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Impleme[n]tation of the marketing concept : an organizational learning perspective

John Robert Graves

To the Graduate Council:

I am submitting herewith a dissertation written by John Robert Graves entitled "Impleme[n]tation of the marketing concept : an organizational learning perspective." I have examined the final electronic copy of this dissertation for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy, with a major in Business Administration.

Robert B. Woodruff, Major Professor

We have read this dissertation and recommend its acceptance:

Sarah Gardial, Pratibha Dabholkar, Lawrence R. James

Accepted for the Council:

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Vice Provost and Dean of the Graduate School

(Original signatures are on file with official student records.)

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Accepted for the Council:

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Associate Vice Chancellor and Dean of The Graduate School

IMPLEMETATION OF THE MARKETING CONCEPT: AN ORGANIZATIONAL LEARNING PERSPECTIVE

A Dissertation
Presented for the
Doctor of Philosophy
Degree
The University of Tennessee, Knoxville

J. Robert Graves
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DEDICATION

This dissertation is dedicated to my wife

Christine L. Cooper

who has always been in my corner.

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ABSTRACT

This dissertation develops a model of implementation of the marketing concept using an organizational learning perspective. This perspective suggests that implementation of the marketing requirement implies that organizations adopt a set of shared beliefs and engage in market information processing activities that reflect the marketing concept. A set of eight hypotheses were developed to explore the relationship between marketing concept belief and market information processing activities. Data were collected from staff at Anglophone, acute-care hospitals in Canada. Forty-six hospitals were included in the final sample with an average of 14 members of each hospital providing data. Data were collected on the following variables: marketing concept beliefs, market information processing, effectiveness orientation, strategic orientation, organization flux, market complexity, market dynamism, and market performance. In general, the hypotheses received little support. Although a number of potential explanations are raised, perhaps the most interesting is the possibility that the measure of marketing concept beliefs was in fact measuring paternalism. Finally, directions for future research are suggested.

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CHAPTER 1
OVERVIEW

> The survival of an organization depends upon the maintenance of an equilibrium of complex character in a continuously fluctuating environment of physical, biological, and social materials, elements, and forces, which calls for readjustment of processes internal to the organization. (Barnard 1938, p. 6)

INTRODUCTION

The world of business is becoming increasingly complex and dynamic. Changes in transportation, computer, and communication technologies are extending the scope of business operations and changing the nature of those operations. Technological developments also create opportunities for new products and markets. Social changes, such as the increasing recognition of ethnic diversity in the United States, are changing the nature of markets within countries. Political changes, such as those in central and eastern Europe, are changing the economic structures within countries. Political agreements between countries are breaking down some economic barriers and creating others. Organizations around the world are challenged to respond to these changes.

Organizations are open systems--to achieve their goals they must acquire needed resources from their environments (Conner 1991). When needed resources are in scarce supply, organizations must compete with others who also need those resources (Henderson 1983). This competition occurs in a complex and dynamic world. As technology and resource stocks change, the relative importance and scarcity of resources

change. New rivals appear to compete for resources. Resources that were once abundant become scarce. To acquire the resources it needs, an organization must have a better fit with the environment than its competitors.

As the complexity and dynamism of the environment increases, the task of developing and maintaining an organization-environment fit becomes more difficult. For example, at one time Microsoft was confident that it would be able to dominate the market for online services for the Internet. Dramatic changes in the level and nature of Internet use, however, have lead some analysts to question whether Microsoft will succeed on this front (Kirkpatrick 1995). This difficulty is the result of organizations' limited cognitive capacities for gathering, storing, and utilizing data (Eisenhardt 1989).

> For most problems that Man encounters in the real world, no procedure that he can carry out with his information processing equipment will enable him to discover the optimal solution, even when the notion of 'optimum' is well defined. There is no logical reason why this need be so; it is simply a rather obvious empirical fact about the world we live in--a fact about the relation between the enormous complexities of that world and the modest information-processing capabilities with which Man is endowed. (Simon 1976, p. 135)

The limited information processing capacities of people and their organizations lead some authors to suggest that organizational survival is the result of luck--the environment "adopting" the organization (Alchian 1950). This view highlights the role of the environment in determining organizational effectiveness but is pessimistic in that it assumes that organizations are unable to alter their potential for survival. Other authors (e.g., Andrews 1986; Child 1972; Porter 1980) contend that management can make a difference in determining the fate of the organization (Judge and Zeithaml 1992). This view highlights the role of managers and organizational systems. It is optimistic in that it

assumes that it is possible for organizations to adapt to their environment. It is on this latter view that this dissertation is based.

Several streams of research explore the ways in which organizations attempt to cope with their environments. One perspective that addresses the cognitive limitations of organizations is evident in the "marketing concept." Advocates of the marketing concept claim that organizations that use the customer as a lens for seeing the environment will out-perform competitors (Day 1994). By using the customer as a lens, organizations are able to simplify their environments--they do not have to worry about those aspects of the environment that do not affect the customer. Recent empirical research lends support to this notion (Wrenn 1995). Another useful perspective for exploring the ways in which organizations deal with their limited cognitive capacities is that of organizational learning. This perspective views organizations as information processors that respond to their perceptions of the environment. Organizations that are more skillful at linking environmental forces with appropriate responses are expected to out-perform competitors in the short-run (Eisenhardt 1989). Organizations that are more skillful at altering their responses to changing environments are expected to out-perform competitors in the long-run (Argyris 1993).

The purpose of this research is to address the following question: Faced with a complex, dynamic world, how can organizations improve their chances for long-term success? In other words, how can an organization maintain a better fit with its environment than its competitors? In addressing this question I draw together the notions of the marketing concept and organizational learning. In the following section I

introduce and identify several key research issues related to the marketing concept and organizational learning. Next, I will offer a statement of problem that guides this research and the specific questions to be addressed in this study.

OVERVIEW OF PROBLEM AREA

Marketing Concept

The marketing concept, first articulated in the 1950s, is often advanced as one way in which organizations can understand and respond to their environment (Houston 1986). It is notable that the roots of the marketing concept are in industry. For example, managers in General Electric and Pillsbury are widely credited to be among the first to articulate the concept (King 1965). Discussions of the marketing concept appear in General Electric's annual reports in the early 1950s. Keith (1959; 1960) made a substantial contribution to the early literature by describing the evolution of the concept at Pillsbury. Through the years, industry support for the marketing concept has remained strong (Barksdale and Darden 1971; MSI 1994). This industry support suggests that practitioners believe the marketing concept is linked to organizational performance. However, while the marketing concept has a long-standing place in the marketing literature, it has not been without controversy.

This section introduces the traditional view of the marketing concept. Then a discussion follows of the major issues that have been raised *vis-à-vis* the marketing concept. Next, a framework presents dimensions that clarify how the various views of the marketing concept expressed by authors differ from each other.

Traditional View of the Marketing Concept

Traditionally, writers describe the marketing concept in terms of three elements: customer focus, interfunctional integration, and profit (Bell and Emory 1971; King 1965; Kohli and Jaworski 1990). Customer focus, or customer orientation, is the cornerstone. This element of the marketing concept calls for the organization to put its customers, rather than its internal operations, as the "focal point or pivot for all business activity" (Barksdale and Darden 1971, p. 29).

Interfunctional coordination is the second element of the marketing concept. It is based on the notion that all aspects of an organization's operations can affect the ability of the organization to respond to the needs of its customers. Interfunctional coordination call for the whole organization to work as an integrated unit in marketing to customers rather than function as a number of isolated departments (McCarthy, Shapiro, and Perreault 1989). This element of the marketing concept draws attention to the need to coordinate marketing efforts across various functional activities within the organization.

The third pillar of the marketing concept is a recognition of profit as a primary goal of the business organization (e.g., Barksdale and Darden 1971; King 1965; Narver and Slater 1990). Profitability is seen as necessary for the organization's survival. Other goals, such as sales, may be helpful to the survival of an organization but are not as comprehensive as profit. As such, profit is advanced as a criterion for determining which customers and which customers' needs the organization should address.

Controversies Regarding the Marketing Concept

The marketing concept was initially articulated as a prescription for organizations struggling to cope with the changing business environment of the 1950s. The tendency of early writers was to advocate the adoption of the marketing concept and suggest how this might be accomplished (Alderson 1959; Felton 1959; McKitterick 1957). During this time, the marketing concept received considerable attention in the practitioner literature (cf., King 1965; McNamara 1972).

By the late 1960s and early 1970s, however, problems with the marketing concept began to surface. The promise of the marketing concept did not appear to be fulfilled. This is exemplified by the title of an article by Bell and Emory (1971): "The Faltering Marketing Concept." Some authors argued that it was flawed and recommended changes (e.g., Bell and Emory 1971; Kaldor 1971). Others argued that it was basically sound but needed more careful implementation (e.g., Barksdale and Darden 1971; Muse and Kegerris 1969).

Over the past 25 years discussions of problems with the marketing concept have received considerable attention. These problems can be grouped into three general areas:

- "breadth" problems
- implementation problems
- performance problems

In the following sections, I overview each of the problem areas.

Breadth Problems

Breadth problems refer to questions of whether the marketing concept is too narrowly or broadly construed. These problems can be understood in terms of three kinds of issues: strategy, social, and domain issues.

Strategy issues address the extent to which the marketing concept is a prescription that applies to all businesses (Alderson 1959; Ruekert 1992). Several authors have argued that the customer orientation element of the marketing concept is too narrow. For example, Day and Wensley (1983, 1988) argue that the customer orientation does not account for competitors. They propose that the pursuit of competitive advantage may require organizations to invoke a competitor orientation (Day and Wensley 1983). Others challenge the assumption that the marketing concept is *the* optimal marketing management philosophy. For example, Houston (1986) argues that the marketing concept may not be an optimal strategy when

- exchange partners are satiated.
- a desired offering is not to be made available.
- the value of incremental bits of information about individuals who are groups of exchange partners will not exceed the value of gathering that information.
- the organization or all of its exchange partners are restricted from varying and/or negotiating what they will offer.

Social issues refer to the perceived lack of relevance of the marketing concept to larger human welfare issues such as "consumerism, clean-up, and conservation" (Shuptrine and Osmanski 1975, p. 62; Beik and French 1985). Several authors have argued that the marketing concept should be broadened to deal with social issues facing

marketers. For example, Bell and Emory (1971) argue that the marketing concept should refer to a "consumer concern" rather than a "customer orientation." They suggest that

> A firm can show consumer concern by supplying more and better product information to the buyer. Although many consumers do not appreciate or use information, this is not adequate justification for denying such information or for seeking to perpetuate buyer ignorance. (Bell and Emory 1971, p. 41)

Domain issues refer to perceived inconsistencies between the marketing concept and the domain of marketing. One of the key discussions in the marketing literature of the 1970s concerned defining the scope or domain of marketing (Bagozzi 1975; Hunt 1976; Kotler and Levy 1969; Luck 1969). The result of this discussion was a broadening of the scope of marketing domain (Bartels 1988). This discussion had direct implications for the marketing concept. For example, if the domain of marketing expanded to include not-for-profit organizations such as police departments and churches (Kotler 1972), who would be their "customers" and how would the profitability goal be interpreted? El-Ansary and Kramer (1973), in support of the marketing concept, offer an illustration of how the marketing concept can be successfully applied to the management of a family planning program. Hirschman (1983) argues that the marketing concept is too narrow. She suggests that the concept should be broadened so it is relevant to aesthetic and ideological producers.

Breadth problems, reflected in strategy, social, and domain issues, are of critical importance in that they lead to a variety of definitions of the concept. For example, if the marketing concept is defined as including both a customer and a competitor orientation (e.g., Narver and Slater 1990), the concept is broader than if it includes only a customer

orientation (e.g., McCarthy, Shapiro, and Perreault 1989). The concept's definition has an important impact on its implementation and how it is related to performance (i.e., implementation and performance issues). For example, if the marketing concept were defined as including "consumer concern" (Bell and Emory 1971), implementation would require an organization to consider a different range of issues than if the marketing concept included only "customer orientation." Consumer concern would require consideration of the needs of people who were not customers or potential customers.

Implementation Problems

Implementation problems address the apparent difficulty that organizations have had implementing the marketing concept. While the marketing concept has received support over the past 40 years, many argue that it has been extremely difficult to implement (cf. Day 1995). Two key questions arise in the context of implementation. First, to what extent is implementation a matter of adopting a particular philosophy (or set of values and beliefs) versus engaging in a set of specific activities? Barksdale and Darden (1971) were the first to raise this question in the literature. Currently, the principle views of the marketing concept take different sides of this question. Narver and Slater (1990) view the marketing concept as a component of organizational culture. Kohli and Jaworski (1990), on the other hand, view implementation of the marketing concept in terms of specific activities.

Second, to what extent does the marketing concept refer to an organizational versus a functional responsibility? In the past, some authors (e.g., Hise 1965; McNamara 1972) have described implementation in terms of a powerful marketing department.

Under this view, interfunctional coordination is achieved through the dominant role that the marketing department plays in the organization. More recently, authors argue that the marketing concept refers to an organizational responsibility (e.g., Kohli and Jaworski 1990; Narver and Slater 1990; Shapiro 1988). Webster (1994) suggests that while the marketing concept needs to be adopted by the organization, responsibility must be assigned to an individual or group. This suggests that some members of the organization adopt the marketing concept more than others. Woodruff and Gardial (1996) echo this sentiment in their discussion of market opportunity analysis (MOA). They argue that, while individuals throughout the organization participate in MOA processes, responsibility for these processes should be clearly assigned to an individual or a few individuals.

Performance Problems

Performance problems concern the relationship between adopting the marketing concept and organizational performance. Narver and Slater (1990) note that for over 30 years marketing scholars and practitioners have claimed that implementation of the marketing concept will improve organizational market performance. They go on to say that, at the time of their writing, no one had tested the effect of market orientation on business performance. Although there have been several recent attempts to test this relationship which lend support to a positive relationship between the marketing concept and performance (e.g., Jaworski and Kohli 1993; Narver and Slater 1990), much more research is required.

Framework of Views of the Marketing Concept

In an attempt to clarify some of the differences between the various views of the marketing concept, the following framework is offered. This consists of four basic components:

Framework Dimension	Description of Dimension
Market Orientation	Range of players included in definition of "market."
Marketing Orientation	Marketing activities portrayed as a functional versus an organizational responsibility.
Goal Orientation	Range and nature of goals considered.
Implementation Orientation	Implementation seen as a system of beliefs or as a set of activities.

The following sections will briefly discuss each of these components. First, however, it is necessary to distinguish between the terms "market" and "marketing."

"Market" Orientation

What is a "market"? Authors offer a variety of answers to this question. Consider the following statements.

> A market usually is associated with a generic class of products. One hears of the beer market, the cake-mix market, or the cigarette market. These are *product markets*, referring to individuals who in the past have purchased a given class of products. (Sissors 1966, p. 17, emphasis in original)

> A market is the set of all actual and potential buyers of a product. (Kotler 1980, p. 16)

> [Day, Shocker, and Srivastava (1979)] define a product-market as the *set of products* judged to be substitutes, within those usage situations in which similar patterns of benefits are sought, and the *customers* for whom such usages are relevant. (p. 10, emphasis in original)

Sissors and Kotler's definitions cast "market" in terms of sets of buyers, while the third definition includes a set of products and a set of buyers. Sissors and Kotler differ in that Kotler includes potential buyers in his definition of markets.

Note that under the condition that "market" is defined as customers[1], "customer orientation" and "market orientation" become equivalent terms (cf. Deshpandé, Farley, and Webster 1993). Thus, the first element of the marketing concept (i.e., customer orientation) can be rephrased as "market orientation." Various conceptualizations of the marketing concept can be understood in terms of the definition of "market" used by the authors:

- customers (e.g., Kohli and Jaworski 1990).
- consumers (e.g., Bell and Emory 1971).
- customers and competitors (e.g., Narver and Slater 1990).
- stakeholders (Lusch and Laczniak 1987).

"Marketing" Orientation

"Marketing" refers to activities or processes involved in taking a product to market. Authors' descriptions of the marketing concept differ in whether they describe or accentuate "marketing" as a departmental activity or an organizational activity. For example, Hise (1965) proposes that a marketing concept means an emphasis on

> ... an organizational structure in which all marketing activities are performed by the marketing department, and where the chief marketing executive is accorded a place on the company's organizational chart equal to that of the top financial and manufacturing executives. (p. 9)

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[1] The marketing concept literature does not appear to differentiate between different "types" of customers (e.g., end-users versus trade customers).

According to Hise, the marketing concept does not imply a diffusion of marketing activities throughout an organization; rather, these activities are centralized in a marketing department. Coordination is achieved through the top marketing executive's interactions with other top executives. Marketing departments and marketing managers are portrayed as playing a "quarterback" role in the coordination of activities throughout the organization (e.g., new product development, production scheduling, sales, and distribution) (cf. King 1965).

Others contend that the integration is the result of the market orientation being shared by personnel throughout the organization. Shapiro (1988), for example, argues that integration should occur at the operational levels of an organization to be effective. He implies that assigning the central responsibility for marketing to the marketing department is antithetical to being marketing oriented. According to this perspective, personnel throughout the organization can affect the ability of the organization to respond to the market; therefore, all personnel should embrace a market orientation.

Goal Orientation

Authors' interpretations of the marketing concept also vary along three dimensions in terms of goal orientation. First, authors differ in their views on the breadth of the group imposing goals. The traditional view of the marketing concept holds that organizations consider profit as the goal of the organization. Profitability is an example of an organization-level goal. Some authors suggest that the marketing concept should explicitly include social goals. For example, Bell and Emory (1971) argue that the marketing concept should draw attention to the needs of consumers (be they customers or

not). Hirschman (1983) criticizes the marketing concept for not recognizing the goals of individuals--particularly those who produce aesthetic or ideological products. This is a call to recognize individual-level goals.

Second, authors differ in terms of the level of specificity of goals. Profit was advanced as an element of the marketing concept as an alternative to sales (Barksdale and Darden 1971). Sales is a sub-goal to profit (i.e., profit = sales - expenses). Thus, the call for managers to attend to profits is a call for managers to focus on a goal further up the means/ends chain. Houston (1986) takes a similar position in his view of the marketing concept. He suggests that the marketing concept is appropriate to help organizations achieve their "exchange determined goals." In other words, Houston is calling for organizations to identify those higher-level goals--the achievement of which are influenced by exchange. These higher-level goals could include the number of patients served by a nonprofit healthcare center.

Third, authors differ in terms of the inclusion of goals in the marketing concept. Traditionally goals (i.e., profitability) have been an explicit component of the marketing concept. Some authors, however, take the position that goals should be viewed as outcomes associated with its implementation. Kohli and Jaworski (1990), for example, submit that profit be viewed as the result of successfully implementing the marketing concept rather than an explicit element of the concept.

Implementation Orientation

Finally, authors also vary in the degree to which they accentuate the philosophical or behavioral features of the marketing concept in its implementation. Barksdale and

Darden (1971) indicate that while many managers had "adopted" the philosophy of the marketing concept, these same managers found it difficult to "implement" the concept into the day to day activities of the organization. Some authors emphasize the structural or behavioral dimensions of the marketing concept (e.g., Hise 1965; Kohli and Jaworski 1990). They argue that the "implementation of the marketing concept" is reflected in the activities of the organization. Others (e.g., Deshpandé and Webster 1989; Narver and Slater 1990) suggest that the marketing concept is more closely related to the shared values and beliefs of the organization.

Thus, on one extreme there are some authors who suggest that the marketing concept is essentially a philosophy of business (e.g., Deshpandé and Webster 1989). This implies that a wide range of behaviors could be associated with firms which had adopted the concept (Anderson 1982). At the other extreme are authors who suggest that the marketing concept is a prescription for action--that firms which have implemented the marketing concept have strong behavioral tendencies (e.g., Kohli and Jaworski 1990).

Summary

What is the marketing concept? Based on this review, there is a range of answers to this question. The framework suggests that the various conceptions of the marketing concept can be understood in terms of four basic components:

- market orientation: values and beliefs regarding the fundamental influence of the "market" on the organization. Variation appears in the definition of "market."
- marketing orientation: values and beliefs regarding the development of an organization-wide effort directed at responding to the market. Variation appears in whether marketing is seen as primarily a departmental responsibility or an organizational responsibility.

- goal orientation: recognition of goals of stakeholders. Variation appears in which stakeholders and goals are recognized.
- implementation orientation: the extent to which implementation is seen as requiring the acceptance of a set of beliefs or as performing a set of activities.

In addition to these components, perspectives on the marketing concept vary as to the importance of each of these elements. Some authors emphasize market orientation (i.e., focal elements in the environment) over marketing orientation (i.e., focal internal activities) (e.g., Deshpandé and Webster 1989), while others show the opposite tendency (e.g., Kohli and Jaworski 1990). Authors also differ in the emphasis they place on goal orientation. Some see a goal orientation as playing a critical role (e.g., Barksdale and Darden 1971) while others see goals as the outcome of implementing the marketing concept rather than as an explicit component (e.g., Kohli and Jaworski 1990).

In summary, the marketing concept holds an important place in the marketing literature. A good deal of controversy remains, however, with respect to the meaning of the "marketing concept." The framework serves to highlight some of the major differences among authors and their views of the concept. Furthermore, problems of implementation of the marketing concept and assessing its relationship to performance should be explored. Of these, implementation issues are of critical importance to managers and researchers. Without implementation, the marketing concept is little more than an abstract idea. Barriers to implementation keep the concept from reaching its full application potential. Research on this topic will allow managers to better understand the extent to which their organization has implemented the concept and provide guidance as to improving the extent of implementation. Researchers wishing to measure the extent to which implementation of the marketing concept is related to organizational performance

will need a clear understanding of implementation. If researchers cannot differentiate between organizations that have adopted the marketing concept and those that have not, it will be impossible to associate the marketing concept with performance.

One implication of the preceding discussion is that researchers need to be very careful in defining the marketing concept. Before I offer my view of the marketing concept, I will discuss the perspective that underlies my view. Although a number of perspectives are available, one perspective that may offer insight into the marketing concept is that of organizational learning. Like the marketing concept, organizational learning is concerned with organizations' needing to cope with complex and changing environments. In the following section, I present a model of organizational learning. Based on this perspective I will then offer my view of the marketing concept.

Organizational Learning

What is organizational learning? Like the marketing concept, the management literature reflects a variety of interpretations of organizational learning (Fiol and Lyles 1985) . Some authors differ in their view of the extent to which learning results in improved organizational effectiveness. Argyris (1976, 1977; Argyris and Schön 1978), for example, views organizational learning as a process of detecting and correcting errors that limit the effectiveness of organizational actions. Huber (1991), on the other hand, argues that organizational learning "does not always increase the learner's effectiveness, or even potential effectiveness" (p. 89). Fiol and Lyle (1985) suggest that another difference in authors' interpretations of organizational learning is the extent to which learning requires a change in understanding versus a change in behavior. Senge and

Sternman (1992), for example, propose that organizational learning is "the process whereby *shared understandings* change" (p. 138, emphasis added). Reed and DeFillippi (1990), however, argue that organizational learning may result in tacit knowledge--knowledge that is not clearly understood and difficult to share.

In spite of these differences, a number of common themes run through much of the organizational learning literature. First, organizations are viewed as information processors--they gather, interpret, and act on stimuli from the environment. Glazer (1991) defines information as "data that have been organized or given structure--that is, placed in context--and endowed with meaning" (p. 2). Information processing is the process that gathers data and then converts some of that data to information. Several authors have used an information processing perspective in describing the marketing concept. King (1965) presents a model of the marketing concept that reflects an information processing perspective. More recently, Kohli and Jaworski (1990) discuss the implementation of the marketing concept in terms that are consistent with information processing. Second, as organizations process information, they access and modify their knowledge. This suggests that organizations understand their environments based on what they currently know and have the potential to change their understandings based on their interpretations of data. Several authors argue that the marketing concept is useful because it facilitates organizations noticing and adapting to changes in their environments (Slater and Narver 1995). In the following sections I will discuss these themes in more depth.

Organizations as Information Processors

Organizations are successful to the extent that their actions fit the environment better than the actions of competitors (Henderson 1983). Organizational actions are responses to environmental stimuli. The connection between a stimulus and response is mediated by the information processing of the organization. Figure 1 presents a model of organizational learning that illustrates how information processing connects an organization's environment and its response to that environment. Note that this model addresses how organizations process information about the environment. Organizations also process information about their own operations but these process are not illustrated in this model.

Steps in the process

Scanning is "the process of monitoring the environment and providing environmental data to [members of the organization]" (Daft and Weick 1984). Scanning generates data and disseminates it to various members of the organization. Scanning processes can be described along several dimensions. First, scanning processes differ in the extent to which they are active or passive. Active processes, such as in-home interviews with customers, reach into the environment to gather data. Passive processes, such as a customer complaint line, are those that wait for the environment to act on the organization. Another difference among scanning systems is their capacity to carry "rich" versus "lean" data (Daft and Lengel 1984). "Richness is defined as the potential information-carrying capacity of data" (Daft and Lengel 1984, p. 196). Scanning systems that carry rich data can be characterized as having immediate opportunities for feedback,

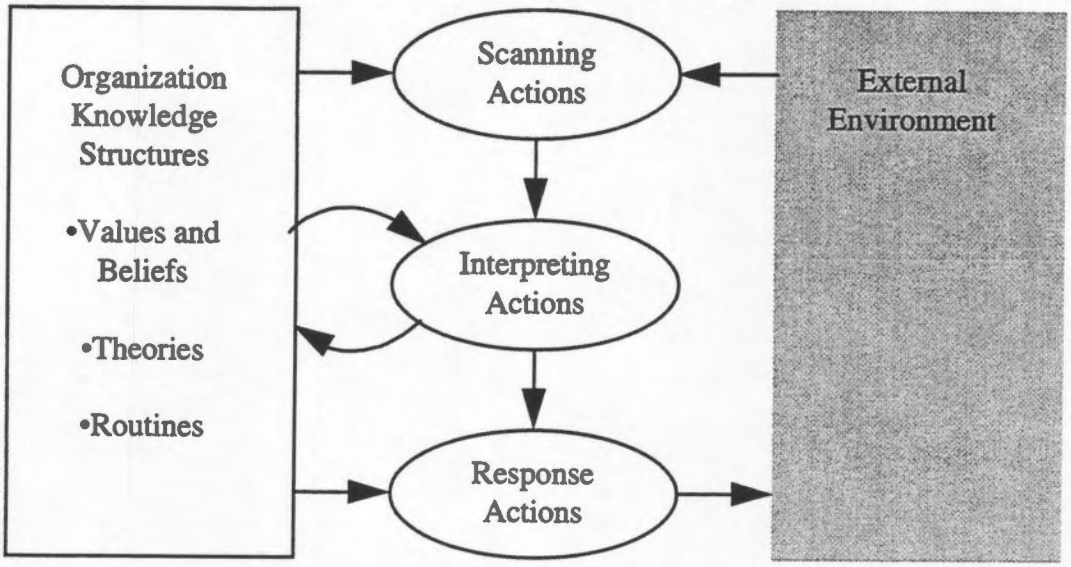

Figure 1
Model of Organizational Learning

conveying both audio and visual signals (allowing the transmission of verbal and nonverbal language), and occurring in a personal context. A casual face-to-face meeting would exemplify a rich scanning mechanism. Scanning systems that carry "lean" data can be characterized as having very slow feedback opportunities, conveying limited visual signals, and occurring in a stylized, impersonal context. A standardized, computer-generated report would exemplify a lean scanning mechanism. Third, scanning systems differ in the extent they are used routinely or one-time projects (Churchill 1991). For example, accounting systems collect data on a routine basis. An organization that interviewed customers to assess their initial reactions to a new product illustrates a one-time project.

