve oil and gas exploration and marketing.
20	HOUSEHOLD PRODUCTS	All firms whose businesses involve manufacturing of household products like toothpastes, robb, deodorants,

		insecticides, toothbrushes, body pomade, hair cream, polish, textile, etc.
21	MEDIA & PUBLISHING	All firms whose businesses involve media and publishing.
22	RUBBER & ALLIED	All firms whose businesses involve manufacturing of plastics, tires, and tapping of rubber
23	PHARMACEUTICAL	All firms whose businesses involve production of chemicals and drugs.
24	INFORMATION TECHNOLOGY	All firms whose businesses involve computer technology, and general information processing