Once data are generated, they are available for the organization to interpret. The reciprocal of this statement is also true; data which are not generated are not available to

be interpreted. Because it is impossible to collect all possible data regarding the environment, organizations collect a limited set of data. Events or states of the environment not reflected in the data collected are not available for further processing. Thus, data generation limits the ability of the organization to perceive some characteristics of the environment (Ansoff and McDonnell 1990). This does not, however, imply that all data generated are interpreted by the organization. Brien and Stafford (1968) comment that, at that time, the ability of organizations to generate data was outstripping their ability to use it. Developments in information and communication technology over the last 25 years have increased our ability to generate data more rapidly than our ability to interpret those data.

Interpretation is "the process of translating events and developing shared understanding and conceptual schemes among members" of the organization (Daft and Weick 1984). In other words, interpretation is an organizational process of giving meaning to data. Interpretation includes both individual thinking processes and interpersonal processes. The number of individuals involved in the interpretation of a particular set of data can vary dramatically. In some situations it may not be necessary for any individuals to be involved. Consider an automatic teller machine (ATM) paying out money to a bank customer. The ATM collects data from the customer's bank card and key-pad entries. A computer program processes this data and dispenses cash to the customer. In this situation, the bank's generation, interpretation, and response did not require direct human involvement. In other situations, a large number of organizational members may be involved in interpreting data. For example, an organization may require

that its board of directors approves large contracts. The entire board of directors may be involved in the interpretation of data before the organization responds to such opportunities.

Interpretation processes include the cognitive activities of organizational members (i.e., their individual interpretation processes) and the social and political interactions required to negotiate a shared understanding (Shrivastava 1983). The research on the interpretation processes of individuals is extensive (Hedberg 1981; Huber 1991). Individuals' interpretation processes have been found to often lead to biased interpretations of data (Hogarth 1987). One source of bias to individuals' interpretations arises from cognitive processing strategies that reduce the amount of effort required. Examples of biases that emerge from attempts to reduce processing effort include (Barnes 1984)

- availability bias: people are likely to judge an event as likely or frequent if instances of it are easy to imagine or recall.
- hindsight bias: the knowledge of an event's occurrence increases that event's perceived inevitability
- misunderstanding the sampling process: people tend to over-estimate the accuracy of small samples.
- judgments of correlations and causality: if people believe that two variables are causally related, they are more likely to perceive a correlation between the two variables.

Another source of bias in individuals' interpretation processes arises from the needs of individuals to protect their self-concepts. When confronted with data that may damage their self-concept, people tend to ignore the data or attribute the data to an external cause ("A bad thing may have happened, but it wasn't my fault!").

It is important to note that these biases are not always dysfunctional. First, information processing heuristics allow people to make decisions more quickly than if they were to employ more effortful processes. Furthermore, the decisions that emerge from heuristic processes are often close approximations of the "correct" decisions (Barnes 1984). Second, perceptual biases that protect individuals' self-concepts may be necessary for them to cope with high stress situations (Barnes 1984).

In addition to the interpretation processes of individual members, organizational interpretation often involves interpersonal and intergroup processes. The extent to which interpretations are shared depends on the extent and quality of interaction. Opportunities for individuals to communicate with one another will depend upon factors such as their departmental affiliations, the level of differentiation between organizational departments, and the physical distribution of organizational personnel (Cohen et al 1988; Mintzberg 1979). Organizations that are highly differentiated have fewer interfunctional interactions than more integrated organizations. Organizational units that are physically separated will tend to have less communication than units that are integrated. The quality of the communication between organizational members will depend upon the communication media used (e.g., face-to-face versus standardized form) and the communication norms of the organization (Daft and Lengel 1984). Media that facilitate the exchange of rich information will enable a greater degree of shared interpretations than those that do not. If an organization's norms discourage conflict, organizational members may leave conflicting interpretations unresolved. As noted above, it may be possible to avoid resolving differing interpretations as long as an equifinal meaning is

reached. For example, managers may disagree on the extent to which a competitor's action represents a shift in strategy. If these managers agree on an appropriate response, the differing interpretations need not be resolved.

As the third component of the organizational information processing model, responding is the process of acting on the environment. The actual behavior of an organization will depend on two factors. First, the actual behavior of an organization is limited by the range of its capabilities. "Capabilities are manifested in such typical business activities as order fulfillment, new product development, and service delivery" (Day 1994, p. 38). At any one time an organization has a certain, limited set of response capabilities. Second, organizations will act on the environment only when that action is cued by a perceived stimulus. For example, a company may respond to the test marketing efforts of its competitors by increasing advertising or offering price reduction. In order to engage these responses, the company must perceive that a competitor is test marketing.

Information processing links organizations to their environments. Scanning generates data that can be interpreted. Interpretation results in an understanding of some of the available data. This understanding guides the response of the organization to its environment. An organization's responses determine its fit with the environment and its ability to maintain a fit. These processes draw upon and potentially alter the knowledge of the organization. The following section discusses these knowledge structures.

Organizational Knowledge Structures

Organizational knowledge is composed of the mental and structural artifacts that have been acquired by organizations (Walsh and Ungson 1991). Organizational knowledge includes records of past actions or observations (e.g., financial data), behavioral capabilities (e.g., order fulfillment), behavioral patterns (e.g., organizational structure), and members' cognitive representations and world views (e.g., cause maps and values). It is useful to distinguish between the structure of knowledge and the content of knowledge. Knowledge structures can be understood as schema. "Memory schemata are the naive theories that observers possess concerning the covariation and causal relations among stimulus objects and events" (Phillips and Lord 1982, p. 486). Knowledge content can be understood as the data stored within the knowledge structure. For example, an organization may believe that advertising expenditures (with a number of other variables) cause sales revenues. This relationship between advertising expenditures and sales revenue would be a part of the organization's knowledge structure. If the organization maintains a record of monthly advertising expenditures and sales receipts, these data would be part of the organization's knowledge content.

The philosophy of science literature suggests that knowledge exists in a hierarchy (Leong 1985; Morgan 1980). Paradigms (Kuhn 1962; Morgan 1980), frames of reference (Shrivastava and Mitroff 1983), and culture (Deshpandé and Webster 1989; Schein 1992) refer to high level (the most abstract) knowledge. This knowledge consists of the basic assumptions, beliefs, values, and "truth tests" that guide information processing within the organization. This level of knowledge plays a critical role in organizations'

interpretations of data. An organization's assumptions, beliefs, and values determine what is "important" and "true" (Shrivastava and Mitroff 1983). An example of this level of knowledge would be beliefs regarding the value of consensual or autocratic decision making. Mid-level knowledge structures, or mental models, are composed of abstract knowledge that is available to members of the organization at the conscious level. Mental models are cognitive representations (or theories) of the environment, the organization, and their interactions. Cognitive psychologists have discussed a number of types of mental models (Fiol and Huff 1992) such as categorization structures (Stubbart 1989) and those depicting causal relationships (e.g., Hall 1976). Examples of this level of knowledge would include market segments (categorization structures) and the relationship between advertising expenditure and sales (causal relationships). In terms of the level of the knowledge hierarchy, routine knowledge is at the lowest level. This level of knowledge is concrete in that it is linked directly to behavior. This type of knowledge can be seen in organizations' policy manuals, customs, and structures (Walsh and Ungson 1991).

Organizational knowledge structures are central to the information processing within the organization. All information processing *behaviors* emerge from an organization's knowledge structures. For example, surveying customers is a technique for generating data. In order for an organization to generate data with a market survey, it must know how to conduct such a survey or how to use an outside agency to perform the survey. An organization's "know-how" relating to scanning, interpreting, and responding

to an environmental stimuli is housed in its knowledge structures. If an organization does not know how to survey customers, it will not be able to generate data in this manner.

Knowledge structures also determine the content of information processing activities. Content is determined by the organization's response to two questions. First, "what is important?" and "what is true?" (Phillips and Lord 1982). Organizations will tend to gather and interpret data that are expected to be important. Importance is not objectively determined; importance is a value judgment. In order to protect the ego of individuals (Staw 1980) or the social norms of the organization (Argyris 1986), organizations may distort the importance of data to facilitate interpretation. In some cases, data may be completely disregarded. As noted above in the discussion of interpretation processes, to be interpreted, data must be fit into the organization's understanding of the world (Daft and Weick 1984). Fitting is essentially a process of deciding on the truth value of data. In some organizations, truth may be defined with reference to a powerful leader while in other organizations truth may be defined with reference to objective data (Shrivastava 1983).

Learning: Changes to Knowledge Structures

To this point, the discussion has centered around the role of knowledge structures in information processing. Learning occurs when information processing changes knowledge structures. In the model depicted in Figure 1, learning is indicated by the arrow leading from interpretation to knowledge structures.

Hedberg (1981) identifies three modes or degrees of learning.

> *Adjustment learning* is applicable when a world view remains the same and temporary changes can be handled inside the behavioral repertoire. *Turnover learning* involves modifications of the interpretative system and development of new combinations of responses. *Turnaround learning* involves restructuring ... the metasystems that handle stimuli and responses (Hedberg 1981, p. 10, emphasis added).

Adjustment learning has been referred to as convergence (Tushman and Romanalli 1985), single-loop learning (Argyris 1976) and low-level learning (Fiol and Lyles 1985). Turnover and turnaround learning are relatively major changes to knowledge when compared to adjustment. Turnover and turnaround learning occurs when the interpretation process leads to a change in the pattern of knowledge. Hedberg notes that turnaround learning is impossible or very difficult. These types of learning have been referred to as reorientation (Tushman and Romanalli 1985), double-loop learning (Argyris 1976), and high-level learning (Fiol and Lyles 1985).

The extent to which these different types of learning are likely to occur depend on an organization's interpretation processes. For example, organizations that tend to encourage the surfacing and resolution of disparate interpretations of data are more likely to experience turnover learning (Argyris 1977).

In summary, the organizational learning perspective views organizations as information processors that draw upon and modify their knowledge structures as they attempt to cope with their complicated environments. To the extent that an organization's knowledge structures enable it to fit its environments better than competitors, the organization will survive in the short run. To the extent that an organization is able to change its knowledge structures (i.e., learn) to improve its fit with

the environment, the organization will survive in the long run. The organization learning perspective emphasizes the processes that enable organizations to survive.

An Integration

Several commonalities exist between organizational learning and the marketing concept that suggest a useful integration. First, both are concerned with the adaptation of organizations to their environments. Second, both are explicitly interested in information processing--the marketing concept addresses the nature (or content) of the information and organizational learning addresses the process. Third, both streams of literature are ultimately concerned with organizational behavior. Organizations that implement the marketing concept act to satisfy customer needs and learning leads to a change in the behavioral potential of the organization.

Figure 2 depicts an integration of the marketing concept with the organizational learning perspective. Market, marketing, and goal orientations are included as features of organizational knowledge structures. Organizations will differ to the extent they hold the beliefs[2] associated with each orientation. Market information processing (Moorman 1995) refers to processes used by organizations to gather, interpret, and ultimately respond to market data. Information processing mediates between an organization's knowledge and its environment.

The model serves to highlight several features of the marketing concept. First, the learning perspective emphasizes the relationship between marketing concept beliefs and

[2] To simplify the writing, I will use the term "beliefs" to refer to "values and beliefs."

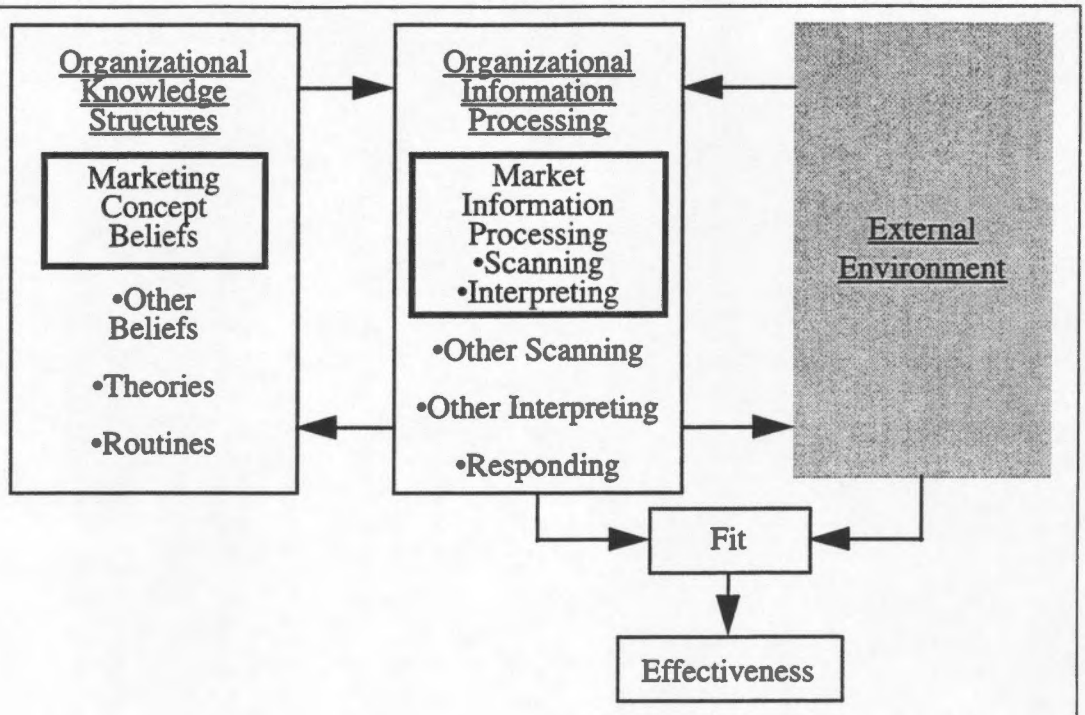

Figure 2
Marketing Concept and Organizational Learning

market information processing behaviors. Market information processing is driven by and informs knowledge of the organization: activities are the result of knowledge and the source of change to knowledge. Second, the model recognizes that marketing concept beliefs represent only a part of the system of beliefs of an organization. If marketing concept beliefs are a part of an organization's culture (i.e., they are widely shared), they represent only a fragment of that culture (Deshpandé, Farley, and Webster 1993). Thus, the market information processing activities of an organization may depend on aspects of an organization's knowledge other than those associated with the marketing concept. For example, market information processing activities will likely be associated with factors

such as strategic orientation (McDaniel and Kolari 1987; Miles and Snow 1978) and organizational culture (Deshpandé, Farley, and Webster 1993; Moorman 1995).

Third, the organizational learning perspective implies that the *interpretation* of market data is a critical component of understanding customer needs. The role of interpretation has received little attention in the marketing concept literature. Kohli and Jaworski (1990) define market orientation in terms of generation, dissemination, and responsiveness activities. Although some of their measures for dissemination suggest behaviors associated with organizational interpretation processes (e.g., interdepartmental meetings), it is not clear that they are considering *interpretation* to be an important factor. The organizational learning perspective, however, highlights the importance of interpretation (Huber 1991). Organizations that gather and disseminate market information either may not attend to this information or they may interpret it in the light of another orientation. Furthermore, this perspective suggests there are qualitatively different types of interpretation that tend to produce different types of learning. For example, some interpretation processes tend to lead to low adjustment learning while other processes may tend to result in turnaround learning (Hedberg 1981).

Returning to the framework of views of the marketing concept, how does the organizational learning perspective imply the marketing concept be viewed? In terms of *market orientation*, the organizational learning perspective suggests that "market" be viewed as customers, or, more precisely, potential down-stream exchange partners. This does not suggest that other players are not important. Instead, the importance of these other players is determined by their affect on customers. In terms of *marketing*

orientation, the organizational learning perspective suggests that marketing is an organizational function rather than departmental. The organizational learning model does not differentiate between interpreting market data from other sources of data. In fact, it suggests that interpretations of market data are closely linked to organizations' understanding of other sources of data (e.g., human resource data). In terms of *goal orientation*, the organizational learning perspective does not offer any insight other than that organizations goals are an important dimension of their knowledge structures. In terms of *implementation orientation*, the organizational learning perspective suggests that the implementation consists both adopting a set of beliefs and a set of information processing activities. Performing the information processing behaviors alone does not imply that an organization has implemented the marketing concept. Adoption of marketing concept beliefs is also necessary.

A Research Program: Key Questions

The model presented above suggests the following relationships (See Figure 2). First, the extent to which an organization's marketing concept orientations influences its effectiveness is mediated by its market information processing activities. Second, the relationship between an organization's information processing and it effectiveness is moderated by the environment. Consideration of these two relationships suggests several key questions to be addressed.

First, distinguishing between marketing concept knowledge structures and behaviors begs the question of alignment or fit between these two constructs. In other words, is it possible for an organization to hold marketing concept beliefs and not engage

in market information processing activities or vice versa? Barksdale and Darden (1971) suggest that some firms which adopted the philosophy were unable to operationalize that philosophy in organizational actions. This reflects the view that the beliefs were adopted but the necessary behaviors were not performed. Conversely, there is an indication that some organizations implement sets of behaviors without adopting the beliefs necessary to make these behaviors work. Research into the implementation of total quality management (TQM) programs suggests that some organizations implement activities but do not adopt the beliefs (i.e., culture) necessary to make the program work (e.g., Grant and Krishnan 1994). After several years of frustration, these firms reject TQM as a waste of time and energy.

It would appear that there are four possible relationships between marketing beliefs and activities (Table 1). Two of these relationships are consistent. In these relationships there is an alignment between the values and beliefs of the organization and the marketing activities performed by the organization. In the other two cells, there is an inconsistent relationship. It may be possible for an organization to adopt marketing concept beliefs but not perform the activities. This problem has been discussed extensively in the marketing literature. The second inconsistent relationship would be the case in which an organization does not embrace marketing concept beliefs but does engage in many activities. A similar situation has received attention in discussions of implementing total quality management. If there is evidence that some organizations occupy these inconsistent cells, the question of whether these are stable configurations

arises. For example, it may be that organizations embracing marketing concept beliefs may, over time, adopt marketing concept activities.

Once the relationship between marketing concept beliefs and marketing information processing is clarified, we can turn to a second key question: how are marketing concept beliefs and marketing information processing related to organizational effectiveness. In this case there appear to be three potential relationships (Figure 3). First, market information processing activities may mediate the relationship between marketing concept beliefs and organizational effectiveness. This relationship is consistent with the model presented above and would predict that firms in cell B would out-perform firms in cell C. Unfortunately it does not explain how organizations falling into cells A and D might perform. A second potential relationship is that the influences of organizational marketing values and beliefs and marketing activities may be independent. This would imply that organizations in cell B would be the most effective followed by those in cells A and D with firms in cell C being the least effective. Third, there may be an interaction effect. This relationship might result in firms falling in cells B and C having relatively high performance and firms falling into cells A and D having relatively low performance. Finally, it may be that a combination of these three relationships might exist. For example, marketing concept beliefs may have a direct effect and an effect that is mediated by market information processing.

Third, how does the nature of the environment affect the relationships among marketing concept orientations, market information processing, and organizational effectiveness? Past research has suggested that the nature of the environment has some

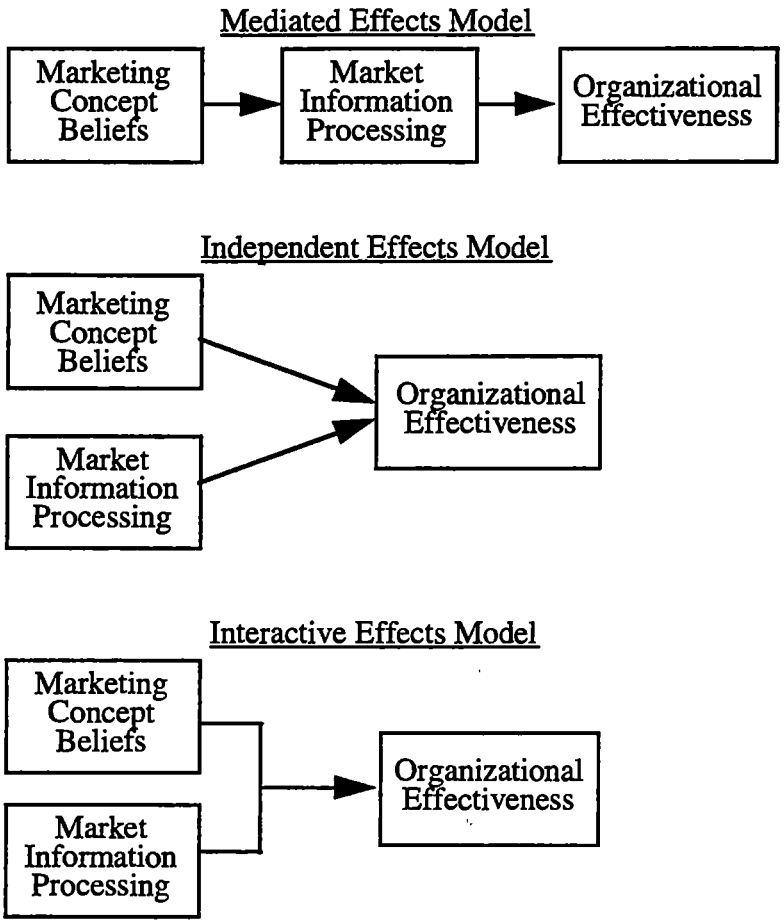

Figure 3
Possible Effects of Marketing Concept Orientations and Market Information Processing on Organizational Effectiveness

Table 1
Relationships Between Marketing Concept Beliefs and Activities

		Performance of Market Information Processing Activities	
		Low	High
Adoption of Marketing Concept Beliefs	Yes	(A) Inconsistent	(B) Consistent
	No	(C) Consistent	(D) Inconsistent

effect on the relationship between the marketing concept and organizational effectiveness. For example, Narver and Slater (1990) suggest that for organizations competing in commodity businesses, only those with a very high level of implementation will enjoy enhanced profitability.

In terms of a research program, these questions should be addressed in the order in which they were presented. As a first step it is necessary to assess the alignment between marketing concept knowledge and behaviors. If these constructs are always aligned (i.e., firms fall only into cells B and C in Table 1), measuring either construct would provide us with full information about the other. Furthermore, it would suggest that implementation of the marketing concept be based on the construct over which management had the most leverage--likely activities. On the other hand, if a number of firms are found to have a misalignment between marketing concept knowledge and activities, the nature of this misalignment needs to be explored. For example, it would be important to know if the inconsistent cells represented a stable position for organizations.

If firms in these cells were in a high state of flux (i.e., occupying cell A or D as they moved between cells B and C), the anticipated relationships between these alignments and organizational effectiveness (i.e., question 2) would be quite different than if firms in these cells were in a stable state. For example, if firms in these inconsistent cells were found to be in a high state of flux, they might be experiencing low levels of organizational effectiveness due to the difficulties of change. Once the relationships between marketing concept knowledge and activities are better understood, extending the research to include organizational effectiveness would be appropriate.

PURPOSE OF THIS RESEARCH

The purpose of this research, therefore, was to explore the relationship between marketing concept beliefs and market information processing activities. In doing so, four subsidiary questions are also raised. The first deals with the pattern of marketing concept beliefs that exist within organizations. As noted earlier, several authors have defined the marketing concept and its implementation in terms of organizational culture (e.g., Deshpandé, Farley, and Webster 1993; Narver and Slater 1990). According to the view of culture that they accept, culture consists of shared values and beliefs (Deshpandé and Webster 1989). In past research on the marketing concept, however, measurement consists largely of using single respondents to represent each business unit. In some cases two respondents were used. For part of their data, Kohli, Jaworski, and Kumar (1993) collected data from two or three respondents for each organization. They found that response from marketing managers and non-marketing managers were distinct and did not consider them to reflect a single measure of their business unit's adoption of the

marketing concept[3]. It would appear to be prudent to assess whether or not beliefs associated with the marketing concept are widely shared within organizations.

The second subsidiary question refers to the stability of inconsistencies between organizations' marketing concept beliefs and activities. While thoroughly exploring this issue would require a longitudinal design, it may be possible to explore the potential for inconsistencies to exist in the long term using a cross-sectional research design. For example, assessing the perceived rate of change within organizations may provide some information on this issue. Also, measures of individuals' roles of their organizations may be useful. For example, members experiencing high rates of role ambiguity might suggest a high rate of organizational change.

The third subsidiary question draws attention to different types of interpretation that go on within organizations. The organizational learning suggests that some interpretation processes are geared toward single-loop or low-level learning while others are geared towards double-loop or high-order learning. It may be possible to explore the relationship between these two different kinds of information processing and marketing concept beliefs.

The fourth subsidiary question deals with the relationship between organizations implementation of the marketing concept and market performance. It would be expected that organizations that adopt marketing concept beliefs and engage in market information

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[3] Please note that Kohli, Jaworski, and Kumar (1993) do not define implementation of the marketing in terms of culture.

processing will have better market performance than other organizations. Note that this question does not explore the full range of organizational effectiveness measures.

The answers to these subsidiary questions and the primary question should provide a basis for determining the next phase of this research program.

ORGANIZATION OF THE DISSERTATION

The following two chapters will provide a review of the literature relevant to the present study. Chapter 2 examines the literature related to organizational learning. This chapter describes the organizational learning model that underlies this research. Chapter 3 addresses the specific concepts and relationships to be addressed in this research. Included are reviews of the market orientation and market information processing literatures. Chapter 3 will also reviews literature related to strategic orientation and market environments. Chapter 4 presents a detailed description of the research methodology and data analysis. Chapter 5 details the results of the study. Last, Chapter 6 discusses the implications of the results and identifies opportunities for future research.

CHAPTER 2
THE MARKETING CONCEPT

INTRODUCTION

The literature review chapters (Chapters 2 and 3) provide the foundation and justification for the research model and hypotheses presented in this dissertation. Chapter 2 discusses the marketing concept. This chapter identifies the basic issues and questions that must be addressed. Chapter 3 offers the conceptual foundation for the dissertation. An organizational learning perspective is discussed and used to address some of the issues relating to the marketing concept.

The marketing concept has been a part of the marketing literature for some 45 years. Biggadike (1981) suggests that the marketing concept is one of the five major knowledge developments that marketing has contributed to strategic management. Since its introduction, the concept has been referred to with a number of terms such as the *marketing philosophy*, *integrated marketing*, and *total marketing* (Barksdale and Darden 1971). Organizations adopting the concept have been called *market oriented*, *marketing oriented*, *customer oriented*, and *market driven* (Day 1994). The loose use of terms has clouded the literature. Further complicating the picture, many of these terms have also been used to refer to concepts that are distinct from the marketing concept.

The purpose of this section is to review the marketing concept literature and highlight key issues to be addressed. First, I review the foundation of the marketing concept and discuss the issues that researchers have addressed in its regard. Second, I offer a framework to clarify my interpretation of several key terms that have been used in

this literature: "marketing concept," "marketing orientation," and "market orientation." Third, I identify the key issues to be addressed in future marketing concept research.

TRADITIONAL VIEW OF THE MARKETING CONCEPT

The marketing concept was articulated and developed in the 1950s. Drucker (1954), perhaps the earliest advocate of the marketing concept (Day 1994, Webster 1988), argued that "the customer is the foundation of a business and keeps it in existence" (Drucker 1954, p. 37, see MJB). In other words, satisfying the customer, rather than earning a profit, is the fundamental purpose of business. While there is evidence to suggest that some organizations engaged the marketing concept much earlier (Fullerton 1988), the 1950s was a time in which many practitioners and educators became aware of its importance. "The outpouring of publicity [during the 1950s]--in trade journals, professional journals, and conference speeches--indicates that the marketing concept was viewed as a powerful idea by business executives and marketing educators" (Barksdale and Darden 1971, p. 30).

The development of the marketing concept coincided with the recognition of the importance of the marketing function within many organizations. While marketing was seen as a relatively minor function at the beginning of the decade, many came to appreciate its potential by the decade's end. Organizations such as General Electric, Pillsbury, and Westinghouse were among the many to embrace marketing during this time (cf., King 1965).

McKay (1958) proposed that marketing is

1. a philosophy of consumer orientation

2. a method of managing by objectives
3. a system of commercial intelligence
4. a road to dynamic business strategy
5. an orderly process of business planning
6. an emphasis on innovation
7. a modern form of organization
8. an approaching profession
9. an essential for performance evaluation
10. a focus on future opportunities (in King 1965, p. 78-79)

This list reflects corporate America's optimism in marketing and the marketing concept during that time. Increases in the number of courses and texts on marketing management through this period (Bartels 1988) suggest the increase in educators' perceived value of marketing.

The change of managers' perceptions of marketing as an organizational function and the development of the marketing concept are not separate developments. It appears that some writers advocating an enhanced role for the marketing function within business used the term "marketing concept" to mean the "concept of marketing." Today, the marketing literature sees these terms as referring to two distinct concepts. "Marketing concept" is used to refer to a philosophy of management (e.g., Barksdale and Darden 1971), while the "concept of marketing" refers to the domain of marketing (e.g., Kotler and Levy 1969). It is not at all clear that the literature of the 1950s can be interpreted in this way. Consider the following quotations:

> Marketing means customer orientation--a true alliance with the fellow at the end of the pipeline, but it insists upon a course of action of mutual benefit (Borch 1957 in King 1965, p. 76).

> Under the modern 'marketing' concept, the whole business starts with marketing research and sales forecasting to provide a sound, factual, customer-oriented basis for planning all business operations, and the business function which has sales responsibility

> now participates in all the stages of the business planning process (McKay 1958 in King 1965, p. 76).
>
> Thus marketing, through its studies and research will establish for the engineer, the designer, and the manufacturing man what the customer wants in a given product, what price he is willing to pay, and where and when it will be wanted. Marketing will have authority in product planning, production scheduling, and inventory control, as well as in the sales, distribution and servicing of the product. (General Electric Annual Report 1952 in King 1965, p. 77)

Are the authors referring to a philosophy of business, an expansion of the role of the marketing department, or both? These quotes reflect the ambiguity of the 1950s.

By the mid-1960s, however, it was clear that "marketing concept" was a useful term needing careful definition. Based on a review of the literature, King (1965) defined the marketing concept as

> a managerial philosophy concerned with the mobilization, utilization, and control of total corporate effort for the purpose of helping consumers solve selected problems in ways compatible with planned enhancement of the profit position of the firm (p. 85).

While others would challenge this view, King's definition embodies the characteristics that are traditionally associated with the marketing concept in today's literature: customer focus, coordinated marketing, and profitability (cf., Day 1994; Kohli and Jaworski 1990). These three characteristics are discussed below.

Customer Focus

Customer focus, or customer orientation, is the cornerstone of the marketing concept. This element of the marketing concept calls for the organization to put its customers, rather than its internal operations, as the "focal point or pivot for all business activity" (Barksdale and Darden 1971, p. 29). The production and sales eras were

dominated by management's attending to internal forces (e.g., the need to standardize products to lower production costs) (King 1965). Customer focus emphasizes turning attention outside the organization.

The meaning of customer focus has been an issue of discussion in the marketing literature. For the most part, this discussion has revolved around the concern that the term not be interpreted too narrowly. For example, Bell and Emory (1971) suggest that "customer focus" should be broadened to "consumer concern" in order to direct the attention of marketers to the needs of society rather than just customers. Day and Wensley (1983) argue that market driven organizations attend to both customers and competitors in the search for competitive advantage. Others argue that the conceptualization of customer focus need not be broadened. For example, Houston (1986) suggests that being customer focused does not imply that an organization only responds to those needs that customers can articulate. He suggests that "if the marketer sees an innovative offering that has the potential to satisfy needs and wants [whether or not the customer can articulate them] and is willing to develop this offering with the customer's satisfaction in mind, the marketing concept is being used" (p. 86). Kohli and Jaworski (1990) support this view. They argue that an organization is customer focused when it considers factors that affect current and future customer needs and preferences, including the organization's own capabilities.

Coordinated Marketing

Interfunctional coordination, the second feature of the marketing concept, has been characterized in two ways. One group of authors refers to the extent to which a

customer focus is diffused throughout the organization rather than concentrated in the marketing department (Kohli and Jaworski 1990). This view is based on the assumption that most, if not all, individuals within an organization contribute to the value the customer receives from the organization. If these individuals are aware of customers' needs and preferences, they are in a better position to enhance their contribution (Narver and Slater 1990). Furthermore, if organizations are to act in a consistent, integrated manner, decision makers must have some common view of the focus of the organization. A shared customer focus can serve such a purpose.

A second group of authors refers to the extent to which decisions are coordinated throughout the organization (e.g., Shapiro 1988). Some imply coordination may be achieved by integrating decisions and actions through the organizational hierarchy. For example, Hise (1965) proposes that a marketing concept means an emphasis on

> ... an organizational structure in which all marketing activities are performed by the marketing department, and where the chief marketing executive is accorded a place on the company's organizational chart equal to that of the top financial and manufacturing executives. (p. 9)

According to Hise, the marketing concept does not imply a diffusion of marketing activities throughout an organization; rather, these activities are centralized in a marketing department. Coordination is achieved through the top marketing executive's interactions with other top executives. Shapiro (1988) argues that integration should occur at the operational levels of an organization in order to be effective.

Profitability

Traditionally, the third pillar of the marketing concept is a recognition of profit as primary goal of the organization (e.g., Barksdale and Darden 1971; King 1965; Narver and Slater 1990). Profitability as a component of the marketing concept serves two purposes. First, it serves to emphasize that organizations pursue multiple goals--organizations are not exclusively concerned with customers (Deshpandé and Webster 1989). Second, profit represents a "new" criterion variable. Profit was advanced as a replacement for sales volume--a key outcome in the sales concept (Barksdale and Darden 1971).

Many writers continue to specify profit as the appropriate goal (e.g., Narver and Slater 1990). Application of the marketing concept to a broad range of organizational settings (e.g., not-for-profit organizations, Kotler 1972), however, suggests a more general goal (Houston 1986). Considering the era in which the marketing concept was developed, the call for a shift of goals from sales to profits is understandable--organizations operating with a sales orientation (King 1965) might pursue sales at the expense of profitability.

CONCERNS WITH THE MARKETING CONCEPT

While the 1950s was a time of development and optimism with respect to the marketing concept, the 1960s, 1970s and 1980s saw a questioning of the value of the concept (Barksdale and Darden 1971; Elliott 1990; Lawton and Parasuraman 1980). Perceptions of problems such as organizational stress, excessive costs, high product failure rates, and a deterioration of relations among business, the public, and government

lead some writers to express concern about the usefulness of the marketing concept (Bell and Emory 1971). Three underlying bases for these concerns can be identified:

- breadth problems: how broadly should the marketing concept be defined and how generally applicable should it be?
- implementation problems: how can the marketing concept be implemented?
- performance problems: is the marketing concept really related to performance?

Breadth Problems

Breadth problems refer to questions of whether the marketing concept is too narrowly or broadly construed. These questions can be understood in terms of three issues: strategy issues, social issues, and domain issues.

Strategy Issues

Strategy issues are the foundation of the marketing concept. The marketing concept appeared in the 1950s as a prescription for the successful operation of American business organizations (Alderson 1959; Ruekert 1992). As a result, much of the writing regarding the marketing concept has addressed its role as an optimal strategy. Some authors argued that the concept needed to be revised to be more strategically robust; others argued that calls for revision were unnecessary; and still others argued that the marketing concept was *not necessarily the optimal strategy.*

Several authors have criticized the marketing concept as too narrow. These criticisms essentially fall into two different groups. Some criticisms appear to revolve around the definition of "market." Day and Wensley (1983, 1988) argue that the customer orientation is too narrow because it does not account for competitors. They

propose that the pursuit of competitive advantage may require organizations to invoke a competitor orientation (Day and Wensley 1983). Following this rationale, several authors argue that a market orientation includes both a customer orientation and a competitor orientation (Narver and Slater 1990). In response to this, Kohli and Jaworski (1990) and Deshpandé, Farley, and Webster (1993) argue that being "customer oriented" includes consideration of competitors, and other forces in the market (e.g., macro economic factors). In fact, Deshpandé, Farley, and Webster (1993) "argue that a competitor orientation can be almost antithetical to a customer orientation when the focus is exclusively on the strengths of a competitor rather than on the unmet needs of the customer" (p. 27).

Another criticism of the customer orientation component of the marketing concept is that it leads to short-term, uninnovative strategy. Authors with this view suggest that a customer orientation focuses attention on those needs which are articulated by customers (Lawton and Parasuraman 1980). This leads to a reduction in the ability of organizations to develop new products or product features. This myopia appears to be as much a concern today as when it first appeared. Hamel and Prahalad (1994) argue that organizations must look beyond the current needs of current customers if they are to maintain competitive. Recently, Slater and Narver (1995) argued that implementing a marketing concept should be supplemented with both an entrepreneurial and learning orientation in order to provide organizations a long-term competitive advantage. In contrast, Houston (1986) argues that such a narrow interpretation of "customer

orientation" is not necessary. Anticipating future needs and wants is consistent with the marketing concept (p. 86).

> Dependence on customers' expressions of their own needs and wants suggests that some marketers have failed to take a long term view of the marketing concept. Customers are not necessarily good sources of information about their needs a decade from now. (p. 86)

Another perspective argues that the marketing concept should not be viewed as a universal prescription. For example, McGee and Spiro (1988) concur with Hirschman (1983) that the marketing concept is not broad enough to be appropriate for all producers (e.g., artists). However, while Hirschman calls for an expansion of the marketing concept, McGee and Spiro suggest that the concept may not always be applicable. Houston (1986) also challenges the assumption that the marketing concept is the optimal marketing management philosophy, arguing it may not be an optimal strategy when

- Exchange partners are satiated.
- A desired offering is not to be made available.
- The value of incremental bits of information about individuals who are groups of exchange partners will not exceed the value of gathering that information.
- The organization or all of its exchange partners are restricted from varying and/or negotiating what they will offer.

Elliott (1990) suggests that the marketing concept alone is not sufficient and that an "organisation [sic] may need to expand dramatically its environmental purview to best ensure its continued viability" (p. 28-29).

Strategy issues continue to be discussed in the marketing literature. Increasingly, however, these discussions are shifting toward empirical tests of the marketing concept. Such testing is shifting attention to implementation and performance issues.

Social Issues

One source of discontent with the marketing concept came from a perceived lack of relevance to social issues of concern to marketing (Beik and French 1973). Shuptrine and Osmanski (1975) identify three key social issues: "consumerism, clean-up, and conservation (the three C's)" (p. 62). Bell and Emory (1971) discuss the relationship between the marketing concept and consumerism. They argue that the marketing concept is in conflict with organizations' social responsibilities. Bell and Emory propose that businesses following the marketing concept often engage in socially unacceptable behaviors. For example, "corporations that are closely identified with the popularization of the marketing concept have been accused of producing unsafe merchandise" (Bell and Emory 1971, p. 38). Such practices may occur if organizations fail to assess the long-term implications of their market efforts. Bell and Emory suggest that the marketing concept (i.e., customer orientation, integrated effort, and profit direction) be recast from the perspective of consumerism (i.e., consumer concern, integrated operations, and profit reward). Conservation is another social issue that has been used as the basis for assessing the marketing concept. The marketing concept had been developed during a time of surplus, and it was not clear that it provided appropriate guidance during shortages (Shuptrine and Osmanski 1975). Cullwick (1975) examines the applicability of the marketing concept during times of shortage and suggests that organizations will benefit from continuing to pursue a marketing philosophy.

McGee and Spiro (1988) suggest that the marketing concept need not address social concerns related to business for two reasons. First, they argue that it is

unreasonable for business firms to "set values and priorities for society and to put these priorities ahead of the firm's operational considerations" (p. 42). Second, they argue that firms will have incentive to behave in socially responsible ways if they adhere to the marketing concept. Firms that implement the marketing concept would "refrain from participating in markets in which the long-term effect on the consumer is negative, because they know that the consumer will eventually vote against such markets and companies" (p. 42). It can be expected that as other social issues arise, the applicability and value of the marketing concept will continue to be questioned.

Domain Issues

Domain issues are another source of discontent with the marketing concept. One of the key discussions in the marketing literature of the 1970s related to defining the domain of marketing (Bagozzi 1975; Hunt 1976; Kotler and Levy 1969; Luck 1969). The result of this discussion was a broadening of the scope of marketing domain (Bartels 1988). This discussion had direct implications for the marketing concept.

Some have argued that the marketing concept is defined too narrowly. For example, if the domain of marketing expanded to include not-for-profit organizations such as police departments and churches (Kotler 1972), who would be their "customers" and how would the profitability goal be interpreted? Hirschman (1983) argues that the marketing concept is too narrow. She suggests that the concept is not relevant to aesthetic or ideological producers. El-Ansary and Kramer (1973), in support of the marketing concept, offer an illustration of how the marketing concept can be successfully applied to the management of a family planning program.

Implementation Problems

Some authors have suggested that many of the perceived problems associated with the marketing concept rest in a lack of acceptance by organizations--a problem of implementation. For example, Muse and Kegerreis (1969) propose that many product failures can be attributed to a lack of acceptance of the marketing concept by top managers and R&D personnel. Barksdale and Darden (1971) suggest another type of implementation problem. They suggest that while managers have accepted the philosophy of the marketing concept, "relatively few companies are able--for whatever reasons--to implement the concept and make it operational on a day-to-day basis" (p. 36). McNamara (1972) attempts to measure the adoption (acceptance of the philosophy) and implementation (part of day-to-day operations) of the marketing concept. This differentiation continues to play a role in discussions of the marketing concept. For example, McGee and Spiro (1988) distinguish between the "marketing philosophy," "marketing concept," and "implementation" in their discussion of the marketing concept.

Recommendations regarding how to implement the marketing concept have been offered throughout the history of the concept (e.g., Felton 1959; Lichtenthal and Wilson 1992; Payne 1988; Shapiro 1988; Webster 1988). While the implementation problem has been noted in the marketing literature for over 25 years, it remains a key issue (Day 1994).

Performance Problems

Implicit in the strategy and implementation problems is the relationship between the marketing concept and performance. From the beginning, supporters argued that

adopting the marketing concept was "good business." Many writers have argued that adopting a market orientation was good business because it would enhance organizational performance (c.f., Elliott 1990, Kohli and Jaworski 1990, Narver and Slater 1990). Since the articulation of the marketing concept, its relationship with organizational performance has received very little empirical testing (Narver and Slater 1990).

The work that has been done in this area has looked at several dimensions of performance. Lawton and Parasuraman (1980) explored the relationship between adoption of the marketing concept and new product development activities. Lusch and Laczniak (1987) assess the relationship between implementation of an "extended marketing concept" (they include stakeholder concept) and financial performance. Narver and Slater (1990) also focus their attention on financial performance. Jaworski and Kohli (1993) take a broader view of performance and examine overall performance, market share, organizational commitment [of employees], and esprit de corps.

In a review of 26 empirical articles related to the marketing concept, Wrenn (1995) identifies that explored the relationship between implementing the marketing concept and organizational effectiveness. He concludes:

> Perhaps most significantly for marketing theorists and practitioners is the consistent finding that being marketing oriented [i.e., have implemented the marketing concept] does improve organizational performance. (Wrenn 1995, p. 57)

This conclusion appears suspect in that relatively few studies have been performed. Furthermore, within several of these studies, findings are tentative. For example, Jaworski and Kohli (1993) note that their findings "provide somewhat mixed support for the importance of [the implementation of the marketing concept]" (p. 64). They go on to

argue that market share, a measure of performance not significantly associated with the marketing concept, may not be an appropriate measure of performance. Narver and Slater's (1990) findings suggest that for commodity businesses the relationship between the marketing concept and financial performance is curvilinear (See Figure 4). This finding clearly contradicts Wrenn's conclusion. Based on Narver and Slater's findings, for a set of commodity businesses we would expect an increased implementation of the marketing concept to lead to a reduction in financial performance.

One final note is in order. All of the empirical work performed to assess the marketing concept/effectiveness relationship has been cross-sectional. As a result, while we may be able to discuss correlations of the marketing concept with effectiveness, there is no research documentation to support causal direction. For example, it may be that improved economic performance provides organizations the opportunity to implement the marketing concept. While empirical exploration of this relationship is gaining momentum, it appears to be too early to draw strong conclusions, particularly in light of the wide range of operationalizations of the concept

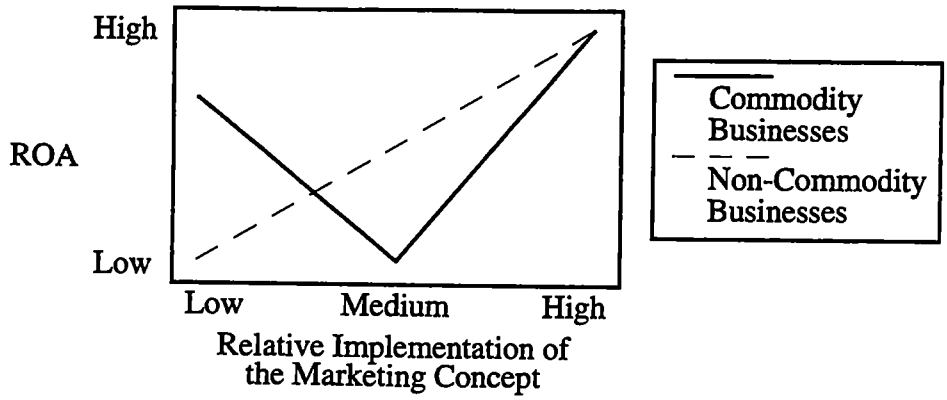

Figure 4
Relationship Between Implementation of the Marketing Concept and Return on Assets

The discussion above has described three types of concerns raised in the literature with regard to the marketing concept. As authors have dealt with these problems, they offered various interpretations of the concept. The following section describes a framework for organizing the various interpretations of the marketing concept which have appeared in the marketing literature.

A FRAMEWORK FOR DESCRIBING VIEWS OF THE MARKETING CONCEPT

The marketing concept was founded largely in the experiences of practicing managers (e.g., Felton 1959; Keith 1959; McKay 1958; McKitterick 1957). These managers described the need for organizations to attend to the needs of customers rather than the needs of the organization. These early writings also discuss the activities of organizations that had implemented the marketing concept. Subsequent writers on the marketing concept have attempted to deal with the issues discussed in the preceding

section. These attempts led the authors to develop their own view of the marketing concept. Furthermore, the marketing concept literature can be criticized for a casual or imprecise use of terms. For example, Slater and Narver's (1995) discussion of the market orientation treat their view (i.e., market orientation as organizational culture) as if it were referring to the same construct as Kohli and Jaworski's (1990) view (i.e., market orientation as specific activities). Although related, these two views are not necessarily consistent.

In an attempt to clarify some of the differences among the various views of the marketing concept, the following framework is offered. The framework for organizing the various interpretations of the marketing concept consists of four basic dimensions:

Framework Dimension	Description of Dimension
Market Orientation	Range of players included in definition of "market."
Marketing Orientation	Marketing activities portrayed as a functional versus an organizational responsibility.
Goal Orientation	Range and nature of goals considered.
Implementation Orientation	Implementation seen as a system of beliefs or as a set of activities.

Table 2 provides an illustration of how some of the major articles in the marketing concept literature would be described in terms of the framework. The following sections will discuss each of these elements in detail. First, however, it is necessary to distinguish between the terms "market" and "marketing."

Table 2
Application of Framework to Marketing Concept Literature

Authors	Emphasis on *Market* (values, philosophy) Versus *Marketing* (activities)	*Market Orientation*:: Range of Actors Included	*Marketing Orientation*:: Organizational Versus Functional	Goal Orientation:
Drucker (1954)	Philosophy	Customers	Organizational (**not** a specialized function)	Social
McKitterick (1957)	Philosophy	Customers	Organizational	Organizational (Suggests: -Sales -Market Position)
Felton (1959)	Philosophy		Organizational	Organizational Long-range Corporate Goals
Keith (1959)	Philosophy	Customers	Organizational	Organizational Sales and Profit
Hise (1965)	Activities	Customer	Functional	Organizational Profit
King (1965)	Philosophy	Customer	Organizational	Organizational Profit
Barksdale and Darden (1971)	Philosophy	Customer	Organizational (implied)	Organizational Profit
Bell and Emory (1971)	Philosophy	"Consumers"	Organizational	Societal
McNamara (1972)	Theory: both Operational: activities	Customer	Functional	Organizational Profit
Stidsen and Schutte (1972)	Activities	Producers (competitors) Consumers	Functional	Organizational Decision quality
Kotler (1977)	Activities	Customers	Functional	Organizational Profit

Table 2 (cont.)

Authors	Emphasis on *Market* (values, philosophy) Versus *Marketing* (activities)	*Market Orientation*:: Range of Actors Included	*Marketing Orientation*:: Organizational Versus Functional	Goal Orientation:
Hirschman (1983)		Customers Producers (artists and ideologues)		
Houston (1986)	Activities	Exchange Partners	Organizational	Organizational Exchange Determined Goals
Lusch and Laczniak (1987): Extended Marketing Concept	Philosophy	Stakeholders: -customers -employees -distributors -suppliers	Organizational	Organizational Profit
Shapiro (1988)	Activities	Customers ("buying influences)	Organizational	
Webster (1988)	Values	Customers	Organizational	Organizational Profitability Market position
Kohli and Jaworski (1990)	Activities	Customers	Both	(Profit an outcome rather than a part of the concept)
Narver and Slater (1990)	Theory: values Operational: activities	Customers and Competitors	Theory: Organizational Operational: both	Organizational Profit Long-term
Ruekert (1992)	Activities	Customers	Organizational	

Table 2 (cont.)

Authors	Emphasis on *Market* (values, philosophy) Versus *Marketing* (activities)	*Market Orientation*:: Range of Actors Included	*Marketing Orientation*:: Organizational Versus Functional	Goal Orientation:
Deshpandé, Farley, and Webster (1993)	Culture	Customers	Organizational	Organizational Develop a long-term profitable enterprise
Day (1994)	Activities	Customers Competitors	Organizational	(Superior performance an outcome)
Hunt and Morgan (1995)-- marketing concept	Culture	Customers	Organizational	Organizational Profit
Hunt and Morgan (1995)-- market orientation	Activities	Customers Competitors	Organizational	

Clarifying Terms

As noted above, the literature has been cluttered with terms. Different terms have been used to refer to what appears to be the same underlying construct, while the same term has been used to refer to two distinct constructs. This section provides preliminary definitions for some of the key terms.

To begin, it is important to distinguish between two uses of the word "market." Market can be used as a noun or as a verb. Consider the statement "Let's *market*$_1$ this product to the Canadian *market*$_2$," In this statement *market*$_1$ illustrates the use of market as a verb and *market*$_2$ illustrates the use of the term as a noun. "Market*ing*" is a gerund--"a verbal (nonfinite verb) that ends in *-ing* and functions as a noun" (Hodges, Horner, Webb, and Miller 1994, p. G-22). Gerunds allow us to refer to a verb as the object or subject of a sentence. Thus, "marketing" is built on the verb form of "market." "Marketing" refers to the activities or functions performed when one "markets" a product.

"Market orientation" is a phrase that refers to "market" as a noun. A "market oriented" organization is one that get its bearings from the "market" (e.g., the compact disk market). "Market*ing* orientation" is a phrase that refers to "market" as a verb. A "marketing oriented" organization is one that get its bearings from the activities or functions performed as the organizations markets its products. Therefore, "market orientation" and "marketing orientation" refer to quite different phenomenon.

Market Orientation

What is a "market"? Various authors offer a variety of answers to this question. Consider the following statements.

> A market usually is associated with a generic class of products. One hears of the beer market, the cake-mix market, or the cigarette market. These are *product markets*, referring to individuals who the past have purchased a given class of products. (Sissors 1966, p. 17, emphasis in original)

> A market is the set of all actual and potential buyers of a product. (Kotler 1980, p. 16)

> [Day, Shocker, and Srivastava (1979)] define a product-market as the *set of products* judged to be substitutes, within those usage situations in which similar patterns of benefits are sought, and the *customers* for whom such usages are relevant. (p. 10, emphasis in original)

Sissors and Kotler's definitions cast market in terms of sets of buyers, while the third definition includes a set of products and a set of buyers. Sissors and Kotler differ in that Kotler includes potential buyers in his definition of markets. Suffice it to say that authors differ in their definitions of "market."

Note that under the condition that "market" is defined as customers[4], "customer orientation" and "market orientation" become equivalent terms (cf. Deshpandé, Farley, and Webster 1993). Thus, the first element of the marketing concept (i.e., customer orientation) can be rephrased as "market orientation." Various conceptualizations of the marketing concept can be understood in terms of the definition of "market" used by the authors:

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[4] The marketing concept literature does not appear to differentiate between different "types" of customers (e.g., end-users versus trade customers).

- customers (e.g., Kohli and Jaworski 1990)
- customers and competitors (e.g., Narver and Slater 1990)
- consumers (e.g., Bell and Emory 1971)
- stakeholders (e.g., Lusch and Laczniak 1987)
- customers, competitors, and others (e.g., Matsuno and Mentzer 1995)
-

The variation in these views reflect different perspectives on several of the problems associated with the marketing concept. In terms of the strategy problem, for example, several authors argue that focusing on the customer does not lead to suitable organizational strategies (e.g., Elliott 1990; Kaldor 1971). These authors contend that competitors, other environmental forces, and the organization's own capabilities must be assessed in order to develop robust strategies. Narver and Slater (1990), for example, argue that organizations require both a customer and a competitor orientation. Others maintain that the call to focus on customers does not imply that these other factors be ignored. Instead, these other forces must be understood *because* of their affect on the customer (Deshpandé, Farley, and Webster 1993; Kohli and Jaworski 1990). A customer orientation does not imply looking exclusively at customers; rather, a customer orientation implies assessing the relevance of various forces based on their potential affect on the customer.

These differences may be attributable to theoretic perspectives which drive the different researchers. Those who follow an economics-based perspective may be looking for the range of important market forces and attempting to assess their relative effects (cf., Porter 1980). This would lead to more inclusive perspectives on what should be included in a market orientation. Those who follow a social-psychological perspective, on the other hand, might tend to try to understand the dominant attitudes and perspectives

that guide people's perspectives. This would lead to narrower perspectives of what it means to have a market orientation. Rather than assessing all of the considerations which drive managerial action, these researchers would be looking for the dominant values, beliefs, attitudes, or norms that guide the behavior of an organization.

Marketing Orientation

As noted earlier, "marketing" refers to activities or processes. Authors' descriptions of the marketing concept differ in whether they describe, or accentuate, "marketing" as a departmental activity or an organizational activity. For example, Hise (1965) proposes that a marketing concept means an emphasis on

> ... an organizational structure in which all marketing activities are performed by the marketing department, and where the chief marketing executive is accorded a place on the company's organizational chart equal to that of the top financial and manufacturing executives. (p. 9)

According to Hise, the marketing concept does not imply a diffusion of marketing activities throughout an organization; rather, these activities are centralized in a marketing department. Coordination is achieved through the top marketing executive's interactions with other top executives. Marketing departments and marketing managers are portrayed as playing a quarterback role in the coordination of activities throughout the organization (e.g., new product development, production scheduling, sales, and distribution) (cf. King 1965).

Others contend that the integration is the result of the market orientation being shared by personnel throughout the organization. Shapiro (1988), for example, argues that integration should occur at the operational levels of an organization to be effective.

He implies that assigning the central responsibility for marketing to the marketing department is antithetical to being marketing oriented. According to this perspective personnel throughout the organization can affect the ability of the organization to respond to the market and should embrace a market orientation.

In many ways differences in perspective on marketing orientation revolve around different perspectives on how to deal with the conflicting demands of differentiation and integration (Lawrence and Lorsch 1967). On one hand, organizations can pursue strategies of internal differentiation with a number of linking roles to maintain integration. The call for large, powerful marketing departments is consistent with this perspective (e.g., Hise 1965; McNamara 1972). The role of marketing in large, bureaucratic, hierarchical organizations reflects the model upon which this first perspectives lies. On the other hand, organizations can pursue strategies of integration with differentiation occurring only as needed. The call for widely shared values and beliefs throughout the organization is consistent with the second perspective. As organizations' environments have become more dynamic and complex there has been a call for organizations to embrace "marketing cultures" (i.e., values and beliefs, Deshpandé and Webster 1989) (e.g., Achrol 1991; Webster 1992).

The notion of marketing culture suggests that values and beliefs are shared across the organization (Deshpandé and Webster 1989). Research has begun to explore differences between the norms and values of organizational sub-units. Examples of this research include contrasting marketing personnel with R&D personnel (e.g., Gupta, Raj, and Wilemon 1986) and manufacturing personnel (e.g., Kahn and Mentzer 1994). What

has received less attention, however, are the common values and beliefs required for the implementation of the marketing concept (Lichenthal and Wilson 1992). For example, Kahn and Mentzer (1994) conclude that a "lack of reciprocity appears to be a key norm difference across organizations, thereby inhibiting the implementation of [the marketing concept]" (p. 117). These authors do not report data on any measure of implementation of the marketing concept, however. As a result, it is not clear that this conclusion is appropriate. It may be that the marketing concept does not require a balance among departments in terms of dependencies. It may be that integration of the organization is achieved by having a dominant department.

Goal Orientation

Authors' interpretations of the marketing concept also vary in terms of the proposed goal orientation. It is widely accepted that organizations exist to accomplish goals or purposes (cf. Barnard 1938; Kast 1980). Kast (1980) explains that goals can be understood in terms of two dimensions. The first dimension refers to the breadth of the group imposing the goal. Thus,

> [o]rganizational goals can be considered from three primary perspectives: 1. the environmental level--the goal constraints imposed on the organization by society; 2. the organizational level--the goals of the organization as a system; and 3. the individual level--the goals of organizational participants. (Kast 1980, p. 71)

The second dimension refers to the specificity of goals in terms of a means-ends chain.

> We have suggested that overall goal statements are usually very general. They are not operational in that there are no established criteria for determining how particular programs or activities contribute to those goals. These broad statements must be translated into operational objectives. (Kast 1980, p. 74)

Kast goes on to suggest that the means-ends goal hierarchy can be described in terms of three levels.

> The *institutional* level relates the activities of the organization to its environmental system. The goals at this level are extremely broad and provide substantial flexibility concerning the means of their attainment.
>
> The second level, the *managerial*, coordinates and integrates the task performance of the technical system to meet the requirements set forth by the institutional level. The goals at this level are still fairly broad but can be stated in operational terms where performance can be measured, such as sales and production goals, budgets, and goals for program activities.
>
> The third level concerns the *technical* subsystems that are involved in actual task performance. The goals at this level are usually very specific, short term, and measurable. (Kast 1980, p. 75)

Organizations face several problems as the result of the characteristics of goals. One such difficulty is that of goal displacement (Kast 1980). Goal displacement refers to the tendency of organizations and organization sub-units to view the achievement of sub-goals (i.e., managerial or technical level goals) as ends in themselves rather than as a means of achieving higher level goals. For example, an organization may initially believe that maintaining operating stability is necessary to ensure the long-run survival of the organization. Over time, however, the organization may continue to strive for operating stability even when that may threaten the survival of the organization (cf., Argyris 1986). Another goal-related problem that organizations face is that of over-attending to specific quantitative goals relative to more abstract, less measurable goals.

Authors' discussions of the marketing concept reflect differences in terms of both the breadth of the group imposing goals and the level of specificity of the goals. The

traditional view of the marketing concept holds that organizations view profit as the goal of the organization. Profitability is an example of an organization level goal. Some authors suggest that the marketing concept explicitly recognize social goals. For example, Bell and Emory (1971) argue that the marketing concept draw attention to the needs of consumers (be they customers or not). Hirschman (1983) criticizes the marketing concept for not recognizing the goals of individuals--particularly those who produce aesthetic or ideological products. This is a call to recognize individual level goals.

In terms of the level of specificity of goals, profit was advanced as an alternative to sales (Barksdale and Darden 1971). Sales is a sub-goal to profit (i.e., profit = sales - expenses). Thus, the call for managers to attend to profits is a call for managers to focus on a goal further up the means-ends chain. Houston (1986) takes an analogous position in his view of the marketing concept. He suggests that the marketing concept is appropriate to help organizations achieve their "exchange determined goals."

In addition to the issue of what goal(s) should considered in terms of the marketing concept, authors differ in terms of the role of goals in the marketing concept. Traditionally goals (i.e., profitability) have been an explicit component of the marketing concept. Some authors, however, take the position that goals should be viewed as outcomes associated with implementation of the marketing concept. Kohli and Jaworski (1990), for example, submit that profit be viewed as the result of successfully implementing the marketing concept rather than an explicit element of the concept.

Implementation Orientation

Authors also vary in the degree to which they accentuate the philosophical or behavioral features of the marketing concept. Barksdale and Darden (1971) indicated that while many managers had "adopted" the philosophy of the marketing concept, these same managers found it difficult to "implement" the concept into the day-to-day activities of the organization. Some authors (e.g., Hise 1965; Kohli and Jaworski 1990) emphasize the structural or behavioral dimensions of the marketing concept. They argue that the "implementation of the marketing concept" is reflected in the activities of the organization. Others (e.g., Deshpandé and Webster 1989; Narver and Slater 1990) suggest that the marketing concept is more closely related to the shared values and beliefs of the organization.

Thus, on one extreme there are some authors who suggest that the marketing concept is essentially a philosophy of business (e.g., Deshpandé and Webster 1989). This implies that a wide range of behaviors could be associated with firms which had adopted the concept (Anderson 1982). At the other extreme are authors who suggest that the marketing concept is a prescription for action--that firms which have implemented the marketing concept have strong behavioral tendencies (e.g., Kohli and Jaworski 1990).

Summary

The proposed framework suggests that the various conceptions of the marketing concept can be understood in terms of three basic elements:

- market orientation: shared values and beliefs regarding the fundamental influence of the "market" on the organization. Variation appears in the definition of "market."

- marketing orientation: activities associated with developing an organization-wide effort directed at responding to the market. Variation appears in whether these activities are seen as primarily a departmental responsibility or an organizational responsibility.
- goal orientation: recognition of goals of stakeholders. Variation appears in which stakeholders and which goals are recognized
- implementation orientation: the extent to which implementation is seen as requiring the acceptance of a set of beliefs or as performing a set of activities.

In addition to these elements, perspectives on the marketing concept vary as to the importance of each of these elements. For example, authors differ in the emphasis they place on goal orientation. Some see it as playing a critical role (e.g., Barksdale and Darden 1971) while others see goals as the outcome of implementing the marketing concept rather than as an explicit component (e.g., Kohli and Jaworski 1990).

Understanding these differences in perspective is important because it allows an opportunity to focus attention on substantive rather than semantic issues. In other words, this framework does not suggest a correct definition of "market," but it suggests that we be sensitive to variation in authors use of the term. These differences in views have an effect on the nature of the relationship between the marketing concept and the implementation and performance problems discussed earlier. These relationships are discussed further in the following sections.

TWO KEY PROBLEM AREAS: IMPLEMENTATION AND PERFORMANCE

As noted earlier in the discussion of the traditional marketing concept, implementation and performance are two major problems associated with the marketing concept. Currently, these problems dominate discussions of the marketing concept in the literature (cf., Day 1994; Slater and Narver 1995). The wide range of views of the

marketing concept appearing in the literature, however, serve to complicate the discussion of these issues. Different views of the marketing concept lead to different views of the implementation problem. In turn, different views of implementation lead to different views of the performance problem. In the following sections I discuss the relationship between views of the marketing concept and views of these two problem areas.

Marketing Concept and Implementation

Implementation of the marketing concept can be discussed in terms of two issues:

- to what extent has an organization "implemented" the marketing concept?
- how do organizations implement the marketing concept?

The first issue can be broken down into two sub-questions. First, which members of the organization are affected by the implementation. If one accepts the view that the implementation is organizational, then many, if not all, members of an organization will be affected. Alternatively, if implementation is viewed as functional, then only a few members of the organization will be affected. These members, to a large extent, will be housed in marketing departments. Second, how are these individuals affected? Do they engage in a set of "specific activities" (e.g., Kohli and Jaworski 1990), or do they hold a set of values and beliefs (e.g., Narver and Slater 1990)? Is their primary concern customers or do they "focus" their attention on customers (e.g., Kohli and Jaworski 1990), customers and competitors (e.g., Narver and Slater 1990), or others? Which, if any, goals dominate the minds of those who have adopted the marketing concept? The

answers to these questions clearly depend upon the view of marketing concept that the researcher accepts.

Once a determination has been made about the criteria for determining whether the marketing concept is implemented, the next question is "How is the marketing concept implemented?" This question deals more with identifying and assessing appropriate strategies for achieving implementation. Again, as the perspective on the marketing concept changes, the appropriate strategy for implementation changes. For example, if the marketing concept is seen as a functional activity, theories of planning and implementation would be appropriate (e.g., Steiner 1979). In part implementation requires determining human and other resource needs and allocating funds to secure these resources. While top management support is required, implementation is primarily a functional or departmental responsibility. If the marketing concept is seen as a set of organizational values and beliefs, theories of organizational development or cultural change are appropriate (e.g., Schein 1992). These processes require top managements' support of values and beliefs associated with the marketing concept. This support may or may not involve resource allocation decisions (e.g., hiring new staff). In some cases, this support may be very symbolic in nature (e.g., the CEO personally responding to customer concerns).

While an important issue in the literature, the implementation problem has received relatively little empirical attention. The following section introduces some of the more notable attempts to measure the implementation of the marketing concept.

Measuring Implementation of the Marketing Concept

Hise (1965), Barksdale and Darden (1971), and McNamara (1972) represent the earliest empirical explorations of its implementation. Since 1990 with the work of Narver and Slater (1990) and Kohli and Jaworski (1990), the amount of empirical research into the marketing concept has increased substantially. Many attempts at measuring appear to be ad hoc efforts. Three approaches appear to dominate this sparse literature: Kotler (1977), Narver and Slater (1990), and Jaworski and Kohli (1993). The following sections review each of these approaches.

Kotler (1977)

Kotler (1977) developed an instrument for assessing "marketing effectiveness" within organizations. This instrument was first presented in the *Harvard Business Review*. This publication reflects its inclination toward practitioners rather than scholars. The instrument also appeared in Kotler (1982)--a textbook for marketing in nonprofit organizations. This too reflects Kotler's inclination toward practitioners. Kotler identifies five dimensions of his measure:

> *Customer philosophy*--Does management acknowledge the primacy of the marketplace and of customer needs and wants in shaping company plans and operations?
>
> *Integrated marketing organization*--Is the organization staffed so that it will be able to carry out market analysis, planning, implementation, and control?
>
> *Adequate marketing information*--Does management receive the kind and quality of information needed to conduct effective marketing?

> *Strategic orientation*--Does marketing management generate innovative strategies and plans for long-run growth and profitability?
>
> *Operational efficiency*--Are marketing plans implemented in a cost-effective manner, and are the results monitored for rapid action? (Kotler 1977, p. 72, emphasis in original)

For each of these dimensions Kotler provides three questions each with three potential answers.

Kotler's discussion refers to the application of this instrument as a tool for helping managers diagnose their organizations' marketing activities. Several studies have been based on Kotler's work. Decker (1985; a doctoral dissertation) uses Kotler's scale. This study assess the relationship between "marketing effectiveness" and revenue generation. Wrenn (1989), in a doctoral dissertation, attempts to further develop Kotler's measure. Only two papers have been published which use Kotler's measure and neither are in the mainstream marketing literature. McCullough, Heng, and Khem (1986) examine the marketing orientation of banks using a revised version of Kotler's scale. They found no relationship between marketing orientation and customer satisfaction. When they focus their attention on objective items, rather than the entire scale, they did find a relationship. Finally, Queshi (1993) reports a use of Kotler's scale. Little information is given to assess the quality of the instrument.

While Kotler's (1977) work has been used in some empirical work, it has not gained acceptance.

Narver and Slater (1990)

Narver and Slater (1990) represents the first major attempt to develop a measure of implementation of the marketing concept to be reported in the marketing literature. Narver and Slater base their work on the following definition:

> [The marketing concept] is the organizational culture (i.e., culture and climate, Deshpandé and Webster 1989) that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, this continuous superior performance of the business. (Narver and Slater 1990, p. 21)

Note that this definition spans four constructs: organizational culture, organizational behaviors, buyer value, and business performance. The implication of this definition is that these four constructs are tightly linked.

Of these four levels, items included in Narver and Slater's measure appear to tap into cultural and behavioral levels. Consider the following items:

- Our business strategies are driven by our beliefs about how we can create greater value for customers.
- Our sales people regularly share information within our business concerning competitors' strategies.

The first item refers to organizational beliefs (i.e., organizational culture, Deshpandé and Webster 1989). The second item refers to a of behavior, specifically the sharing of information.

Some items do not appear to fit comfortably into any of the four levels. The following statement illustrates these items:

- We rapidly respond to competitive actions that threaten us.

This item appears to be an assessment of organization effectiveness but does not appear to apply to "the creation of superior value for buyers" or to "continuous superior performance".

In addition to the initial article, several other papers have used Narver and Slater's (1990) scale. Narver, Jacobsen, and Slater (1993a; 1993b) report an extension of the initial article. Using a sub-set of the sample used in the first study, the authors collected data again four years later. Based on this data, the authors conclude mixed support. Although the marketing concept was associated with increased sales it was not associated with return on investment. In a separate study, Slater and Narver (1994) use the scale to explore the moderating effect of the environment on the marketing concept/market performance relationship. While they found a strong main effect for the marketing concept on market performance, they found little support for the moderating role of the environment.

Siguaw, Brown, and Widing (1994) use Narver and Slater's (1990) scale to explore the relationship between the marketing concept and sales person behavior. They follow Narver and Slater and describe the marketing concept as consisting of three behavioral components (Siguaw, Brown, and Widing 1994, p. 107); however, they do not refer to the marketing concept as organizational culture. It appears that these authors are defining the marketing concept in terms of Narver and Slater's measure. Although they do not report detailed assessments of the scale, they do point out that "analysis of reliability and validity were found to be satisfactory." (Siguaw, Brown, and Widing 1994,

p. 110) In a related paper (Siguaw and Diamantopoulos 1994) question the dimensionality of Narver and Slater's scale.

Overall, the theoretical background of Narver and Slater's (1990) measure appears to be suspect. The authors do not provide an extensive discussion of the links between the four aspects of their definition of the marketing concept.

Jaworski and Kohli (1993)

Based on the developmental work of Kohli and Jaworski (1990), Jaworski and Kohli (1993; Kohli, Jaworski, and Kumar 1993) develop a measure of implementation of the marketing concept.

> Kohli and Jaworski (1990) define [the implementation of the marketing concept] as composed of three sets of activities: (1) organization-wide *generation* of market intelligence pertaining to current and future customer needs, (2) *dissemination* of the intelligence across departments, and (3) organization-wide *responsiveness* to it. Furthermore, the responsiveness component is defined as being composed of two sets of activities--response design (i.e., using market intelligence to develop plans) and response implementation (i.e., executing such plans). This definition focuses on specific behaviors and therefore facilitates operationalizing the [implementation of the marketing concept] construct. (Jaworski and Kohli 1993, p. 54)

Based in this definition, the authors develop their scale.

Two major questions concern the appropriateness of the scale. The first question concerns its theoretic underpinnings. Kohli and Jaworski (1990; Jaworski and Kohli 1993) are clear in adopting a "theories-in-use" approach in defining their construct. This approach is "designed to tap into the 'cause and effect' maps of managers" (Kohli and Jaworski 1990, p. 2). While managers may have excellent knowledge in regards to their organization and environment, it is not clear that managers are well informed regarding

the marketing concept. Recall that the marketing concept is a normative concept. As a result, managers' descriptions of their cause and effect maps may not be the best *source* of theory.

The second question regarding the appropriateness of the scale concerns the focus of items within the scale. Jaworski and Kohli (1993) are clear that they intend to measure "specific behaviors." Consider the following items taken from their scale:

- In this business unit, we do a lot of in-house market research.
- We poll end users at least once a year to assess the quality of our products and services.
- We are slow to detect fundamental shifts in our industry (e.g., competition, technology, regulation).
- Customer complaints fall on deaf ears in this business unit.

The first two of these items appear to reflect "specific behaviors" and thus fit Jaworski and Kohli's definition. On the other hand, the second two items do not appear to reflect "specific behaviors." How does one "detect fundamental shifts"? Rather than specific behaviors, the second two items appear to assess the perceived quality of the organization's information processing system. While the quality of the information processing system may be an important issue, it is not consistent with the definition offered by the authors.

Kohli, Jaworski, and Kumar (1993) provide a detailed description of an assessment of this measure of the implementation of the marketing concept. The results of this analysis raise questions regarding the measure. First, the data suggest that dissemination and responsiveness are not unique dimensions. After running some 25 factor models using a confirmatory analysis technique, they conclude that their measure includes two components--intelligence generation and intelligence

dissemination/responsiveness. This is a substantial departure from their initial conceptualization. Kohli and Jaworski's (1990) initial work suggested three dimensions (one further divided into two sub-dimensions). This discrepancy suggests a serious flaw in the measurement of the construct. Second, Kohli and Jaworski (1990) argue that the implementation of the marketing concept is organizational rather than functional. The analysis of data reported by Kohli, Jaworski, and Kumar (1993), however, suggests that marketing and nonmarketing managers respond quite differently to the questionnaire. This implies that the questionnaire is not assessing an organization-level phenomenon. Again, this discrepancy raises questions regarding the adequacy of the measure to reflect their construct.

In summary, three primary measures appear in the literature. Each of these measures has served to advance our understanding of the marketing concept. At this time, however, none of these measures appear to capture a conceptually robust view of the marketing concept. Each of the three measures was developed in the absence of strong theoretic framework: Kotler's measure was offered as a diagnostic tool for managers; Narver and Slater's measure rests in an ill-defined position between culture and performance; and Kohli and Jaworski's measure does not conform to their conceptialization of the construct.

Ultimately, understanding the implementation of the marketing concept is based largely upon the perspective one takes of the marketing concept. Given the variety of views of the marketing concept in the literature, there are a variety of views on the issues

related to implementation. Future research regarding implementation should begin with a clear statement of the perspective the researcher is adopting.

Marketing Concept and Organizational Effectiveness

The belief that organizations that implement the marketing concept will outperform other organizations is widely held by marketers--academicians and practitioners alike (cf. Narver and Slater 1990). The basic argument linking the marketing concept to organizational effectiveness is based on the notion that in dynamic, competitive environments organizations must respond to the needs of their customers. Dickson (1992) agues that the marketing concept is forced upon organizations in competitive settings--those that do not adopt the marketing do not survive. Organizations that implement the marketing concept focus their attention on the market. These organizations better understand the differences and changes in customers' needs. Better understanding enhances the ability of these organizations to satisfy their customers needs. By better satisfying customers' needs, organizations will attract and retain customers. Over time, this leads to increased sales and market share. Assuming costs and investment are not greatly affected, increases in sales will result in high profits and returns on investment. In other words, implementing the marketing concept provides organizations a competitive advantage that produce superior performance (Day and Wensley 1988; Dickson 1992; Hunt and Morgan 1995).

While many authors discuss the link between the marketing concept and organizational effectiveness at a general level (i.e., superior performance), relatively few discuss the link to more specific measures of effectiveness. The discussion on the

marketing concept should lead the reader to expect that there is a great deal of variation among writers in terms of what it means to "implement the marketing concept." There is an impression that views of organizational performance are somewhat less varied. Unfortunately, the literature on organizational performance (or organizational effectiveness) does not support this impression (Cameron and Whetten 1983a). In fact, the concept is so complex that several authors have suggested a moratorium on organizational effectiveness research (Goodman, Atkin, and Schoorman 1983).

The current state of the literature suggests two general conclusions. First, measures of effectiveness are value-laden. In other words, there is no "objective" measure of effectiveness. As a result, effectiveness criteria are arbitrary to the extent that different individuals may agree or disagree with them as appropriate. This is particularly true in the case of assuming an attempt at maximization. For example, while front-line employees of an organization may agree that earning a profit is a legitimate goal of an organization they may also view a particular level of profit as "adequate" and profits above this level as "inappropriate". Second, effectiveness criteria are embedded in theory. For example, profit may be viewed as an effectiveness criterion, but this is because profit allows for a number of potential outcomes such as employment continuity for employees, ego gratification needs of managers, and retirement needs of investors. Some of these goals are terminal goals while others are instrumental goals.

In the following section, I discuss the notion of organizational performance. This is followed by an exploration of the relationship between views of the marketing concept and views of performance.

Views of Organizational Performance

The literature on organizational effectiveness is extensive and includes several excellent reviews (e.g., Cameron and Whetten 1983a; Kanter and Brinkerhoff 1981; Spray 1976). It appears that views of organizational effectiveness can be grouped into two general categories: goals-based perspectives and systems-theory perspectives (cf., Campbell 1976; Stewart 1976; Yuchtman and Seashore 1967). Each of these perspectives will be discussed in the following sections.

Goals Perspectives

The essence of the goals perspective is that organizations pursue goals (or objectives or purposes or missions) and that they are effective to the extent that these goals are achieved. For example, organizations may have goals to earn a minimum return on equity or to gain a particular market share. To the extent that actual return on equity or market share met, or exceeded, the desired level the organizations is deemed "effective."

Prior to the mid-1970s, the goals perspective cast organizations as purposeful entities that pursued a manageable number of clearly defined goals. Organizations' goals were seen as residing in the organizations and managers made rational decisions in pursuit of these goals (Campbell 1976). Unfortunately, a variety of problems appear when this view of organizations is compared to some observed characteristics of organizations. Seashore (1983) identifies six of these problems:

- goals change in priority too easily.
- goal sets are often internally incompatible.
- organizational behavior often contradicts espoused goals.

- organizations often survive indefinitely or grow without ever realizing any of their espoused goals.
- it is often difficult or impossible to get responsible spokesmen to agree on the nature of an organization's goals.
- organizations are often observed to act first and then discover later a "goal" to justify what has happened.

It appears that organizations do not function as rationally as the goal approach to assessing effectiveness would suggest.

Some of these observed problems can, however, be overcome if we accept the notion that organizations do not have goals. Rather, the constituencies of organizations have goals. Thus, the goals of "the organization" are seen as the goals of individuals or groups that impinge on the organization (Seashore 1983). The major issue upon which advocates of constituency models disagree is that of "Whose preferences should be satisfied through the distribution of the outcomes of organizational performance?" (Zammuto 1984, p. 606) Four basic answers are offered to this question. First, the relativistic model suggests that effectiveness be judged from the perspective of the multiple constituencies rather than selecting one perspective. Thus, this view of effectiveness suggests that the criteria of constituency are valid. Second, the power perspective, based on resource dependency, suggests that the criteria of powerful coalitions within the organization be used to assess effectiveness. Clarkson (1995), for example, distinguishes between primary and secondary stakeholders. Primary stakeholders are persons or groups whose continuing participation is necessary for the ongoing operations of the organization. "If any primary stakeholder group, such as customers or suppliers, becomes dissatisfied and withdraws from the [organization]

system, in whole or in part, the [organization] will be seriously damaged or unable to continue as a going concern." (Clarkson 1995, p. 106).

The third perspective on whose goals should be addressed is the social justice perspective. This perspective is based on two principles:

> The first principle states that each person within a society has an equal right to the most extensive system of basic liberties compatible with a similar system of liberty for all. The second principle states that social and economic inequities within a society should be arranged so that they are both: (1) to the benefit of the least advantaged members of that society subject to the first principle and (2) attached to offices and positions that are open to all members of society under conditions of fair equality of opportunity (Zammuto 1984, p. 608).

Fourth, the evolutionary perspective defines effective performance as "that which increases the adaptability of the organization by relaxing environmental constraints on performance." (Zammuto 1984, p. 608) Thus, from the environmental perspective,

> The question of *whose* preference should be satisfied at a given time is transformed into *how* divergent preferences can be satisfied over the long term. Summary judgments of effectiveness are seen as being unimportant because they are context and time-specific (Zammuto 1984, p. 608, emphasis in original).

While the goal perspective offers a "rational" way of assessing organizational effectiveness, it does not provide an unambiguous perspective of the construct. In other words, a goal perspective can lead to fairly clear criteria that can be used to judge effectiveness. At the same time, however, these criteria are not likely to be universally shared.

Systems Perspectives

The second category of views of organizational effectiveness are based on systems theory (e.g., Katz and Kahn 1966).

> From a systems theory perspective, an organization is a social system which, in its interaction with the environment, activates at least four systemic processes:
>
> 1. *inputs* (I) of various resources;
> 2. *transformations* (T) of resources with the aid of social and/or technical mechanisms;
> 3. *outputs* (O) which are transmitted to other systems; and
> 4. *feedback effects* (F), whether positive or negative (Evan 1976, p. 19).

Effectiveness is defined as the performance of the organization in terms of one or more of these processes. For example, authors have suggested that effectiveness be viewed from the following perspectives:

- ability to acquire scarce and valuable inputs (e.g., Yuchtman and Seashore 1967);
- performance of transformation processes (e.g., Becker and Neuhauser 1975);
- efficiency in converting inputs to outputs (e.g., Evan 1976); and,
- interpretation processes (e.g., Weick and Daft 1983).

In contrast to the tradition view of the goal perspective,

> [t]he natural systems perspective appears to make the assumption that if an organization is of any size at all, the demands placed upon it are so dynamic and so complex that it is not possible to define a small number of organizational goals in any way that is meaningful. Rather, the organization adopts the overall goal of maintaining its viability or existence without depleting its resources. Thus, to assess an organization's effectiveness, one should try to find out if an organization is internally consistent with itself, whether its resources are being distributed judiciously over a wide variety of coping mechanisms, whether it is using its resources faster than it should, and so forth (Campbell 1976, p. 31).

Seashore (1983) argues that the systems approach highlights a set of four issues related to organizational effectiveness:

- effectiveness should be described and evaluated with reference to all attributes of the system that have some significant function in its adaptation, maintenance, and transformation processes;
- strong implication that effectiveness indicators be treated as *intact sets*, not as indicators to be inherently and independently valued;
- allows the idea that the meaning of an indicator may be contingent in the sense that it may have different, or even opposite, value implications in different contexts; and,
- moderates the distinction between "outcome" variables, on the one hand, and "causal" variables, on the other (except as a matter of analytic strategy), for there is an operating network of linkages that may be causal in both directions.

The first three of these implications emphasize that effectiveness is indicated by a *system* of indicators. Since the meaning of an indicator is context specific, an assessment of effectiveness cannot be made on the basis of single indicator. The fourth implication refers to the notion that distinctions between indicators of effectiveness and predictors of effectiveness are somewhat arbitrary. What may be a dependent variable in one study may well be an independent variable in another.

The goal and systems perspective are not entirely incompatible. Considering the two perspectives from figure-ground context, it can be seen that the two reside within each other. The system perspective depends, at least implicitly, on the notion of goals. Consider the following statement:

> The [systems perspective] suggests that effectiveness should be described and evaluated with reference to all attributes of the system that have some significant function in its adaptation, maintenance, and transformation processes (Seashore 1983, p. 58).

Implicit in this view is the system's "goal" to adapt and maintain itself. For example, consider a team brought together to manage a one-time event like the Atlanta Olympics.

Once the Olympics are over, the goal of the system is to wind down its operations and, in relatively short order, cease to exist. This does not mean that the system was ineffective.

On the other hand, the goal perspective can dissolve into a systems perspective. For example, market share is often touted as an appropriate goal for organizations to pursue. The rationale for pursuing market share, however, is based on the notion that it will contribute to an organization's future financial performance (e.g., profitability and ROA) (cf. Buzzell and Gale 1987; Porter 1980). This implies market share is a part of a system that is likely to lead to the organization's achievement of its goals.

Some authors distinguish between effectiveness (the extent to which goals are met), efficiency (the relationship between outputs and the inputs required to reach these outputs), and adaptiveness (the ability of the organization to change in response to changes in its environment) (cf. Ruekert, Walker, and Roering 1985). This approach is an attempt to integrate the goal and systems perspectives. Goal achievement is recognized in the effectiveness dimension and a systems view is implied in the efficiency and adaptiveness perspective. Some measures, such as profitability and return on investment, are often stated as organizational goals but are also measures of efficiency. As a result, the three dimensions of this model of effectiveness do not appear to be distinct.

Quinn and Rohrbaugh (1983) explored the relationships among various types of measures of organizational effectiveness. They conclude that organizational researchers implicitly organize goals in terms of three dimensions.

> These axes are orthogonal to each other, and represent organizations' structural properties (centralized/decentralized),

> attention orientations (internal/external focus), and the relationships between means and ends to achieve desired outcomes. (Lewin and Minton 1986, p. 521)

The first two dimensions of the model were described as four quadrants that reflected different effectiveness orientations (Figure 5). Quinn and Rohrbaugh (1983) labeled the top left quadrant (flexible structure and internal focus) as the human resources model. Effectiveness measures that would fit in this cell include "esprit de corps" and "employee satisfaction" (Lewin and Minton 1986). These measures were identified by Kohli and Jaworski (1990; Jaworski and Kohli 1993) as outcomes of an implementation of the marketing concept. The top right quadrant (flexible structure and external focus) was labeled the open system model. Measures of effectiveness included in this quadrant include "timely implementation of change," "adjustment to external conditions," "bias for action," and "close to customer." These measures appear to be closely related to the assessment of the implementation of the marketing concept proposed by Deshpandé, Farley, and Webster (1993), Jaworski and Kohli (1993), Narver and Slater (1990), and Ruekert (1992). Quinn and Rohrbaugh (1983) labeled the bottom left quadrant (control structure and internal focus) as the internal processes model. Effectiveness measures associated with this quadrant include efficient "congruence of internal processes," "information processing," and "communication." These measures also appear to be consistent with measures of implementation of the marketing concept developed by Deshpandé, Farley, and Webster (1993), Jaworski and Kohli (1993), and Ruekert (1992). The fourth quadrant of the model was labeled the rational goal model. Lewin and Minton (1986) indicate that effectiveness measures such as "return on investment,"

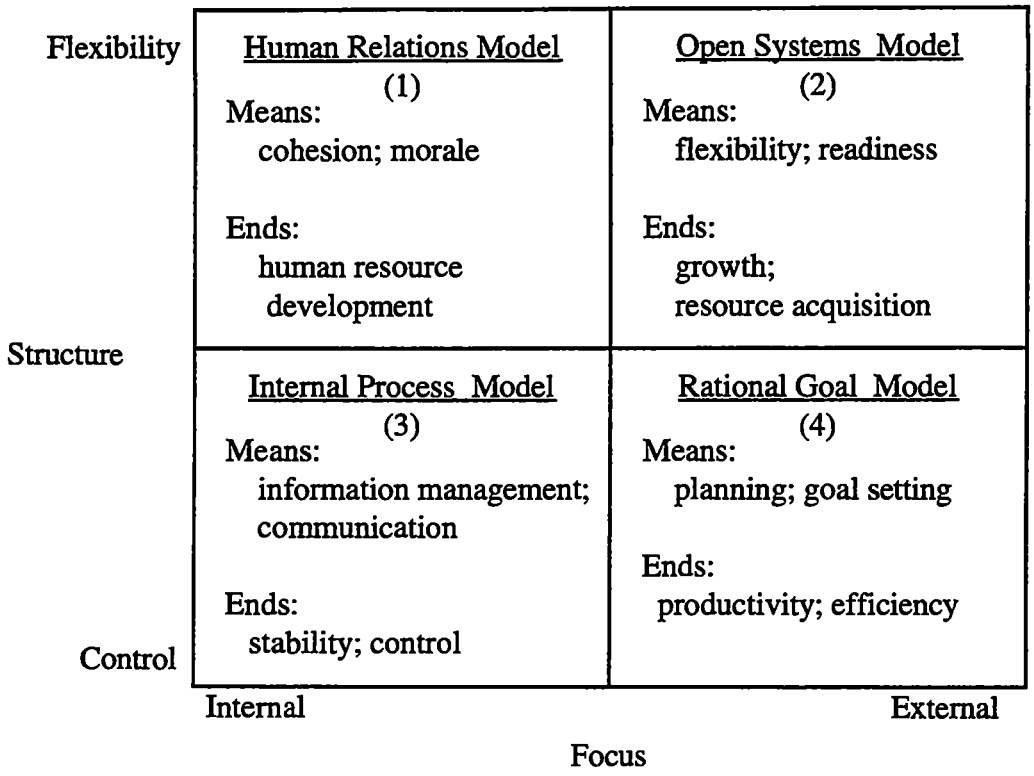

Figure 5
Effectiveness Criteria in Three Dimensional Space

Adapted from Quinn and Rohrbaugh (1983)

"profitability," "survival," and "attainment of objectives." These measures are consistent with variables postulated to be outcomes of the implementation of the marketing concept

Views of the Marketing Concept and Effectiveness

What is the relationship between implementation of the marketing concept and effectiveness? Authors differ substantially in the notions of effectiveness they relate to the marketing concept. Perhaps the most common association is that of the marketing concept to profitability measures (including ROI) (Jaworski and Kohli 1993; Narver and

Slater 1990; Ruekert 1992). Other common goals include market share (e.g., Jaworski and Kohli 1993) and sales growth (e.g., Ruekert 1992). These goals are commonly associated with financial measures of effectiveness and reflect the goals of owners and senior managers (who are often compensated based on these measures). Some authors, however, argue that other stakeholders and goals should be recognized. Examples include calls for meeting the needs of consumers (e.g., Bell and Emory 1971) and the natural environment (e.g., Shuptrine and Omanski 1975). For the most part, however, empirical work has not considered the goals of other groups. Exceptions to this include Jaworski and Kohli (1993) and Siguaw, Brown, and Widing (1994) who measure employee-related goals (e.g., job satisfaction). Typically, calls for considering other stakeholders are accompanied by calls for extending the marketing concept by adopting broader definitions of the term "market."

As discussed above, when using a goal-based perspective of organizational effectiveness, the question that arises is whose goals should be assessed? The clear bias in the empirical literature to date is to measure the needs of shareholders and top managers. It appears that taking this perspective is the default in marketing concept research. Although the goals of other groups have received attention in the theoretical discussions, they have received relatively little attention in empirical research.

Some authors adopt a position that reflect a systems perspective. Kotler (1977) illustrates this point. He refers to his measure of implementation as "marketing effectiveness," implying that organizations are effective to the extent they implement the

marketing concept. Narver and Slater (1990) argue that organizations implement the marketing concept to the extent they are effective.

> [The marketing concept] is the organizational culture (i.e., culture and climate, Deshpandé and Webster 1989) that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, this continuous superior performance of the business. (Narver and Slater 1990, p. 21)

These authors define the marketing concept in terms of effectiveness and efficiency. This suggests that if the requirements for effectiveness or efficiency change, the nature of the marketing concept also changes.

The systems perspective encourages us to assess the relationships among various inputs, processes, and outputs. For example, what is the relationship between implementing the marketing concept and profitability? The empirical work by Jaworski and Kohli (1993), Narver and Slater (1990), and Reukert (1992) suggests implementation of the marketing concept is directly related to profitability. It would seem to be more likely that this relationship would be mediated by other variables (Figure 6). For example, implementing the marketing concept may lead to offerings that are a good fit with customers' needs. This, in turn, may lead to high customer satisfaction and loyalty. Over the term of the purchase cycle, this would lead to increased sales. Other things being equal, an increase in sales would lead to an increase in profits. In this illustration, the relationship between the marketing concept and profitability is mediated by three constructs. From a systems perspective it would be reasonable to assess effectiveness at any point along this causal chain. It would also imply that the correlation between the marketing concept and profit would be less than otherwise expected. For example, assume that the correlation between each link of the causal chain is 0.50. In the first

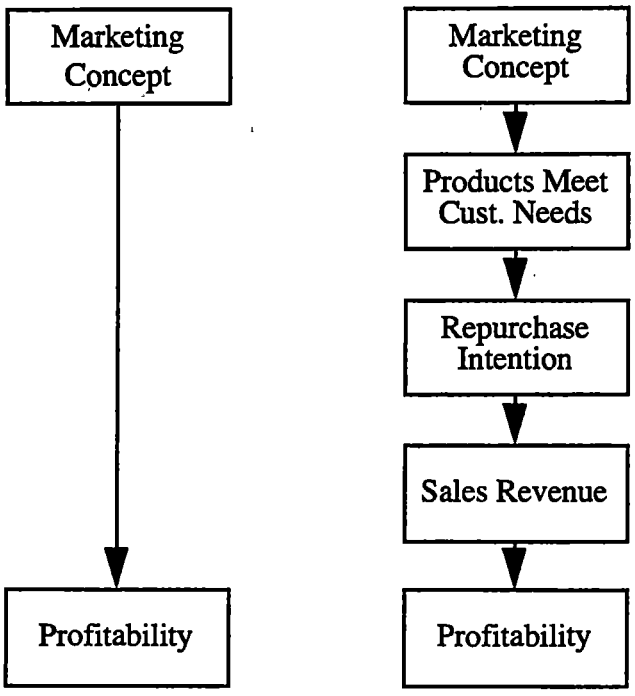

Figure 6
Relationship Between the Marketing Concept and Profitability

model, the relationship between the marketing concept and profitability would be expected to be 0.50. In the second model, the relationship between the marketing concept and profitability would be 0.0625 (i.e., 0.50^4). This suggests that it may be difficult to detect a relationship between the marketing concept and profitability.

From the preceding discussion, it appears that implementation of the marketing concept can be viewed as an assessment of organizational effectiveness or as a means of achieving organizational effectiveness. It also appears that the relationship between the marketing concept and organizational performance is complex--more complex than has been presented in the literature to date. Implementing the marketing concept may be a

measure of organizational effectiveness in its own right. Furthermore, it may link to other measures of organizational effectiveness that are its consequences or antecedents.

In the final analysis, the relationship between the marketing concept and organizational effectiveness requires a substantial amount of research attention. The traditional view that the marketing concept leads to profitability is a substantial over-simplification. Perpetuating this view will divert research attention and increase the difficulty of the implementation task to managers. If managers expect that implementing the marketing concept will lead to improved profits in the short-term they may be disappointed and not invest enough time and effort to achieve to potential benefits. This is not to say that assessing profit should cease, but it should be supplemented with other measures of effectiveness.

CONCLUSION

The purpose of this chapter is to review the marketing concept literature to highlight the variation in perspectives that have been advanced to describe it. In addition, this chapter serves to emphasize the need to research issues of implementing the marketing concept and the concept's relationship with organizational effectiveness. There are two principal implications of this review. First, research into the marketing concept should be based on carefully defined perspectives. In the past, authors have discussed the marketing concept from ad hoc perspectives. This has served to cloud the discussion. Clear statements of theoretical perspectives should allow for better comparisons of various representation of the concept. In addition, clearly stated perspectives should provide an opportunity for developing more robust measures. As a

second implication of this chapter, it is clear that the implementation problem needs to be addressed. In particular, a better understanding of what it means to have "implemented the marketing concept" must be developed. Without this understanding, assessments of the relationship between the marketing concept and organizational effectiveness are suspect. In the next chapter, I will introduce organizational learning as a perspective that can be used to understand the implementation of the marketing concept. Based on this perspective, a number of propositions and hypotheses regarding the marketing concept are developed for subsequent empirical exploration.

CHAPTER 3
AN ORGANIZATIONAL LEARNING PERSPECTIVE

INTRODUCTION

Chapter 2 reviewed the marketing concept literature. It concluded that research into the marketing concept should be based on a clearly stated theoretical perspective. This chapter introduces organizational learning as one such perspective. This chapter consists of two major sections. The first, introductory section defines organizational learning. The second section presents a model of organizational learning. This section includes a discussion of each element of the model, how they relate to each other, and how they apply to the marketing concept.

ORGANIZATIONAL LEARNING

What is "organizational learning?" The management literature offers a variety of answers to this question (Fiol and Lyles 1985). First, some authors argue that there is no such thing as organizational learning; all learning is individual learning (Fiol and Lyles 1985). Consequently, it does not make sense to study "organizational learning" since organizations do not learn. Proponents of organizational learning argue that while individual learning is an important feature of organizational learning, organizational learning includes processes not considered in the study of individual learning. Hedberg (1981) provides the following argument:

> Although organizational learning occurs through individuals, it would be a mistake to conclude that organizational learning is nothing but the cumulative result their members' learning.

> Organizations do not have brains, but they do have cognitive systems and memories. As individuals develop their personalities, personal habits, and beliefs over time, organizations develop world views and ideologies. Members come and go, and leadership changes, but organizations' memories preserve certain behaviors, mental maps, norms, and values over time. (p. 6)

Thus, individual learning is viewed as necessary, but not necessarily sufficient, for organizational learning (Huber 1991).

Second, authors differ on whether they adopt a normative or descriptive view of organizational learning. Those who take a normative view see organizational learning as a route to enhancing organizational effectiveness. For example, Argyris (1976) defines learning "as the detection and correction of errors, and error as any feature of knowledge or of knowing that makes action ineffective" (p. 365). According to this view, learning is good—by definition. If a "feature of knowledge or of knowing" is changed such that action is not more effective, "learning" has not occurred. Related to this perspective of organizational learning is the literature on "learning organizations." A "learning organization" is

> an organization that is continually expanding its capacity to create its future. For such an organization, it is not enough to merely survive. "Survival learning" or what is often termed "adaptive learning" is important—indeed it is necessary. But for a learning organization, "adaptive learning" must be joined with "generative learning," learning that enhances our ability to create. (Senge 1990, p. 14)

Proponents of "learning organizations" argue that there are few such organizations but that the capacity for organizational learning is the key to sustained competitive advantage (Stata 1989). The focus of authors taking a normative view is on techniques for enhancing the learning capacity of organizations (cf., Garvin 1993; Senge 1990).

Other authors take a descriptive view of organizational learning. These authors suggest organizational learning does not necessarily lead to increases in effectiveness. For example, Huber (1991) argues

> learning does not always increase the learner's effectiveness, or even potential effectiveness. Learning does not always lead to veridical knowledge. Sample data are not always representative and new findings sometimes overturn what was previously "known to be true." Entities can incorrectly learn, and they can correctly learn what is incorrect. (p. 89)

Authors taking a descriptive view focus primarily on attempting to better understand the processes involved in organizational learning.

A third area of difference in the literature relates to the extent to which learning requires a change in understanding versus a change in behavior or potential behavior (Fiol and Lyles 1985). On one hand, some authors propose that organizational learning is "the process whereby shared understandings change" (Senge and Sternman 1992, p. 138). This view suggests that organizational learning occurs on a conscious level—there is a change in *understanding*. On the other hand, other writers suggest that learning does not require change at the conscious level. Huber (1991), for one, proposes that "learning need not be conscious or intentional." Seger (1994) supports this perspective with her research into implicit learning. "Implicit learning is nonepisodic learning of complex information in an incidental manner, without awareness of what has been learned" (Seger 1994, p. 163).

For the purpose of this dissertation, organizational learning refers to the processing of information by an organization that can lead to changes in the organization's range of potential behaviors (Huber 1991). This perspective of

organizational learning can be described relative to the three contrasts discussed above. First, this dissertation is based on the view that organizational learning is different than individual learning. Second, this dissertation draws on the descriptive rather than the normative perspective. The model of organizational learning, which is in the following section, offers a description of the organizational learning process and does not assume that learning leads to improvements in effectiveness. Third, the view of organizational learning used in this dissertation does not require that learning leads to a change in understanding. Learning can occur in the absence of awareness that learning has occurred.

A MODEL OF ORGANIZATIONAL LEARNING

Figure 1 depicts a model of organizational learning. Following the definition offered above, this model is based on the view that organizations are interpretive systems—they gather, interpret, and respond to environmental data (Daft and Weick 1984). Organizations learn as the result of a process. This process can be understood in terms of four interrelated components: scanning processes, interpretation processes, responding behaviors, and knowledge structures. Scanning processes create data and make those data available in the organization. Interpretation processes convert data to information—they make data meaningful to the organization. Responding behaviors are organizational responses to "perceived" environmental events or conditions. Each of these three behavioral components interact with the fourth component of the organizational learning processes: organizational knowledge. In the following sections, I discuss each of these components and their implications to understanding the marketing

concept. Since organizational knowledge plays a central role in learning, I discuss this component of the model of organizational first.

Organizational Knowledge Structures

Organizational knowledge consists of the mental and structural artifacts that have been acquired by organizations (Walsh and Ungson 1991). It is useful to distinguish between the structure of knowledge and the content of knowledge. Knowledge structures can be understood as schema—"the naive theories that observers possess concerning the covariation and causal relations among stimulus objects and events" (Phillips and Lord 1982, p. 486). Sackmann (1991) identifies four types of knowledge. Descriptions and examples of these four types appear in Table 3. The content of knowledge can be understood as data stored within knowledge structures. Examples include data held in documents stored by the organization and memories of organizational members.

Knowledge structures play two key roles in the learning process. First, knowledge structures are a central part in the behaviors of the organization including the behaviors associated with learning processes. An organization's "know-how" relating to scanning, interpretation, and responses are housed in its knowledge structures. For example, surveying customers is a technique for generating data. In order for an organization to generate data with a market survey, it must know how to conduct such a survey or how to use an outside agency to perform the survey. If an organization does not know how to survey customers, it will not be able to generate data in this manner. Second, knowledge structures provide the framework with which the data must be interpreted (Sinkula 1994). To be interpreted, data must be fit into the organization's

Table 3
Types of Organizational Knowledge Structures*

Types of Knowledge	Cognitive Components	Characteristic Phrases	Manifestations	Examples
Dictionary Knowledge	• descriptive categories	"what is" "that exists"	• definitions and labels of things and events	• a system for categorizing customers
Directory Knowledge	• causal-analytical attributions	"how things are done"	• expectations about cause and effect relationships • descriptive theories of action	• process for conducting and analyzing customer satisfaction surveys
Recipe Knowledge	• causal-normative attributions	"should" "ought to"	• cause & effect relationships of hypothetical events • prescriptive theories of action	• increase customer satisfaction to improve profitability
Axiomatic Knowledge	• causes • assumptions • wants	"why things are the way they are"	• fundamental beliefs	• organizations exist to enhance shareholder wealth

* Adapted from Sackmann (1991), p. 39

understanding of the world (Daft and Weick 1983). Fitting may occur by understanding a piece of data in terms of existing knowledge or by altering knowledge structures to allow the data to fit (El Sawy and Pauchant 1988). For example, if an organization sees itself as a "railroad" company, it may not see the use of trucks as an opportunity to increase the value they offer to customers (Levitt 1960).

Organizational knowledge structures have been described in a variety of ways. Walsh and Ungson (1991) discuss organizational knowledge in terms of its repository

within the organization. They identify five "bins" of organizational knowledge: individuals' memories, culture, transformations, structures, and ecology. Individuals' memories are important storehouses of organizational memory. As a result, staff turnover is seen as both a loss of organizational knowledge and as an opportunity to learn (Carley 1992). Cultural knowledge is stored in the language, shared frameworks, symbols, stories, and grapevine of the organization (Walsh and Ungson 1991). Transformations are the processes that lead to the production of outputs. These outputs range from such things as finished products to annual budgets. Organizational structure includes the roles of the various members of the organization. The memory associated with these roles is stored in written forms (e.g., job descriptions), in the expectations of those in the organization with whom the person in the role interacts, and in the requirements of the environment which the person must face. Finally, ecology refers to the physical structure of the workplace. This structure "helps shape and reinforce behavioral prescriptions within an organization" (Walsh and Ungson 1991, p. 66). Taken together, these five "bins" represent the repositories of organizational knowledge structures. It is worth noting that organizations' memories extend beyond the memories of their members. This reflects the view that organizational learning is different than individual learning.

Another way in which knowledge structures can be described is suggested by the literature on philosophy of science. This literature suggests that knowledge exists in a hierarchy (Leong 1985; Morgan 1980). Paradigms (Kuhn 1962; Morgan 1980), frames of reference (Shrivastava and Mitroff 1983), and culture (Deshpandé and Webster 1989;

Schein 1992) refer to high-level (the most abstract) knowledge. This knowledge consists of the basic assumptions, beliefs, values, and "truth tests" that underlie information processing within the organization. This level of knowledge plays a critical role in organizations' interpretations of data. An organization's assumptions, beliefs, and values determine what is "important" to that organization. Organizations will attend to data that are "important" and ensure that "important" data are understood. For example, if an organization believes that customer satisfaction is important, that organization will likely attend to customer complaints that may suggest causes of customer dissatisfaction. An organization's truth tests are the criteria used by the organization to assess reality. For example, some organizations accept the proclamations of top management as "truth" while other organizations view truth as being determined by "objective" evidence (Shrivastava 1983). For example, sales representatives may not heed their manager's advice for selling a particular product unless the manager can provide proof that such advice is warranted.

Mid-level knowledge structures, or mental models, are composed of abstract knowledge that is available to the organization at the conscious level. Mental models are cognitive representations (or theories) of the environment, the organization, and their interactions. Cognitive psychologists have discussed a number of types of mental models (Fiol and Huff 1992). Some of these models are categorization structures (Stubbart 1989). For example, organizations will have mental models that classify other organizations in the environment (e.g., competitors, suppliers, regulators, etc.) (e.g., Porac, Thomas, and Baden-Fuller 1989). Other mental models depict causal relationships

(e.g., Hall 1976). For example, managers may have a mental model linking advertising expenditures with increases in sales.

Since mental models exist in consciousness, they are particularly interesting to managers and management researchers (Fiol and Huff 1992). Organizations expect managers to behave rationally. Rationality is often seen as the ability of managers to justify their decisions (Staw 1980). These justifications are built on the mental models of the organization. Since a mental model can be stated explicitly, it is possible to test those aspects of a model that reflect causal relationships. For example, an organization may understand that an increase in advertising expenditure leads to an increase in sales. This proposition can be tested using experimental techniques.

Mental models are not complete, stable representations of the world. They reflect the need for simplification imposed by people's cognitive limitations (Schwenk 1984). Research in psychology and management suggest that complete, unified mental models are not stored in memory. Instead, people "create" mental models that fit their needs at a particular moment in time (Medin and Ross 1990). These creations tend to be linear (rather than including feedback loops) and have relatively few elements (Hall 1984).

In terms of the level of the knowledge hierarchy, routine knowledge is at the lowest level. This level of knowledge is concrete in that it is linked directly to behavior. For example, consider a bank's automated teller machine. This machine collects data from the external environment that are entered by customers (e.g., request for cash). These data are processed and the automatic teller machine responds to the customer (e.g., dispenses cash). In this situation, the bank's collection, interpretation, and response to

data were performed by a computer. Generally, routines allow individuals and organizations to respond to events quickly and with very little cognitive effort (Staw 1980). This type of knowledge can be seen in organizations' policy manuals, customs, and structures (Walsh and Ungson 1991). Since routines involve little cognitive intervention, it is possible for routines to be used long after they are needed (Staw 1980).

The three levels of organizational knowledge are interdependent. An organization's culture, high-level knowledge, is instrumental to the content and structure of the lower level knowledge. As noted above, high-level knowledge directs the attention of the organization to particular issues. These important issues will be reflected in the mental models of the organization. For example, if customer value is important to an organization, managers will tend to justify their decisions based on the expected effect on customer value. Thus, customer value would appear prominently and often in the organization's mental maps. Furthermore, a shift in organizational culture would lead to changes in lower level knowledge. For example, if an organization's culture changes such that customer value ceased to be important, the organization's mental models would likely change accordingly.

Mental models affect organizational routines. When a particular situation occurs for the first time, an organization must fit the situation into a mental model in order to respond. If the situation occurs repeatedly, the organization's mental model will be refined until it becomes a routine. For example, customers' requests to withdraw money from banks are typically so similar that a computer can be used to provide the banks' response. If a withdrawal request is atypical, the bank requires that a different process is

required. This different process requires the use of a mental model rather than a pure routine.

While the levels of knowledge within an organization are not independent, organizations do not have single, unified, consistent knowledge structures. Rather, organizations' knowledge structures are likely to be disjointed in several ways. First, knowledge structures within the organization will likely differ by department (Shrivastava 1983). Turner and Colomy (1988) argue that roles can be differentiated based on functional differences (e.g., ability differences), value differences, and the allocation of rewards. The traditional, functional structure of organizations reflects differentiation by skills or abilities. Often, these functional differences coincide with value differences. Thus, the knowledge structures of marketing managers should not be expected to be the same as those of manufacturing (Kahn and Mentzer 1994) or research and development managers (Souder 1987).

Second, the knowledge structures that are used by an organization may differ by the situation in which the knowledge is required. This can be expected to occur for several reasons. First, like people, organizations may have difficulty accessing memories (Walsh and Ungson 1991). The interpretation of a set of data may differ depending upon the availability of a particular feature of organizational memory. Thus, the same organization may interpret the same data differently at different times as the result of recalling (creating) different mental models. For example, news that a competitor has dropped a price might be interpreted as aggressive move or a desparate move based on what mental model is created. Second, the context may trigger the use of different

knowledge structures. For example, prospect theory (Kahneman and Tversky 1979) suggests that a different mental model may be developed if a situation is perceived as an opportunity or a problem. Furthermore, since organizations often pursue competing goals (e.g., increase sales and decrease costs) perceiving a situation in terms of one goal rather than another may require using a different mental model.

For the purposes of this dissertation cultural knowledge is of central importance. The following section provides a discussion of the organizational culture literature.

Marketing Concept Beliefs and Organizational Culture

As noted in Chapter 2, several authors define marketing concept implementation in terms of organizational culture (e.g., Deshpandé, Farley, and Webster 1989; Deshpandé and Webster 1989; Narver and Slater 1990). Organizational culture, however, has been defined in many ways in the management literature. The purpose of this section is to clarify the meaning of organizational culture, as it will be used in this dissertation. First, I briefly discuss this definition relative to the range of meanings that have been attributed to organizational culture. Then, I offer the definition of organizational culture for use in this dissertation.

Views of Organizational Culture

Culture has been used in a variety of ways in the management and marketing literatures. "In organizational research, as in anthropology, there is not one cultural paradigm, but many" (Gregory 1983, p. 360). The wide variety of views of culture appearing in the literature makes it difficult to define. This problem is so great that some

authors do not offer a definition. For example, in a paper describing an attempt to measure organizational culture, Hofstede et al (1990) avoid offering a definition. They suggest

> There is no consensus about its definition, but most authors will probably agree on the following characteristics of the organizational/corporate culture construct: it is (1) holistic, (2) historically determined, (3) related to anthropological concepts, (4) socially constructed, (5) soft, and (6) difficult to change.

While there may be agreement on these characteristics, this description does not go a long way to clarifying the meaning of the concept. The following paragraphs summarize three approaches to organizing the various views of organizational culture.

Smircich (1983) identifies five views of culture from anthropology that intersect with views of organization from organizational theory. First, "in *comparative management* studies, culture is considered to be a background factor (almost synonymous with country), an explanatory variable (Ajiferuke and Boddewyn 1970) or a broad framework (Cummings and Schmidt 1972) influencing the development and reinforcement of beliefs" (Smircich 1983, p. 343, emphasis added). Smircich describes the second view as "corporate culture." "Although organizations are themselves embedded within a wider cultural context, the emphasis of researchers here is socio-cultural qualities that develop within organizations" (Smircich 1983, p. 344). The "cognitive perspective" is the third view identified by Smircich. Under this view "culture is a system of shared cognitions or a system of knowledge and beliefs (Rossi and O'Higgins 1980). A culture is seen as 'a unique system for perceiving and organizing material phenomena, things, events, behavior and emotions' (Goodenough, quoted in Rossi and O'Higgins 1980: 63)" (Smircich 1983, p. 348). The fourth view is termed the

"symbolic perspective." "In order to explain the thematic systems of meaning underlying activity, anthropologists show how the symbols are linked in meaningful relationship [sic] and demonstrate how they are related to the activities of the people in a setting" (Smircich 1983, p. 350). The fifth view is the "structural and psychodynamic perspective." "Culture may also be regarded as the expression of unconscious psychological processes" (Smircich 1983, p. 351). "From this point of view, organizational forms and practices are understood as projections of unconscious processes and are analyzed with reference to the dynamic interplay between out-of-awareness processes and their conscious manifestation" (Smircich 1983, p. 351).

A second scheme for understanding culture is proposed by Gregory (1983). She suggests that views of culture can be classified along three dimensions. The first dimension is the extent to which the culture is viewed as holistic or particulate. Holistic views are those in which culture is viewed as an integrated system. Researchers with this view are "interested in describing and interpreting the whole, not in explaining its origin..." (Sanday 1979, p. 531, quoted in Gregory 1983, p. 360). Particulate views, on the other hand, are those in which culture is viewed as containing a number of components. Researchers with this view emphasize "uncovering causal relationships and explaining covarying patters" (Sanday 1979, p. 531, quoted in Gregory 1983, p. 360). The second dimension for classifying views of culture is explanatory versus interpretive. Explanatory views are those which attempt to describe the characteristics of a particular culture. Interpretivist views, on the other hand, attempt to describe and compare cultures "in terms of distinct, personality-like patterns of integrated principles" (Gregory 1983, p.

361). The third dimension for classifying views of culture is that of external-view versus native-view.

> The rational for studying native views comes from the belief that meanings are linked to behavior, and those who take this perspective define culture as a system of meanings. Their research goal is to discover and describe native viewpoints, or "cultures." (Gregory 1983, p. 363)
>
> In external-view research, the researcher's or some others' (e.g., managers') culture provides the conceptual framework through which behavior is studied, with no expectation that research questions or analytic categories will conform to native meanings. (Gregory 1983, p. 363)

A third system for organizing views of organizational culture is offered by Frost et al (1991). Drawing from the work of Martin and Meyerson (1988; Meyerson and Martin 1987), Frost et al (1991) identify three perspectives on organizational culture: the integration perspective, the differentiation perspective, and the fragmentation perspective. These perspectives differ in the extent to which they focus on the consistencies or inconsistencies of culture. For example, the integration perspective

> portrays culture predominantly in terms of consistency (across the various manifestations of culture), organization-wide consensus about the appropriate interpretation of those manifestations, and clarity. From an integration perspective, cultural members agree what they are to do and why it is worthwhile to do it. In this realm of clarity, there is no room for ambiguity. (Frost et al 1991, p. 8)

On the other hand, the fragmentation perspective

> views ambiguity as an inevitable and pervasive aspect of contemporary life. These studies, therefore, focus predominantly on the experience and expression of ambiguity within organizational cultures. Clear consistencies, like clear inconsistencies, are rare. According to this viewpoint, consensus and dissensus co-exist in a constant fluctuating pattern influenced by changes, for example, in events, attention, salience, and

> cognitive overload. Any cultural manifestation can be, and is, interpreted in a myriad of ways. No clear organization-wide or subculture consensus stabilizes when culture is viewed from a fragmentation point of view. (Frost et al 1991, p. 8)

This section provides three perspectives for comparing views of organizational culture. The following section presents the definition of organizational culture to be used in this dissertation and assess this definition in terms of the three perspectives offer.

Defining Organizational Culture

Following Deshpandé and Webster (1989), I define organizational culture as "the pattern of *shared* values and beliefs that help individuals understand organizational functioning and thus provide them norms for behavior in the organization" (p. 4; emphasis added). This definition is consistent with many others that appear in the management literature. For example, Wilkins and Dyer (1988) propose that

> organizational culture is socially acquired and shared knowledge that is embodied in specific and general organizational frames of reference. ... The core feature of this definition is its focus on frames of reference. In order for members of an organization to cope with environmental uncertainty and to coordinate their activities, they develop general and specific frames of reference—cultural maps—that enable them to define a situation they encounter and develop and appropriate response. (p. 523)

Wiener (1988) suggests that "most researchers of organizational culture agree that *shared values*, or an organizational value system, are a key element in the definition of culture" (p. 534, emphasis in original).

This definition of organizational culture is consistent with the organizational cognition view discussed by Smircich (1983) and with the organizational learning perspective.

> Organizations are systems of knowledge. "Organization" rests in the network of subjective meanings that organization members share to varying degrees, and appear to function in a rule-like manner. (Smircich 1983, p. 342)

The systems of knowledge represented by culture are the overall rules that guide the organization. Deshpandé and Webster (1989) define culture as "the pattern of values and beliefs that help individuals understand organizational functioning and thus provide them norms for behavior in the organization" (p. 4). Norms can be defined as "expectations for appropriate/ inappropriate attitudes and behavior and socially created standards that help interpret and evaluate events" (Kahn and Mentzer 1994, p. 111).

The cognitive perspective has been applied to the study of organizations in the past even though authors may not use the term "culture" in their work (Smircich 1983). Miles and Snow's (1978) typology of strategic orientations is one example of the cognitive perspective. These authors identify three coherent patterns of responses to problems faced by organizations. Organizations adopt one of these three patterns in order to cope with their environments. These are not, however, merely patterns of behavior—they are also patterns of perceptions. Miles and Snow accept the notion that organizations "enact" their environments rather than simply operate within their environments. "Organization members actively form (enact) their environment through their social interaction. A pattern of enactment establishes the foundation of organizational reality, and in turn has effects in shaping future enactments" (Smircich and Stubbart 1985, p. 724-736).

Based on Gregory's dimensions, the meaning of organizational culture used in this dissertation can be described as particulate, interpretivist, and external-view. This

dissertation explores market orientation as a component of organizational culture—a particulate perspective. Besides marketing concept beliefs, other aspects of organizational culture include beliefs regarding a wide variety of issues such as "need for authority" (Hofstede et al 1990) and "time" (Bluedorn and Denhardt 1988). The proposed definition of organizational culture is interpretivist in that it refers to a pattern of organizational beliefs and values. Finally, this research takes an external-view of culture in that I am extending a single view of the marketing concept across organizations rather than seeking out organization-specific viewpoints.

In terms of the three perspectives outlined by Frost et al (1991), organizational culture will be viewed primarily from the integration perspective—the marketing concept is viewed as an organizational level phenomenon. It is clear, however, that sub-cultures play a significant role in organizations. As a result, it will be important to maintain sensitivity to the existence of sub-cultures and their role in the broader organizational culture. Frost et al (1991) note that recognizing two perspectives (i.e., the integration and differentiation perspectives) is not unusual or undesirable in culture research.

Organizational Culture and the Marketing Concept

What are the implications of this definition of organizational culture to understanding the marketing concept? The organizational learning perspective suggests that organizational culture plays a critical role in organizations. In terms of the framework for views of the marketing concept discussed in Chapter 2, defining the marketing concept from this perspective offers several implications. In terms of *market orientation*, this perspective suggests that the marketing concept refers to a narrow

definition of "market." In other words, from this perspective, "market" would refer to potential down-stream exchange partners. Other players (e.g., suppliers and competitors) would be considered important to the extent that they affected customers (Kohli and Jaworski 1990). In terms of *marketing orientation*, the importance of culture suggests that the marketing concept is an organizational rather than a functional phenomenon. In other words, the marketing concept is cultural rather than sub-cultural. This perspective does not offer any guidance in terms of goal orientation. Other aspects of culture are expected to play a large role in determining the important goals of an organization. Finally, in terms of implementation orientation, this perspective suggests that implementation is dependent upon the adoption and sharing of marketing concept beliefs.

Cameron and Freeman (1991) identify three dimensions for assessing organizational culture. Culture type is a measure of the extent to which an organization holds a particular set of values and beliefs. For example, some organizations may embrace marketing concept beliefs while other organizations may not. Cameron and Freeman's second dimension is congruence. Congruence refers to the extent to which there is consistency among organizational systems and components. As noted in Deshpandé and Webster's (189) definition, organizational culture is a pattern of beliefs. In some organizations these beliefs form a consistent pattern. For example, Cameron and Freeman (1991) describe a Clan type orientation. An organization with a congruent Clan orientation would be characterized in the following way:

- has a sense of family,
- has a leader who is a mentor,
- achieves bonding through loyalty and tradition, and
- develops human resources.

An incongruent orientation might be characterized the following way:

- has a sense of family,
- has a leader who is decisive and achievement oriented,
- achieves bonding through policies and procedures, and
- develops innovations.

Cameron and Freeman's third dimension for measuring organizational culture is strength. Strength refers to the extent to which particular cultural characteristics are embraced by the organization. For example, some organizations may have a strong belief in the importance of human resources while others a weak belief.

Research into organizational culture commonly measures the strength dimension. This is achieved by asking respondents to indicate the extent to which a particular statement reflects their organization (e.g., Deshpandé, Farley, and Webster 1993). What has not received much attention in the literature is the issue of to what extent do members of an organization share these beliefs. Several researchers (including Deshpandé, Farley, and Webster 1993) collected data from multiple respondents. Typically, however, these data are treated as multiple indicators of the same construct. Another approach would be the collection of data regarding the beliefs of individuals and then as assessment of the extent to which these beliefs are shared.

The preceding discussion can be summarized in the following propositions:

P_1: Organizations differ in the extent to which they adopt a culture consistent with the marketing concept. These differences exist in terms of the extent to which marketing concept beliefs are held as important by the organization and the extent to which these beliefs are shared throughout the organization.

P_2: The extent to which beliefs are shared throughout the organization is related to other organizational factors such as size and departmentalization.

Cameron and Freeman's observation regarding the congruence of culture begs the question of what other elements of organizational cultures are congruent with marketing concept beliefs. Two perspectives on organizations offer interesting possibilities: strategic orientation (Miles and Snow 1978) and effectiveness orientation (Cameron and Freeman 1991; Quinn and Rohrbaugh 1983). The following sections discuss these two perspectives.

Strategic Orientation

This view of organizational culture suggests that acceptance of marketing concept beliefs occurs within a broader culture of an organization. In other words, marketing concept beliefs are tied into a network of beliefs rather than an isolated set of beliefs. Consider the set of beliefs that guide an organization's strategic orientation. Miles and Snow (1978) argue that "the type of environment managers can enact is severely constrained by two broad factors: existing knowledge of alternative organizational forms and managers' beliefs about how people can and should be managed." (p. 6)[5] These beliefs guide organizations as they cope with their environments. Miles and Snow identify four types of strategic orientation:

> **1.** *Defenders* are organizations which have narrow product-market domains. Top managers in this type of organization are highly expert in their organization's limited area of operation but do not tend to search outside their domains for new opportunities. As a result of this narrow focus, these organizations seldom need to make major adjustments in their technology, structure, or methods of operation. Instead they devote primary attention to improving efficiency of their existing operations.

[5] The notion of "enacting the environment" will be discussed later in this chapter.

> 2. *Prospectors* are organizations which almost continually search for market opportunities, and regularly experiment with potential responses to emerging environmental trends. Thus, these organizations often are the creators of change and uncertainty to their competitors must respond. However, because of their strong concern for product and market innovation, these organizations usually are not completely efficient.
>
> 3. *Analyzers* are organizations which operate in two types of product-market domains, one relatively stable, the other changing. In their stable areas, these organizations operate routinely and efficiently through the use of formalized structures and processes. In their more turbulent areas, top managers watch their competitors closely for new ideas, and then rapidly adopt those which appear to be the most promising.
>
> 4. *Reactors* are organizations in which top managers frequently perceive change and uncertainty occurring in their organizational environment but are unable to respond effectively. Because this type of organization lacks a consistent strategy-structure relationship, it seldom makes adjustments of any sort until forced to do so by environmental pressures. (Miles and Snow 1978, p. 29)

Note that in the same way that marketing concept beliefs guide organizations, strategic orientation beliefs also guide organizations.

Strategic orientation and marketing concept beliefs appear to be interrelated. For example, marketing concept beliefs are likely to lead organizations to observe more variation in the market. Prospectors are also more likely to observe variation in the market--these organizations are constantly seeking new opportunities and, thus, are likely more sensitive to differences between people in the market. Defenders, on the other hand, are less likely to be looking for differences between people in the market or changes to these people over time--such variation would upset the efficient operation of the organization.

P_3: Market concept beliefs are associated with strategic orientations. For example, organizations holding marketing concept beliefs are more likely to be Prospectors than Defenders.

Effectiveness Orientation

Quinn and Rohrbaugh's (1983) research explored the relationships among measures of organizational effectiveness. Scholars familiar with organizational effectiveness were asked to identify the extent to which effectiveness measures were conceptually similar or different. Using multidimensional scaling, Quinn and Rohrbaugh identified three dimensions underlying the data: internal versus external; organic processes versus mechanistic processes; and means versus ends. They noted that the first two of these dimensions appeared to overlay Jung's (1923) model of psychological archetypes. This link suggested that pursuit of different measures of organizational effectiveness reflected different patterns of shared beliefs within organization (Cameron and Freeman 1991). This resulted in the use of this framework in assessing organizational culture in organizations.

The competing-values model, as this approach has been called, identifies four orientation types: clan, adhocracy, hierarchy, and rational[6]. Organizations with a clan orientation would be characterized by preferences for organic organizational processes and an internal focus. Adhocracy oriented organization would also have a preference for a organic processes; however, these organizations would have an external focus.

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[6] The rational orientation is sometimes referred to as "market orientation" (e.g., Cameron and Freeman 1991; Moorman 1995). To avoid confusion, the term "rational" will be used in this dissertation (Quinn and Spreitzer 1991).

Opposite to adhocracy, hierarchy orientated organizations would be internally oriented and prefer mechanistic processes. Finally, organizations with a rational orientation would be characterized by preferences for mechanistic processes and an external focus.

Of these orientations, the external orientations would be consistent with the marketing concept. While not all external orientations are directed at the market, those organizations directing attention to the market would be externally oriented.

P_4: Market concept beliefs are associated with effectiveness orientations. For example, organizations holding the marketing concept will tend to be characterized as adhocracy oriented or rational oriented.

The preceding discussion looked at organizational knowledge structures in general and the place of marketing concept beliefs in particular. The next section explores the second major feature of the organizational learning model--information processing activities.

Information Processes

Information processes refer to the behaviors performed by organizations that may result in organizational learning. These processes are scanning, interpreting, and acting. The following sections will discuss each of these processes.

Scanning

The first element of the learning process is scanning behavior. Scanning is "the process of monitoring the environment and providing environmental data to [members of the organization]" (Daft and Weick 1984). Scanning behaviors generate data about the environment and make that data available to members of the organization for

interpretation. In the following sections I first discuss views of organizational environment. I then discuss processes for gathering environmental data. Finally, I discuss the implications of scanning in terms of filtering data.

Scanning Processes

Scanning has been described along several dimensions. Some authors discuss various modes of scanning. Aguilar (1967) identified four modes of scanning: undirected viewing, conditional viewing, informal search, and formal search. These four modes reflect two underlying dimensions. First, scanning systems differ in the extent to which they are active or passive. Active systems, such as in-home interviews with customers, are those that reach out into the environment to gather data. Informal and formal search are active modes of scanning. Passive systems, such a customer complaint line, are those that wait for the environment to act on the organization. The two viewing modes (undirected and conditional) are passive modes.

Second, scanning systems differ in the "richness" of the data they collect (Daft and Lengel 1984). "Richness is defined as the potential information-carrying capacity of data" (Daft and Lengel 1984, p. 196). Rich data would offer the potential for a great amount of information to be drawn from it. Scanning systems that generate rich data can be characterized as having immediate opportunities for feedback, conveying both audio and visual signals (allowing the transmission of verbal and non-verbal language), and occur in a personal context. A casual face-to-face meeting would exemplify an opportunity to collect rich data. Lean data have relatively low informational carrying capacity. Scanning systems that generate lean data can be characterized as having very

slow feedback opportunities, convey limited visual signals, and occur in a stylized, impersonal context. A standardized, computer-generated report would exemplify a lean scanning mechanism. Consider the differences between a face-to-face interview with a supermarket customer and the "scanner" data generated during check out. The face-to-face interview could uncover the motives and events that lead to a particular set of purchases while the scanner data could only reveal what was purchased. The cost of collecting data through face-to-face interviews, however, is substantially greater than the cost of collecting scanner data.

Third, scanning systems differ in the extent they are used routinely or occasionally. Fahey and King (1977 from Thomas 1980) distinguish between three scanning modes: irregular, regular, and continuous. "Irregular" modes would be non-routine, special purpose scanning. For example, an organization that interviewed customers to assess their initial reactions to a new product would be engaged in irregular scanning. "Regular" scanning would be characterized by systematic recurrence. An example of regular scanning is the collection of data at the beginning of each year's planning cycle. "Continuous" scanning refers to the gathering of data on an ongoing basis. "Scanner" data collected in many supermarkets exemplifies continuous scanning.

Thomas (1980) suggests that scanning processes can be described in terms of space and time dimensions.

> Taking the more common time dimension first, we find that it too has two dimensions. One is continuity over multiple periods which provides an indication of its *permanence*. The other is continuity in the sense of sequencing the multiphased activity related to scanning within the annual corporate planning cycle. We may call this the *periodicity* characteristic (or its cyclicality).

> The space dimension, suggests the necessity of considering the *pervasiveness* of scanning for planning in the given organization. This can take the form of multi-level activity (i.e., vertical participation in the scanning function) or it can be of the multi-unit variety (horizontal proliferation). (Thomas 1980, p. 23)

Thomas (1980) also identifies three dimensions regarding the content of scanning: scope, range, and futurity. "Scope varies from a dominant concern with general environmental conditions (IBM) to the detailed formulation of 'tunnel visions' of as many as nine segments of the environment (GE)" (Thomas 1980, p. 24). Range refers to the geographic coverage of data gathering. Some organizations have a regional focus, while others might have national or international scanning orientation. Firms that do business on a global basis may be more likely to have an international scanning orientation, but this is not necessarily the case. Futurity refers the time horizon that the data are to reflect. Data that are useful for coping with immediate concerns may not be useful for constructing a picture of the environment five or ten years in the future.

Several authors in the marketing literature suggest that scanning consists of two phases: the gathering or generation of data and the distribution of data within the organization (cf. Kohli and Jaworski 1990; Moorman 1995). Gathering data involves bringing data to the boundary of the organization (Moorman 1995). Distribution of data involves the transmission of data to members of the organization.

The dimensions of scanning discussed to this point refer primarily to the nature or the content of the scanning process. The purpose of scanning, however, is also important. It is useful to distinguish between routine (or operational) needs and strategic needs. Routine needs relate to data needed for day-to-day operations. For example, customer

orders would represent data needed for making routine decisions. Strategic needs revolve around the recognition and response to issues in the environment that may have a substantial impact in the ability of the organization to meet its objectives (Ansoff and McDonnell 1990). For example, indications of the entrant of a major competitor into an organization's markets would be data useful for strategic decisions.

The nature of the scanning process is expected to differ depending upon the need that drives scanning. Table 4 offers a comparison the expected nature of the scanning process for strategic versus routine needs. For example, since routine operations depend primarily on a well defined events, scanning systems for routine purposes can function effectively with information-lean data. Mail-in order forms for a mail-order business such as Lands' End are an example of a mechanism for collecting information-lean data. Strategic issues may not, however, fall into neat categories that can be gathered on check lists. Scanning systems that collect information-rich data are likely to be more useful for meeting strategic needs (Daft and Wiginton 1979).

It is not possible for an organization to gather all possible data from the environment. As a result, scanning processes can be considered to filter the environment. Two types of filters can be distinguished. First, organizations will direct their scanning efforts toward those aspects of the environment which are considered to be important. Once data are generated, they are available for the organization to interpret. The reciprocal of this statement is also true; data that are not generated, are not available to be interpreted. Thus, data generation limits the ability of the organization to perceive some characteristics of the environment(Ansoff and McDonnell 1990). An organization's

Table 4
Expected Scanning Characteristics for Strategic Versus Routine Needs

Need for Data	Strategic	Routine
Information Richness	• Primarily rich data	• Primarily lean data
Frequency	• Irregular, regular, continuous	• Continuous
Continuity Over Time	• Low permanence	• High permanence
Pervasiveness	• Less pervasive—Horizontal	• More pervasive—Vertical
Scope	• Broad scope	• Narrow scope
Time Horizon	• Long-term	• Short-term

understanding of its environment directs it to certain features of that environment. For example, consider the difference between a manufacturer of men's clothing that sees the "consumer" as the person who purchases the product from a retailer and one that sees the consumer as the person who actually uses the product. Since women often buy men's clothes and men wear these clothes, these two manufacturers might collect data on very different groups of people.

The nature of the data collection processes also serve as a filter. For example, if an organization seeks to collect "information rich" data, it will be able to collect that information from relatively few sources. On the other hand, if an organization collects "information lean" data, it will be able to collect information from many sources within the same budget constraint.

This does not, however, imply that all data generated are interpreted by the organization. Brien and Stafford (1968) comment that, at that time, the ability of organizations to generate data was outstripping their ability to use it. Developments in

information and communication technology over the last 25 years have served to increase our ability to generate data.

Market Scanning and Marketing Concept Beliefs

Market scanning refers to the collection and distribution of market-related data. Market scanning has received a great deal of attention in the marketing literature and the market research literature in particular. Issues such as new data collection methods (e.g., Arnould and Wallendorf 1994) and improving data quality (e.g., Menon, Bickart, Sudman, and Blair 1995) have long been staples of the marketing literature. In addition to the scholarly literature, a great deal of practitioner-directed attention is offered to scanning issues. University undergraduate and graduate marketing programs typically include a course on marketing research. The large number of consulting firms offering market research services also serves to emphasize the collection of market-related data.

Interpreting

The second element of learning process is interpretation. Organizational interpretation is "the process of translating events and developing shared understanding and conceptual schemes among members" of the organization (Daft and Weick 1984). In other words, interpretation is a process of giving meaning to data that is generated from the scanning processes of the organization. Organizational interpretation includes both individual and interpersonal processes (Shrivastava 1983).

Individual Interpretation Processes

The interpretation processes of organizational members play a central role in organizational interpretation. The research on the interpretation processes of individuals is extensive (Hedberg 1981; Huber 1991). Two basic assumptions underlie discussion of individual interpretation. First, people are seen as motivated (1978). These motives drive and influence their interpretation process. Second, people are constrained in their information processing capacity (Hogarth 1987; Medin and Ross 1990). In the following paragraphs I discuss these two assumptions and their implications.

First, people are motivated—they pursue a range of outcomes. Several motives are particularly important in respect to interpretation. For one, people appear to be motivated to make sense of their world (Driver 1987). For example, Staw (1980) argues that

> individuals are highly motivated to predict and control their environments. ... [I]ndividuals are postulated, first to attempt control over their environment. However, if control is not possible, then, individuals are hypothesized to make their environments more predictable. ... Finally, if neither prediction nor control is possible, research has shown (Seligman, 1975) that individuals are likely either to become psychologically depressed (learned helplessness) or exit the situation altogether. (Staw 1980, p. 51)

Control and prediction are possible only if the individual can make sense of the situation. People also appear to be motivated to maintain their self-esteem:

> researchers studying the self-concept recognize that maintaining self-esteem is one of the primary motivators of human behavior and cognitions (Rosenberg, 1979); attributions offered to oneself about behavior can serve an egocentric function by protecting, maintaining, or enhancing self-esteem. (Elliott 1989, p. 1016)

Thus, people are motivated to interpret the world, and their behavior in it, in ways that are consistent with their self-concept. Since data are often ambiguous, it is possible for individuals to reach a variety of interpretations. There appears to be a tendency for people to interpret data in ways that support their self-concept. For example, there is a tendency for people to see themselves as the cause of their successes but to attribute failure to external sources (Gergen and Gergen 1983).

Second, people are limited in their ability to understand the world. These limitations come from two sources. First, people have limited sensing ability. For example, the human eye can detect only a narrow range of the radiant energy in the environment (Grossman 1973). Any stimuli which exist outside of our capacity to detect cannot be used to increase our understanding of the world[7]. Second, people have physiological constraints that limit the amount of information they can process (Grossman 1973). These limitations affect the number of stimuli to which they can attend and the amount of time they can allocate to dealing with these stimuli.

"The research on heuristics has focused attention on decision makers' limited information processing capabilities. These limitations have particularly important consequences in complex decision environments" (Kleinmuntz 1985, p. 680). Heuristics are general guidelines or short-cuts for simplifying situations that enable people to cope (Medin and Ross 1992). They are methods for dealing with data that require relatively little cognitive energy. Although energy-efficient, heuristics can lead to biased

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[7] People can create tools to increase the range of stimuli that can be detected, but there is still a limit.

interpretations of data (Hogarth 1987). Examples of these biases include:

- availability bias: people are likely to judge an event as likely or frequent if instance of it are easy to imagine or recall.
- hindsight bias: the knowledge of an events occurrence increases that event's perceived inevitability
- misunderstanding the sampling process: over-estimate the accuracy of small samples.
- judgments of correlations and causality: if people believe that two variables are causally related, they are more likely to perceive a correlation between the two variables. (Barnes 1984)

These biases lead people to reach different conclusions than they would be expected to reach through "rational" processing.

It is important to note that self-serving attributions and heuristics are not necessarily dysfunctional.

> Measured against the standard of optimality, human cognition falls short, oversimplifies, and leads to systematic misperception. Measured against problems of complexity, controlling relevance, and inadequate information, however, human cognition can achieve marvels. (Medin and Ross 1992)

Thus, although flawed, humans are functional in their complex environment (Staw 1980).

People appear to have a need to understand their environment but are limited in their ability to do so. Medin and Ross (1992) offer three key points about understanding. First, "meaning is a function of both the input and activated knowledge" (Medin and Ross 1992, p. 336). In other words, individuals' interpretations of a set of data is a function of the data and their knowledge. For example, consider the following sentence: "We received about 250 customer complaints about product X last month." What does this mean? If 2 million units of the product were sold over the past year, a manager may understand this as "Product X received very few complaints from customers." On the

other hand, if the business had been receiving about 10 complaints per month regarding product X, a manager may understand thus as "There might be a quality-control problem with product X."

Second, Medin and Ross (1992) argue that meaning is created through an active process. The individual *constructs* a meaning from an integration of inputs and knowledge. "The knowledge that is often brought to bear in understanding is not just a relevant fact or two, but more a body of knowledge" (Medin and Ross 1992, p. 345). In the previous example, the manager infers that the number of complaints is associated to the quality of the product.

Third, Medin and Ross (1992) point out that meaning consists of an integrated representation. In other words, the data must "fit" the individual's knowledge. In some situations, data is fit into knowledge structures with very little cognitive effort. For example, an experienced driver can cruise along a highway at 60 miles per hour and engage a passenger in conversation with little difficulty. Data regarding such things as other traffic and current speed are interpreted and responded to with little effort. In other situations, the data does not fit easily into the individual's knowledge. For example, a person driving a car for the first time may find it impossible to keep track of all the data to which they must attend. A third situation might arise in which the process of interpreting inputs brings together sets of prior knowledge that are inconsistent. This inconsistency will lead to a psychologically uncomfortable state of cognitive dissonance (Staw 1980). For example, consider a marketing manager who is forced to reduce advertising expenditures and, subsequently, receives a report that sales increased. The

manager expects that the sales figures accurately reflect the amount of product sold. At the same time, the manager's prior knowledge holds that there is a positive relationship between advertising and the amount of product sold. The manager must now reconcile these inconsistent sets of knowledge: the sales figures may be wrong, there may not be a positive relationship between advertising and the amount of product sold, or both.

There are essentially three possible outcomes of an individuals' interpretations processes. First, some data will not be meaningful and will be ignored. Second, some data will fit within the individual's prior knowledge. Third, some data will fit with the individual's knowledge, but the fitting requires changes in that person's knowledge.

The preceding discussion emphasizes the constraints on human information processing and how these constraints lead to errors. This begs the question, "What are conditions that affect the ability of an individual to cope with their environment?" Driver (1987) argues that, there is an inverted U-shaped relationship between environmental load and complexity of attention. Load is composed of four factors. The first of these factors is information complexity.

> Information complexity can be defined in two ways.
> External: the number of parts and connections in a stimulus
> Internal: the number of cognitive-system parts (e.g., attention channels) involved in processing the stimuli (Driver 1987, p. 67).

The second factor, uncertainty, refers to the degree of predictability independent of complexity. For example, outcomes of a coin-toss are uncertain and simple. The third and fourth factors are noxity and eucity. These factors refer to the emotional response an input induces. "Noxity is defined as any input that generally induces negative affect

(e.g., fear or anger). Eucity is any input that can produce positive affect (e.g., joy or excitement)" (Driver 1987, p. 68).

As the complexity of the environment increases, perhaps as the result of more competitors, the environmental load increases. At some point, increases in environmental load on individuals leads to declines in their processing capacities. One way in which organizations can respond to this situation is to increase the level of specialization of its members and, as a result, reduce their environmental load (Lawrence and Lorsch 1967). Thus, changes in the organization's environment or organizational structure would likely affect the information processing capabilities of its members.

Organizational Interpretation Processes

As noted above, organizational interpretation is "the process of translating events and developing shared understanding and conceptual schemes among members" of the organization (Daft and Weick 1984). In other words, interpretation is an organizational process of giving meaning to data. Although individual interpretations are important, organizational interpretation processes often include social processes (Shrivastava 1983). The number of individuals involved in the interpretation of a particular set of data can vary dramatically. In some situations individuals may not be involved at all. Consider an automatic teller machine (ATM) paying out money to a bank customer. The ATM collects data from the customer's bank card and key-pad entries. A computer program processes this data and dispenses cash to the customer. In this situation, the bank's generation, interpretation, and response did not require direct human involvement. In other situations, a large number of organizational members may be involved in

interpreting data. For example, an organization may require that its board of directors approves large contracts. The entire board of directors may be involved in the interpretation of data before the organization responds to such opportunities.

While interpreting is a process of giving meaning to data, it is not necessary for all organizational members to agree on the meaning of a set of data. Table 5 identifies three possible outcomes of organizational interpretation based on the extent to which meaning is shared. If organizational interpretation results in shared meanings, then all of the members of the organization involved interpret the data in the same way—they mean the same thing to all members. In this situation, members of the organization would agree on the appropriate response of the organization and would agree on the reasons for that response. If interpretation results in "equifinal meaning," members would agree on the appropriate organizational response, but would not agree on the reasons for that response (Donnellon, Gray, and Bougon 1986). For example, board members may all agree to approve a large contract. Some members agree because they believe that the contract is an excellent opportunity. Others, however, believe that it is a poor opportunity, but that to not approve the contract would damage the reputation of the organization. The interpretation process may also result in an unresolved meaning – there is agreement on neither the appropriate action nor the reasons for action (Donnellon, Gray, and Bougon 1986). In such a situation, there is no dominant individual or coalition with enough power to force the organization to enact its desired response. If this situation arises, the organization may attempt to gather more data or it may simply not respond. For example, Mintzberg, Raisinghani, and Théorêt (1976)

Table 5
Extent to Which Organizational Interpretations are Shared

Outcome of Organizational Interpretation	Description	Example
Unresolved Meaning	Members of the organization do not agree on the meaning of data nor how the organization should respond.	Marketing and R&D managers cannot agree on the important features of a product being developed. One group wants to make further product modifications and the other wants to launch the current version of the product.
Equifinal Meaning	Members of the organization do not agree on the meaning of the data, but they do agree on how the organization should respond.	Marketing and R&D managers cannot agree on the important features of a product being developed but agree that the current version of the product be introduced to the market.
Shared Meaning	Members of the organization agree on the meaning of data and how the organization should respond.	Marketing managers agree on the important features of a product being developed and that it should be introduced to the market.

exploration of strategic decision processes suggests that these processes are iterative as decision-makers strive to agree on the definition and response to a problem.

It is worth noting that achieving "shared meaning" may not necessarily be desirable. To reach this level of common understanding may be very expensive in terms of time and energy. In some situations, this level of agreement may not be necessary. Bourgeois (1980) reported that organizations in which the top management team had achieved consensus on means (actions) out-performed organizations in which the top management team had achieved consensus on both means and ends (goals). This

suggests that a greater degree of shared understanding does not necessarily enhance performance (at least in the short-run).

The extent to which interpretations are shared depends on several factors. First, the extent of shared interpretation depends on the extent to which knowledge is shared among organizational members. For example, if an organization is composed of individuals raised within the same social environment and who attended the same schools, achieving shared understandings would be relatively easy. On the other hand, if there is a great deal of differentiation among organizational members, shared understanding will be difficult (or impossible) to achieve (Berger and Luckman 1967).

Turner and Colomy (1988) suggest that differentiation can occur along three basic dimensions. First, the roles of members within an organization can differ in terms of the skills required. For example, welders and market researchers require different functional skills. Second, roles of members can differ in terms of values. Although value differences often overlay functional differences, this is not always the case. For example, a welder working on heavy equipment may value speed and durability while a welder in a product development lab may value precision. Third, "tenability differentiation" refers to the balance between rewards and costs of a role to the incumbent.

> For consensually valued rewards and costs, tenability differentiation reflects power and adaptation in the recruitment pool. For nonconsensually valued rewards and costs, tenability shapes roles into harmony with incumbents' self-conceptions. (Turner and Colomy 1988, p. 1)

For example, if monetary compensation is a consensually valued reward, powerful individuals would be paid more than those without power.

Since individual interpretation rests on the prior knowledge of the individual, shared interpretations rest on the shared knowledge of the group. The more an organization pursues differentiation to take advantage of skill, values, and tenability differences, the more difficult it will be for that organization to reach a shared understanding. As discussed earlier, increasing differentiation allows the organization to cope with more complex environments by reducing the environment load on individuals. Thus, increased differentiation allows the organization to cope with more complex environments but less able to reach shared interpretations.

Second, the extent to which interpretations are shared depends upon the extent and quality of interaction. Opportunities for individuals to communicate with one another will depend upon factors such as their departmental affiliations, the level of differentiation between organizational departments, and the physical distribution of organizational personnel (Cohen et al 1988; Mintzberg 1979). Organizations that are highly differentiated have fewer interfunctional interactions than more integrated organizations. Organizational units that are physically separated will tend to have less communication than units that are integrated. The quality of the communication between organizational members will depend upon the communication media used (e.g., face-to-face versus standardized form) and the communication norms of the organization (Daft and Lengel 1984). Media that facilitate the exchange of rich information will enable a greater degree of shared interpretations than those that do not. If an organization's norms discourage conflict, organizational members will tend to leave conflicting interpretations

unresolved. As noted above, it may be possible to avoid resolving differing interpretations as long as an equifinal meaning is reached.

The beliefs of an organization can also affect the quantity and quality of interaction. For example, some organizations highly prize independence—to share an understanding with another member of the organization might be considered rude (Schein 1992). Other organizations, however, might highly value team-work and cooperation. In this type of organization, *not* sharing a different opinion would be considered inappropriate. Argyris (1986) suggests that some organizations value internal harmony. Even though members of the organization engage in interactions, they avoid issues and questions that might cause surprise, embarrassment, or threat. In so doing, they are unable to develop shared understandings.

Information Filters in Interpreting

Interpretation processes result in the interpretation of some data and the ignoring of other data. Furthermore, the range of possible interpretations available to an organization are limited. First, as noted above, the range of possible interpretations is limited by the ability and willingness of individuals within the organization to give meaning to data. Furthermore, individuals must fit data into their knowledge structures. For this to occur, the data must be consistent with prior knowledge and not be too destructive to their self-concept.

Second, social processes also limit the range of potential interpretations. These social processes can be affected by several factors:

- the physical characteristics of the work environment

- the distribution of power across the organization.
- organizational norms (e.g., "don't be controversial" and "don't make mistakes").
- the extent of differentiation between units of the organization.

If it is difficult for members of an organization to communicate due to these factors, it may reduce the possibility for reaching interpretations that would require such interactions.

The range of possible interpretations is also limited by the interpreting behaviors of the organization. For example, do individuals analyze data? In some organizations the pace of life becomes so great that decisions must be made without a careful assessment of data (Kets de Vries and Miller 1984). On an organizational level, is there an opportunity to share interpretations? In some organizations the physical separation of departments makes interaction between the departments very difficult. In such a situation, performing the behaviors necessary for sharing interpretations is not possible.

Interpretation and Learning

Referring back to the model of organizational learning (Figure 1), note that an arrow runs from interpretation processes to organizational knowledge structures. This arrow reflects that notion that interpretation processes lead to changes in organizational knowledge structures. In other words, organizational interpretation may result in organizational learning.

What is learning? Bateson (1972) suggests that learning can be understood by discussing the levels or types of learning.

> *Zero learning* is characterized by *specificity of response*, which—right or wrong—is not subject to correction.

> *Learning I* is *change in specificity of response* by correction of errors of choice within a set of alternatives.
>
> *Learning II* is *change in the process of Learning I*, e.g., a corrective change in the set of alternatives from which a choice is made, or a change in how the sequence of experience is punctuated.
>
> *Learning III* is *change in the process of Learning II*, e.g., a corrective change in the system of *set* of alternatives from which a choice is made.
>
> *Learning IV* would be *change in Learning III*, but probably does not occur in any adult living organism on this earth. (Bateson 1972, p. 293, emphasis in original)

According to Bateson, all organizations engage in learning—at least zero learning. Organizations perceive and respond to events in their environments.

The organizational learning literature is characterized by identifying three classes or degrees of learning (Table 6). Using Bateson's (1972) language, the first of these levels is Level Zero learning. This level is characterized by interpretations which result in data being fit into existing knowledge structures. For example, Argyris (1977), discusses single-loop learning which he compares to the interpretation performed by a thermostat. Thermostats contain an instrument for detecting temperature. Should this instrument detect temperature change crosses some trigger point, the thermostat cues the heater to start or stop operation. The data gathered from the environment does not change and the relationship between stimulus and response is fixed. While the thermostat responds to changes in the environment, the range of potential responses does not change. According to the definition of learning used in this dissertation, thermostats do not learn and "single-loop learning" is not learning.

Learning One is the second type of learning discussed in the organizational learning literature. This level of learning refers to relatively minor changes in

Table 6
Levels of Learning

Author	Learning Zero	Learning One	Learning Two
Argyris (1977)	Single loop learning: detects states of the environment and triggers response.	Double loop learning: detecting error and questioning the underlying policies, goals, and systems	
Lant and Mezias (1992)	First-order learning: a routine, incremental process that serves to maintain stable relations and sustain existing rules.	Second-order learning: search for and exploration of alternative routines, rules, technologies, goals, and purposes.	
Milliken and Lant (1991)	First-order learning: a routine process of gaining competence in existing activities, routines, or technologies, and servers to maintain system stability.	Second-order learning: searching for and exploring new activities, technologies, and goals.	
Senge (1990)		Adaptive learning:	Metanoia: a fundamental shift of mind.
Tushman and Romanelli (1985)		Convergence: reduce inconsistent or inappropriate within the strategic orientation of the organization.	Reorientation: simultaneous and discontinuous shifts in strategy, distribution of power, the organization's core structure, and nature and pervasiveness of control systems.
Hedberg (1981)	Adjustment learning: fluctuations, minor changes that are reversible.		Turnaround learning: substantial changes that are irreversible

organizational knowledge structures. Hedberg (1981) refers to this type of learning as "adjustment learning." At this level, learning occurs within the frame of reference of the organization. In other words, this type of learning consists of changes to routines or mental models. These changes are relatively minor in that they typically do not require a great deal of organizational energy to occur and they are reversible (Hedberg 1981). An example of this Learning One is reflected in the shift from radio to television advertising that occurred in the earlier years of television. Advertisers preferred media that reached their target markets. Television was a new medium that needed to be added to their knowledge.

The third type of learning discussed in the organizational learning literature, Learning Two, refers to a change in the fundamental beliefs of an organization. Learning Two has also been referred to as reorientation (Tushman and Romanelli 1985) and turnaround learning (Hedberg 1981). An excellent example of this level of organizational learning is offered by Ackoff and Emshoff (1975). This article describes a period of time at Anheuser-Busch, Inc. which resulted in a major change to their operations. Over time, managers changed their beliefs about appropriate tests for truth. They shifted from the belief that past practice was the key source of knowledge to the belief that careful experimentation was a key source of knowledge.

Interpretation Processes and Levels of Organizational Learning

Different levels of organizational learning are associated with different interpretation processes. Higher levels require the greater degrees of questioning. Level Zero learning requires very little questioning. For example, managers may ask how

many orders were received for a particular product to determine whether they need to increase the production of that product. This is a very simple question--it can be answered by a single number. Level One learning requires more questioning. For example, managers may ask why orders for a particular product are changing? Level Two learning requires the most questioning. For example, managers may ask if the number of orders for products should be used to assess product performance.

Moorman (1995) differentiates between two types of interpretation processes. Instrumental utilization refers to the use of data to make a specific decision. Instrumental utilization processes consist of interpreting data so that it fits into a particular situation. For example, managers may ask "Is the market large enough to make further investment worthwhile?" In this question, the meaning of "worthwhile" is taken for granted. Answering this question requires data such as the number of potential buyers, the amount of product these buyers will purchase, and the number of other organizations that might attempt to fulfill these buyers needs. Based on these data a calculation can be performed to make a judgment of whether the project is worthwhile.

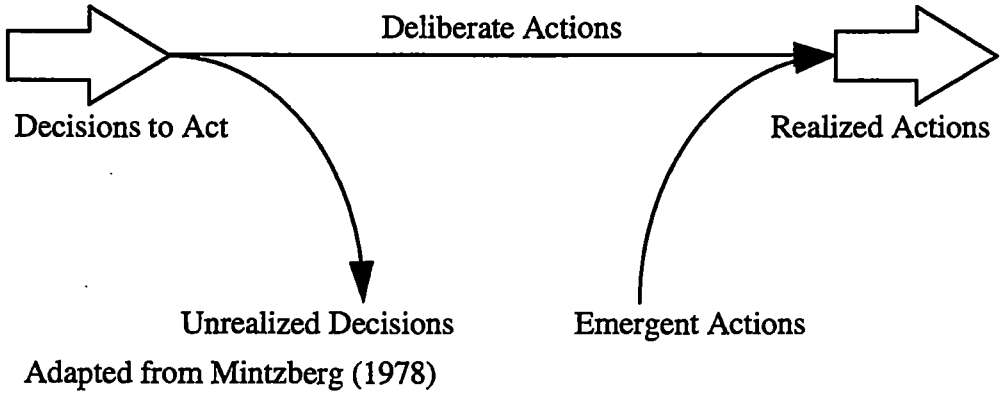
The second type of interpretation process described by Moorman (1995) is conceptual utilization. This refers to the processes that facilitate the questioning of assumptions. For example, what does it mean that further investment is "worthwhile"? Does it mean that a minimum expected return on investment will be achieved? Does it mean that the quality of life for a particular group of people will be enhanced? Does it mean that critics will stop hounding the organization? Answering this question requires different processes than answering the "how many units will be sell?" question.

Interpretation processes lead to two potential outcomes--organizational learning and organizational action. The preceding discussion has addressed the first of these outcomes. The following section discusses organizational actions

Acting

Acting refers to performance of behaviors of the organization that directly affect the environment. Some of these behaviors are responses to perceived events in the environment. A price change in response to a competitor's actions illustrates such a behavior. Other behaviors are automatic in the sense that they are not cued by an environmental stimulus. For example, an organization may routinely place an advertisement in the Sunday newspaper every week. While the decision to place weekly ads may have been in response to an environmental stimulus, the placement of a particular ad may be the result of the organization following a standard practice. Nothing in the environment directly triggered the placement of the ad.

It is important to distinguish between decisions to act and actions (Figure 7, Mintzberg 1978). While managers may decide to perform a particular action on the environment some of these actions may not be performed. For example, a manager may decide that a sales representative visit a customer to resolve a problem. The sales rep may not make the visit for a number of reasons (e.g., unable to work due to illness). Alternatively, the sales rep may visit the customer but, rather than resolve the problem, blame the customer and increase the problem. Thus, some behaviors that directly effect the environment are deliberate (i.e., the result of a decision), while others are emergent.



Adapted from Mintzberg (1978)

Figure 7
Relationship Between Decisions to Act and Actions

Actions can be aggregated at a variety of levels. For example, greeting a customer is a simple, stand-alone behavior while launching a new product is complex set of behaviors. Broad, long-term, complex sets of actions can be referred to as strategies. Narrower sets of actions can be called tactics. Single, stand-alone actions are behaviors.

It is important to note that, in the context of this model of organizational learning, actions are potential data. In other words, actions are events that are available for observation and interpretation. The implication of this is that actions performed by an organization may be observed by others in the environment (not necessarily all actions will be observed). Observed actions will be interpreted by individuals and organizations in the environment and these interpretations may or may not be consistent with the interpretation of the organization performing the action. In fact, the organization performing the action may not interpret an action in the light of its intent. For example, an organization may place an advertisement that was considered to be humorous. The majority of the organization, however, may not see the ad until it appears in a medium

(e.g., television). These members of the organization may interpret the ad as being in bad taste. These differences in interpretation may be the result of knowledge structures differing among members of the organization or as the result of and event that changes the meaning of the advertisement (e.g., the Oklahoma City bombing may have affected the interpretation of a Jack-in-the-Box ad in which the corporate board of directors was bombed).

In summary, the organizational learning process is composed of three phases: scanning, interpreting, and acting. These three phases are performed dynamically and interactively. Acting generates data that may be gathered and interpreted. Interpretation processes may result in acting or additional scanning.

Organizational Knowledge and Information Processing

Much of the literature views action occurring as the result of knowledge (see Figure 8, Part A). For example, with respect to individuals, the Theory of Reasoned Action (Fishbein and Ajzen 1975) proposes that people's actions emerge from their intentions which, in turn, depend upon the beliefs about the consequences of actions. With respect to group behavior, much literature accepts the notion that thought (or knowledge) precedes action. Consider the organizational decision making literature. Implementation, or action, is often depicted as the last phase in the decision making process (c.f., Mintzberg, Raisinghani, and Théorêt 1976) – organizational action emerges from the decisions which are based on organizational knowledge. This relationship between knowledge and behavior is intuitively appealing and has received empirical support.

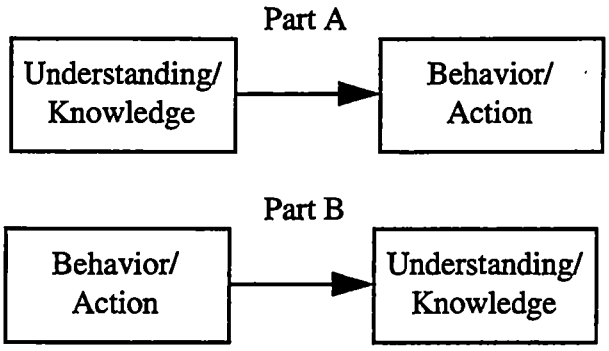


Figure 8
Relationships Between Actions and Knowledge

Less intuitive, however, is the relationship between action and knowledge (Figure 8, Part B). Weick (1987) argues that, because of the complexity and unpredictability of the world, actions occur to create order (Weick 1987). In other words, actions serve to provide structure to the world so the world is more understandable. These actions need not be based on choice. Weick (1987) suggests that

> Automatic, non-reflexive action is built into organizations. They advertise not because they have a specified problem and have decided that advertising is the best solution, but they have set up advertising departments and there are people whose sole responsibility is to advertise. Organizations create budgets because they possess forms and procedures and specialists for making budgets, not because they have explicitly decided that budgets will solve clearly identified problems that exist here and now. The action-generating mechanisms are copied from other organizations or learned in schools of management or carried forward by tradition, and claims that they solve problems are afterthoughts arising from the desires to appear rational and legitimate. (Starbuck 1982, p. 20-21)

In fact, it may be that a good part of sense-making in organizations is associated with maintaining the appearance of rationality.

> When ego-defensiveness is dominant, individuals will often behave in a *retrospectively* rational manner. They will re-evaluate

> alternatives and outcomes to make it *appear* that they have acted in a competent or intelligent manner. (Staw 1980, p. 57, emphasis in the original)
>
> Organizations, like individuals, are *intendedly* rational and operate under norms of rationality. However, organizations, even more than individuals, possess very limited information processing and learning capabilities. Thus, if the parallel still holds, organizations like individuals are often faced with inconsistencies between their actions and their expectations of rationality. (Staw 1980, p. 65, emphasis in the original)

Research into the intra-organizational use of information suggests that some information is used (sometimes erroneously) to support the prior beliefs of members within the organization (Menon and Varadarajan 1992). For example, a product manager may sponsor research in an effort to support a decision that has already made. If the results of the research do not support the decision, those results may be ignored.

Actions can be initiated from a number of sources. Some actions are the result of a "rational choice" (i.e., result from following a rational, decision-making process). Actions can result, however, from a number of sources. Some actions may result from the imitation of competitors (DiMaggio and Powell 1983). For example, some organizations adopted total quality management programs because other firms, which were perceived as more legitimate or successful, were adopting these programs. Other actions may result from common training experiences (DiMaggio and Powell 1983). For example, market information systems may reflect the training of marketing personnel more than the needs of the organization.

Once these actions occur, however, the need arises to justify them (Staw 1980). For example, consider an organization that is attempting to implement a total quality

management (TQM) program. Members throughout the organization soon find themselves engaged in performing a variety of tasks associated with such a program. How will these people justify their actions? One possibility is that people will justify their actions as part of a needed TQM program. It is also possible, however, that people will interpret their actions as a necessary response to the demands of top management. Members of an organization may come to see new programs as the latest management fad or "flavor-of-the-month."

Two key conclusions can be drawn for this discussion. First, individuals and organizations strive to maintain an appearance of rationality—an integration of knowledge and action. In some cases, however, the development of a justification may occur after a particular action has occurred (i.e., retrospective rationality). Second, although knowledge and action within organizations are "rational" (either prospectively or retrospectively), the relationship between action and knowledge is not necessarily consistent. Consider the following:

> As the president called the meeting to order he had fire in his eyes. "The situation can't get much more serious," he proclaimed. "As you all know, over the past couple of years everything has gone to hell in a handbasket. We're in deep trouble, with both domestic and foreign competition preempting us at every turn. The only way to get out of this mess is for us to become customer driven or market oriented. I'm not even sure what that means, but I'm damn sure that we want to be there. I don't even know whether there is a difference between becoming market driven and customer oriented or customer driven and market oriented or whatever. We've just got to do a hell of a lot better." (Shapiro 1988, p. 119)

The president has decided to pursue a course of action (i.e., "become market oriented"), but was not sure what that meant. Others may interpret the behaviors that this includes in a variety of ways. For example, some may understand the president's decision to be

politically motivated (e.g., this may reduce the voice of the vice-president of manufacturing). It is possible that the organization may perform a number of "market oriented" behaviors and have no one in the organization rationalize them as being "market oriented."

The preceding discussion suggests that there will be an asymmetry between the patterns of adoption of marketing concept beliefs and the performance of market information processing. Organizations holding marketing concept beliefs will tend to act in accordance with those beliefs. As a result, they will reflect a coherence between beliefs and information processing. On the other hand, organizations engaging in market information processing can rationalize these activities in a number of ways. For one, these organizations might hold marketing concept beliefs. However, these organizations may rationalize these activities in other ways. For example, organizational members might perceive these behaviors as part of the typical activities of a successful organization. Rumelt (1974) suggests that some organizations adopted a matrix organizational structure during the 1960s because it was trendy and not because it enhanced business performance. The implication of this observation is that organizations holding marketing concept beliefs will tend to engage in market information processing to a greater extent than organizations engaging in market information processing will hold marketing concept beliefs. The result of this asymmetry is that observed correlation between these two variables will be moderate.

Note, however, that this argument does not suggest a unidirectional relationship between marketing concept beliefs and market information processing. Organizations

may adopt marketing concept beliefs to rationalize their performance of these behaviors. Alternatively, organizations may engage in market information processing as a result of holding marketing concept beliefs.

P_5: The relationship between marketing concept beliefs and market information processing is asymmetric: organizations holding marketing concept beliefs will tend to engage in market information processing behaviors while organizations engaging in market information processing behaviors may or may not hold marketing concept beliefs.

P_{5a}: The relationship between marketing concept beliefs and market information processing may be inconsistent during the process of implementation of the marketing concept. These periods will be marked by high levels of organizational change.

P_{5b}: Market information processing is related to organizational beliefs other than those associated with the marketing concept. For example, market information processing is associated with strategic orientation and effectiveness orientation.

Conceptions of the Environment

Organizations' environments are considered a key component in much of the management and marketing literature. Lenz and Engledow (1986) identify five models for environmental analysis appearing in the management literature. First, the industry structure model (e.g., Porter 1980) assumes that key components of the environment "exist in and around the industry, or industries, in which the firm competes" (Lenz and Engledow 1986, p. 330). Each industry is composed of competitive forces the create both opportunities and threats for firms. Second, the cognitive model (e.g., Weick 1969) is assumed to be created in the cognitive structure of the organization. "Environmental factors and causal linkages among these are embodied in a cognitive structure which is enacted in retrospect" (Lenz and Engledow 1986, p. 338). Third, the organizational field

model offers a non-hierarchical view of organizational environments. According to this model, the organization environment "is simply assumed to be comprised of interdependent organizations that can influence organizational goals and resources, and public perceptions of a focal organization" (Lenz and Engledow 1986, p. 333). Fourth, the ecological/ resource dependence model portray environments as sources of resources necessary for organizational survival. Authors using this model discuss the qualities of the environment and nature of firms that will survive. For example, Lambkin and Day (1989) discuss the environment and the likely success of generalist and specialist firms. Other authors using this model differentiate between the closeness of aspects of the environment to the firm. For example, Daft, Sormunen, and Parks (1988) differentiate between the general and task environment. Finally, Lenz and Engledow discuss the era model. According to the era model, "an era is a period of time marked by a distinctive character" (Lenz and Engledow 1986, p. 336). "Despite variations in terminology, a principle feature of this model is the assumption that patterns of institutional arrangements and values in a society are dependent on certain underlying structural features" (p. 336)

Of these models of the environment, the cognitive model is consistent with the organizational learning perspective of this dissertation. According to the cognitive model, "knowledge of the environment is obtained by enactment and organizational learning processes" (Lenz and Engledow 1986, p. 337). This model suggests that organizations gather data that is consistent with their view of the environment. For example, if an organization's knowledge of the environment includes the belief that

customer satisfaction is important, data relating to customer satisfaction will likely be collected.

This view can be extended to include the role of behaviors in forming the organization's environment. Weick (1969) suggests that organization's "enact" their environments. The notion of enactment goes beyond the idea that organizations perceive their environment in a subjective fashion. "Enactment implies a combination of *attention and action* on the part of organizational members" (Smircich and Stubbart 1985, p. 726). The process of enacting the environment is analogous to that of the self-fulfilling prophecy. For example,

> the administrator of an extended-care unit in a hospital (Roos and Hall 1980) may presume that increased public relations activities directed at influential outsiders will stave off mounting internal pressures to follow the rules. Having presumed that the world hangs together like this, the pressured administrator spends more time away from the hospital, which makes him more visible to outsiders. The outsiders think about the hospital more than they did before they saw the administrator, which makes the outsiders' actions more predictable and focused. Their actions previously had been under the control of multiple agendas, which have now been edited down to a smaller list of items, with the hospital being more salient on all those lists. Through the simple act of becoming more visible, the administrator makes more homogeneous the "environment" with which the hospital must deal. (Weick 1987, p. 18)

Notice that enactment is not the same as being "proactive." Reactive firms also enact their environments. They believe that they have little control over the environment so they wait for environmental events to occur so they can respond. By waiting, these firms "enact" an environment over which they have little control.

This notion of enactment suggests that organizations adopting the marketing concept will enact environments with particular characteristics. First, organizations that

believe customers are critically important will tend to see customers in more detail than other organizations. Second, organizations accepting the marketing concept would tend to see more changes in customers over time than other organization. Organizations believing that customers are important will likely collect more data regarding customers than other organizations. This data will allow the organization to detect differences between customers that other organizations could not detect. Additionally, organizations believing customers were important would tend to spend more time interpreting information regarding customers than other organization. Increased effort in market scanning and interpretation would tend to result in more detailed perceptions of customers.

P_6: Members of organizations holding marketing concept beliefs and engaging in high rates of market information processing will tend to report their markets as being more complex (i.e., having greater variety) and more turbulent (i.e., having a higher rate of change) than other organizations.

Organizational Learning, Fit, and Effectiveness

The organizational learning model (Figure 1) depicts organizational effectiveness as a function of the fit of the organization with its environment. Note that both fit and effectiveness appear out side organizational knowledge structures and information processing. This reflects the notion that these constructs exist outside organizations. In other words, in this model an organization's fit and effectiveness are independent of organizations' perceptions of their fit and effectiveness. Furthermore, fit and effectiveness are the result of what an organization *does* with respect to the environment, not what it *intends* to do (Alchian 1950). The term fit is used to highlight the notion that

organizational effectiveness is the result of an interplay between the organization and the environment.

Fit refers to the extent that resource-controlling constituents in the environment perceive the organization is meeting their needs (Alchian 1950). For example, some organizations need regulatory approval to operate. If regulators do not grant this approval the organization cannot survive. To gain this approval, an organization must ensure that the regulators perceive their needs are met. Over time, the perceived importance of various constituents in the environment may change. For example, in the early 1990s, bank regulators exerted a great deal of pressure on banks to improve the quality of loan portfolios. During this time, bankers perceived responding to regulators as more important than responding to customers. A year later these regulators were comfortable with the quality of loans in most banks and reduced the pressure on these organizations. As a result, bankers no long perceived regulators as being as critical. Thus, organizations' goals are dynamic in that the important constituencies are constantly changing. Also, these constituencies are themselves attempting to cope with their own environments. As the demands they experience shift, their demands change.

Fit does not mean being the "best" at some thing. Anderson and Tushman (1990) explore the development of new technologies and discuss the notion of a dominant design. Dominant designs are those designs that achieve wide-spread acceptance. For example, steering-wheels in automobiles became the dominant design over systems such as steering levers. Anderson and Tushman (1990) argue that in many cases dominant designs do not typically represent the state of the art. In other words, dominant designs

do not represent the "best" that can be offered, but they do offer a good fit with the needs of the environment.

This view of fit is consistent with views of competition, innovation, and learning appearing in the literature. Dickson (1992) discusses a theory of competitive rationality in which organizations continually develop innovations to better meet the needs of their constituents. As one entity enhances its ability to meet constituents needs (i.e., improves its fit), the ability of others is relatively diminished (i.e., decline in fit). Changes in fit implies a change in the rate of an organization's resource acquisition. As Dierickx and Cool (1989) point out, organizations remain viable so long as their accumulated resources can sustain them. For example, some profit-seeking organizations can go for years without earning a profit by drawing on its accumulated assets.

This view of fit is consistent with the goals perspective of organizational effectiveness discussed in the previous chapter. The goals perspective argues that organizations are effective to the extent that constituents' goals are being achieved. The goals perspective recognizes that organizations have multiple constituents. Similarly, the notion of fit considers multiple constituencies. For-profit organizations need to acquire resources from a wide range of constituents including customers, bankers, employees, suppliers, environmentalists, and regulators. Some of these resources are readily apparent. For example, customers and bankers supply business with cash. Other resources are more subtle: environmentalists and regulars may supply organizations "freedom to operate." Suffice it to say, fit is a multi-dimensional construct. Assessing fit

produces the same dilemmas as those associated with assessing organizational effectiveness.

One final note is in order. As discussed earlier, the organizational learning model offer here is a descriptive model. It does not describe what organizations should do to enhance fit. Organizations may "learn" things that reduce their fit. For example, Coca Cola introduced a new "improved" formula based on what it learned about its market. Within six months it was apparent that this learning did not enhance Coke's fit with its environment.

Marketing Concept and Organizational Effectiveness

While the organizational learning model does not offer advice on how to improve organizational performance, the marketing concept does (Narver and Slater 1990). As noted in Chapter 2, much of the marketing literature discusses the connection between the marketing concept and organizational effectiveness in very general terms. Several of these discussions are consistent with the organizational learning model presented here. For example, Dickson's (1992) discussion of competitive processes emphasizes the ability of organizations to learn. Hunt and Morgan (1995) discuss the role of organizational philosophy and market information processing in developing a competitive advantage.

Following these authors, it appears that implementation of the marketing concept fits into the following system (Figure 9). First, holding marketing concept beliefs and engaging in market information processing provides organizations with high quality information regarding customers. Second, the integration of the organization around the

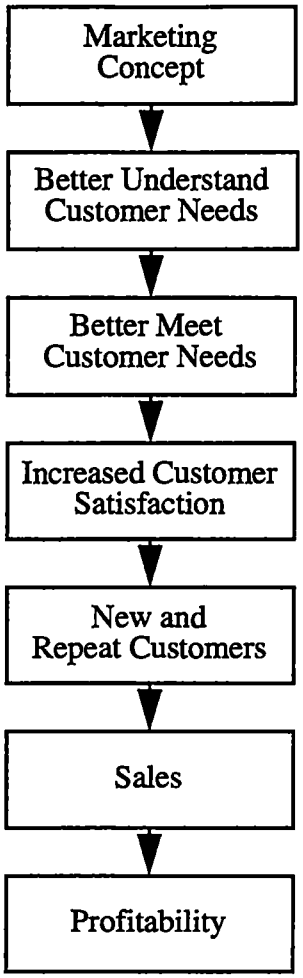


Figure 9
The Marketing Concept and Profitability

marketing concept facilitates the development or refinement of product-offerings to better meet the needs of customers. Third, product-offerings that meet customer needs better than competitors facilitate sales to customers--new and old. Fourth, meeting customers' needs leads to satisfied customers which results in repeat customers and new customers from word-of-mouth. Attracting new customers and retaining past customers implies increased sales. Little discussion occurs regarding the costs associated with implementing the marketing concept. These costs would be primarily associated with the gathering and interpreting data and the developing and refining product-offerings. Extending the argument from sales to profit requires some consideration of the costs of the marketing concept. This line of reasoning typically ends with profitability or return on investment--measures of enhancement to shareholder wealth.

P_7: Organizational effectiveness will tend to be greater for organizations that have implemented the marketing concept.

P_8: The strength of the relationship between implementation of the marketing concept and organizational effectiveness will depend on the constituency assessing effectiveness.

P_9: The strength of the relationship between implementation of the marketing concept and organizational effectiveness will depend upon closeness of the effectiveness measure to the marketing concept

CONCLUSION

This chapter reviews the organizational learning perspective and applies it to the marketing concept. Organizational learning was defined as the processing of information that can lead to changes in an organization's range of behaviors. The model of organizational learning presented emphasizes the role of organizational knowledge

structures and information processing. Both of these aspects of learning applied to the marketing concept. First, implementation of the marketing concept requires organizations to embrace a set of beliefs (i.e., upper-level knowledge). Second, implementation of the marketing concept requires organizations to engage in market information processing. The relationship between beliefs and market information processing is complex. While these two dimensions are highly related, each is also related to a number of other factors. The next chapter provides a research methodology for exploring the relationship between marketing concept beliefs, market information processing, and related constructs of interest.

CHAPTER 4
RESEARCH METHOD

INTRODUCTION

The purpose of this research was to explore the relationship between marketing concept beliefs and market information processing activities. This chapter presents the research methodology used in study. First, the central constructs and related constructs explored in this research are defined. Discussion of the constructs includes explicit statements of the hypotheses tested. Second, issues involved in the selection of the sample frame for this research are presented. The balance of the chapter discusses the plan for construct measurement, research design, and data analysis.

CONCEPTUAL DEFINITIONS AND HYPOTHESES

In the preceding chapters, a model of the marketing concept was developed based on an organizational learning perspective. While this model presents a comprehensive view of the implementation of the marketing concept and its relationship to organizational effectiveness, testing the entire model was beyond the scope of this dissertation. The purpose of this study was to begin investigating the model by exploring the implementation issues. Figure 10 presents the constructs of interest including the context and criterion variables that will be used to assess the validity of the focal constructs' measures.

In the following sections I define the constructs of interest. The focal constructs are discussed first followed by discussions of the related constructs.

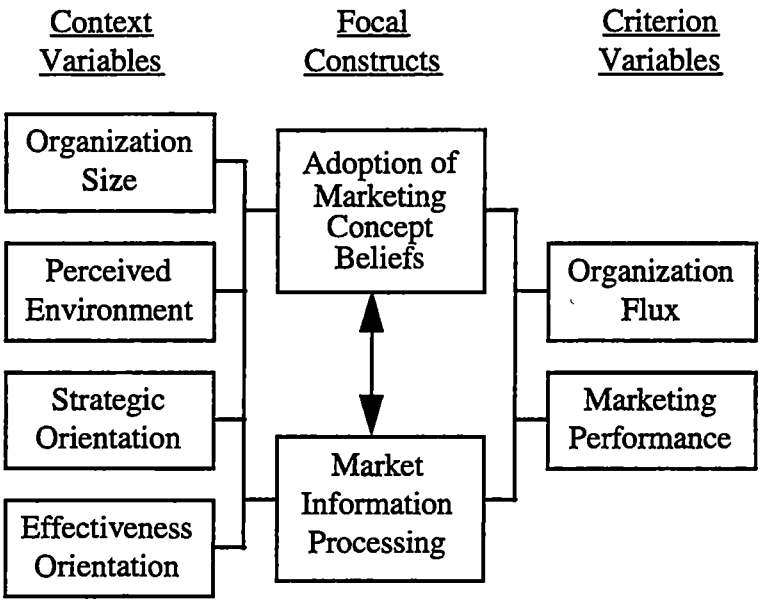


Figure 10
Research Model

Adoption of Marketing Concept Beliefs

Based on the organizational learning perspective, implementation of the marketing concept implies the adoption of a set of beliefs regarding the importance of the customer, the sharing of these beliefs across the organization, and the performance of market information processing activities in support of these beliefs.

Adoption of Marketing Concept Beliefs consisted of two dimensions. The first dimension was the average extent to which members of the organization adopt Marketing Concept Beliefs. It was expected that organizations will differ in the extent to which Marketing Concept Beliefs are important. This construct was expected to be related to other aspects of organizations including their size and perceptions of the environment. These relationships are discussed in following sections.

The second dimension depicts the extent to which members of the organization are congruent in the adoption of Marketing Concept Beliefs. This dimension allowed an assessment of the extent to which the marketing concept is a cultural or sub-cultural phenomenon. It was expected that in some organizations the adoption of Marketing Concept Beliefs would be widespread. In other organizations, however, it was anticipated that some members would firmly embrace these beliefs while other members would not. In the past, researchers have assumed that Marketing Concept Beliefs have been shared across organizations. Narver and Slater (1990), for example, collected data from several respondents in each strategic business unit in their sample (on average over three people per unit). However, they do not assess the similarity of responses from these individuals. Kohli, Jaworski, and Kumar (1993) found differences between marketing and non-marketing manager respondents in their research.

Market Information Processing

Market Information Processing, the second focal construct, referred to the extent to which individual respondents perceive their organization to engage in activities associated with gathering and interpreting market data. This construct was composed of two sub-constructs: scanning processes and interpretation processes. "Scanning processes" refers to the extent to which organizations gather market data and make that data available to organizational members. "Interpretation processes" refers to the extent to which organizations use this data to make decisions or gain new insights into their market environment.

The second sub-construct of Market Information Processing, interpretation processes, was a two-dimensional construct. The first of these dimensions is instrumental Market Information Processing. This refers to the extent to which organizations use market information to make, implement, and evaluate marketing decisions (Menon and Varadarajan 1992; Moorman 1995). This type of utilization is consistent with lower-level learning (Fiol and Lyles 1985) or single-loop learning (Argyris 1976). The second dimension, conceptual Market Information Processing, was the extent to which organizations use market information to provide "concepts, assumptions, models, and theories" (Menon and Varadarajan 1992, p. 56). Conceptual processing is associated with the indirect use of data. As a result, conceptual marketing information processing is related to organizational learning in that it leads to changes in organizational knowledge structures (i.e., higher-level learning or double-loop learning: Argyris 1976; Fiol and Lyles 1985). Compared to instrumental utilization, conceptual utilization processes are considerably more demanding in terms of time and energy.

The central purpose of this research was to explore the relationship between Marketing Concept Beliefs and Market Information Processing activities. This research was based on the notion that implementation of the marketing concept requires both the adoption of beliefs and the performance of Market Information Processing. It was expected that these constructs would be moderately, but not highly, correlated.

Although one expects Marketing Concept Beliefs and Market Information Processing to be aligned, several forces act to reduce such alignment. First, organizations may engage in behaviors to imitate "successful" models (Dickson 1992; cf., Rumelt

1974). If "leading" organizations engage in market information processing behaviors, then other organizations may imitate these behaviors. Since behaviors are easier to see and imitate than belief systems (Day 1994), there would be a tendency for marketing beliefs and behaviors within imitating organizations to be inconsistent. Second, organizational culture tends to be slower to change than behaviors (Amburgey and Dacin 1994). Thus, in organizations attempting to implement the marketing concept, market concept beliefs would tend to lag behind Market Information Processing.

H_1: Marketing concept beliefs will be positively associated with market information processing.

H_{1a}: The strength of the relationship between level of adoption of marketing concept beliefs and market information processing will increase as marketing concept belief congruence increases.

The literature review suggested that these focal constructs represent only a part of organizations' knowledge structures and information processing. Other features of the organization and its operations are expected to be associated with the focal constructs. These other features include organizational size, organizational structure, type of market served, perceived Market Complexity and Dynamism, Strategic Orientation, and effectiveness orientation. Also, the literature review suggested that the focal variables would be related to at least two criterion variables: Organizational Flux and market performance. In the following sections each of these constructs are defined and the hypothesized relationship between these constructs and the focal constructs are specified.

Organizational Size

Organizational size can be assessed along a variety of dimensions: number of employees, number of customers, volume of sales, and value of assets. For the purpose

of this research two of these dimensions were important. The first dimension is the number of employees. As the number of employees increases it becomes increasingly difficult to share beliefs. The extent of shared beliefs in a group depends, in part, on the extent of interaction among members of the group. Groups with a high level of interaction among members will tend to have more homogenous beliefs than groups with low levels of interaction (Abrahamson and Fombrun 1994). As the number of members in a group increases the number of relationships required increases exponentially. For example (see Figure 11), a group with three members would require only three close relationships for there to be a high level of interaction among all members. In comparison, a group with four members would require six close relationships to have the same level of interaction between all members. Since each relationship takes time and energy, one would expect the level of interactions between members to decrease as the number of members in the organization increased. This leads to the following hypothesis:

H_2: As the number of members in an organization increases, marketing concept belief congruence decreases.

The second dimension of organization size was financial. While Market Information Processing activities may be beneficial to an organization, they also are costly (Houston 1986). As the financial volume of an organization increases, expending resources on Market Information Processing becomes more feasible. Consider two organizations that spend 1% of their annual budgets on Market Information Processing activities. If one organization has an operating budget of $10 million and the other $50 million, they would spend $100,000 and $500,000 on Market Information Processing

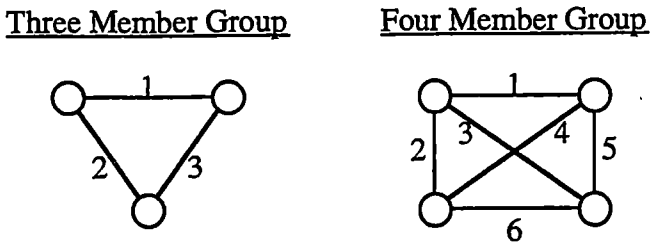


Figure 11
Number of Relationships Required to Maintain High Levels of Interaction Between all Members of a Group

respectively. Also, economies of scale and scope will allow larger organizations to engage in more Market Information Processing than smaller organizations. It is unlikely that a small organization could perform as wide a variety of Market Information Processing activities or perform them as often as a large organization.

In some situations, sales would serve as a good indicator of volume. For example, well established organizations may rely on sales to finance their operations. On the other hand, start-up organizations may have little or no sales revenue and still have substantial operating budgets. For other organizations, such as universities, financial resources may come from sources other than sales (e.g., governmental or alumni funding).

H_3: As organizational size increases, in terms of number of members and dollar budgets, levels of market information processing will increase.

Note that financial volume (e.g., operating budget) is not expected to be associated with the adoption of Marketing Concept Beliefs. While financial volume does provide the resources to engage in more marketing information processing activities, it is not necessarily associated with the sharing of Marketing Concept Beliefs.

Perceived Market Complexity and Dynamism

Predictions regarding perceptions of the market environment are based on the cognitive model of environmental analysis. This model is consistent with the organizational learning perspective. According to the cognitive model, "knowledge of the environment is obtained by enactment and organizational learning processes" (Lenz and Engledow 1986, p. 337). This model suggests that organizations gather data that is consistent with their view of the environment. "Enactment implies a combination of *attention and action* on the part of organizational members" (Smircich and Stubbart 1985, p. 726). In other words, perceptions of the environment (e.g., complexity) drive actions (e.g., Market Information Processing) *and* actions drive perceptions of the environment.

Perceived Market Complexity referred to the number of factors in the market environment that must be considered when making a marketing decision (Smart and Vertinsky 1984). Simple environments would be characterized by relatively few environmental factors and these factors are relatively similar to one another. On the other hand, complex environments consist of many elements that tend to be unique (Duncan 1972). As discussed above, the relationship between perceived Market Complexity and Market Information Processing was expected to be reciprocal. Perceiving a complex market environment leads an organization to engage in higher levels of Market Information Processing to monitor the necessary range of market factors. Alternatively, organizations engaging in high levels of Market Information Processing may enable the organization to detect more factors in the market environment and discriminate among

them: in other words, Market Information Processing leads to the perception of greater Market Complexity.

Perceived Market Dynamism referred to the rate of change of factors in the market environment (Smart and Vertinsky 1984). "At one end of the continuum of change there is a static environmental state (no change); at the other end, a turbulent or dynamic state where all factors are in constant flux." (Smart and Vertinsky 1984, p. 200) As with perceived Market Complexity, the relationship between perceived Market Dynamism and Market Information Processing may be reciprocal. Perceiving a dynamic market may lead an organization to engage in higher levels of Market Information Processing to keep up to date with market factors. Alternatively, engaging in high levels of Market Information Processing may enhance an organization's ability to detect changes in market factors: in other words, Market Information Processing may lead to the perception of Market Dynamism.

H_4: Organizations that perceive greater market complexity and greater market dynamism will also tend to engage in more market information processing activities.

Strategic Orientation

Like Marketing Concept Beliefs, Strategic Orientation was expected to be related to Market Information Processing. Strategic orientation referred to the overall pattern an organization follows in maintaining an ongoing alignment with its environment and shaping its internal policies and procedures (Hambrick 1983). Miles and Snow (1978) identify a typology consisting of four basic patterns or Strategic Orientations that

organizations can follow. "The key dimension underlying the typology is the rate at which an organization changes its products or markets." (Hambrick 1983, p. 5)

- Defenders: engage in little or no new product or market development. Their primary focus is improving the efficiency of their existing operations.
- Prospectors: engage in frequent new product or market development. Attempt to pioneer in product/market development.
- Analyzers: an intermediate type between Defenders and Prospectors.
- Reactors: do not operate with a consistent orientation (Hambrick 1983; Miles and Snow 1978).

The different Strategic Orientations engage in Market Information Processing activities for different reasons. Prospectors explore in the search for new market opportunities. Actively pursuing new product market opportunities requires that organizations gain insights into new opportunities. This insight emerges from conceptual-interpretation processes (Moorman 1995). Since Prospectors are actively engaged in seeking out new product/market opportunities, they will tend to engage in more conceptual Market Information Processing than Defenders (McDaniel and Kolari 1987).

Defenders interpret market information to make decisions that will lead to improved efficiency. Improving efficiency is often linked to using data to make timely decisions in a more routine or stable setting (Miles and Snow 1978). Instrumental interpretation processes are primarily concerned with implementing and evaluating marketing decisions (Moorman 1995). Since Defenders are concerned with internal efficiency, they will tend to engage in more instrumental use of market information than Prospectors (McDaniel and Kolari 1987).

Analyzers represent a hybrid between Prospectors and Defenders. As a result, they will tend to occupy a middle position (i.e., less conceptual-interpretation than Prospectors and more conceptual-interpretation processes than Defenders).

H_5: Organizations' utilization of market information will vary with strategic orientation:

H_{5a}: In terms of *instrumental* utilization of market information, Prospectors will tend to engage in this type of utilization process less than Analyzers, who will tend to use this process less than Defenders.

H_{5b}: In terms of *conceptual* utilization of market information, Prospectors will tend to engage in this type of utilization process more than Analyzers, who will tend to use this process more than Defenders.

Effectiveness Orientation

Several authors in the marketing literature have assessed organizational culture based on the model originally developed by Quinn and Rohrbaugh (1983) (Deshpandé, Farley, and Webster 1993; Moorman 1995). While these authors have used this perspective to discuss overall organizational culture, the position taken in this dissertation was that this view distinguishes between organizations with respect to their effectiveness orientation. This model holds that organizations can pursue different views of organizational effectiveness defined by two dimensions. The first dimension refers to internal versus external orientation. Organizations differ in the extent to which they assess effectiveness by reference to internal measures (e.g., efficiency and group cohesion) or external measures (e.g., market share and stock price). The second dimension of organizational effectiveness refers to organic versus mechanistic governance. Organizations differ to the extent to which they view effective operation as organic (e.g., flexible and spontaneous) or mechanistic (e.g., controlled and stable).

These two dimensions are combined to yield four types of Effectiveness Orientation (see Figure 12). Clan cultures are characterized as preferring measures of internal effectiveness and flexible structure. Since they are inwardly focused, these organizations tend to engage in relatively low levels of market scanning. These organizations are likely to hold lower levels of Marketing Concept Beliefs (i.e., that an external force is of central importance). Since they rely on more organic governance, however, these organizations tend to engage in higher levels of conceptual information use and have higher levels of shared beliefs than other organizations.

Adhocracy cultures prefer measures of external effectiveness and flexible structure. Since these organizations focus outwardly, they were expected to engage in high levels of market scanning and possess higher levels of Marketing Concept Beliefs. Their preference for organic governance would lead these organization to have a fairly high levels of conceptual information use and shared beliefs. Compared to organizations with Clan cultures, Adhocracies were expected to have slightly lower levels of shared values. The internal focus of clans would lead to a higher standard of shared beliefs than in Adhocracies.

Hierarchy cultures prefer measures of internal effectiveness and a control structure. Like Clan cultures, Hierarchy cultures tend to focus inwardly and have a low level of Marketing Concept Belief adoption. Unlike Clan cultures, however, Hierarchy cultures prefer mechanistic governance mechanisms. This type of governance depends on the use of articulated rules and procedures rather than shared understanding to achieve coordination. Therefore, Hierarchy cultures organizations tend to have low levels of

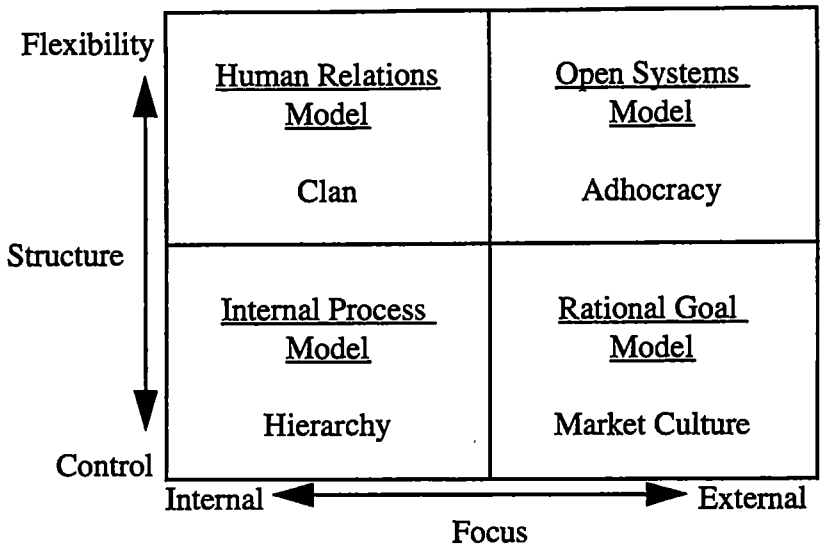


Figure 12
Organizational Effectiveness Orientation

shared beliefs. The efficiency orientation of these organizations suggests that they may have high rates of instrumental use of market information.

The fourth type of effectiveness orientation is called Market culture. Organizations with this orientation prefer measures of external effectiveness and a control structure. Their external orientation suggests that they tend to adopt Marketing Concept Beliefs. Their preference for mechanistic governance, however, suggests that beliefs are not as important as they would be in Adhocracies and that the level of congruence of beliefs is not as great. Organizations with a Market culture tend to engage in a great amount of Market Information Processing. They would likely engage in more conceptual use of this data than organizations with Hierarchy culture and more instrumental use of market data than Adhocracies and Clans.

H_6: Different organizational effectiveness orientations tend to be associated with different levels of marketing concept beliefs and market information processing activities:

H_{6a}: Clans tend to have low marketing concept beliefs, high congruence, low scanning, low instrumental use, and high conceptual use.

H_{6b}: Adhocracies tend to have high marketing concept beliefs, high congruence, high scanning, low instrumental use, and high conceptual use.

H_{6c}: Hierarchies tend to have low marketing concept beliefs, low congruence, moderate scanning, high instrumental use, and low conceptual use.

H_{6d}: Market culture will tend to have high marketing concept beliefs, moderate congruence, high scanning, moderate instrumental use, and moderate conceptual use.

Organizational Stability

Organizations tend to go through relatively long periods of stability punctuated with short periods of major change (Miller and Friesen 1982; Tushman and Romanelli 1985). Periods of stability, or convergence, are characterized by organizations gradually refining or tuning their operations. Although there may be changes to organizational structure or strategy, these changes are relatively minor adjustments – doing the same thing just better. On the other hand, periods of major change, or reorientation, are times during which major structural and strategic change occur. During these periods organizations change their basic character.

Normally there should be an alignment between organizational beliefs and behaviors. During periods of major change such alignment may not be present. For example, beliefs may have changed but the associated activities have not yet been acquired. Thus, in situations where there is not an alignment between Marketing Concept

Beliefs and Market Information Processing, these organizations may be in the process of implementing the marketing concept. It suggests that these organizations would be in a state of change – either implementing or abandoning the marketing concept (Figure 13).

Alternatively, it is possible that high levels of Market Information Processing may be consistent with other aspects of organizational beliefs systems. For example, an organization may engage in these behaviors because its managers perceive that other, similar and successful organizations engage in these behaviors. Thus, performance of these behaviors may be the result of isomorphic tendencies of organizations (DiMaggio and Powell 1983). It would seem, however, that while Market Information Processing behaviors may be the result of beliefs other than those embodied in the marketing concept, organizations that embrace Marketing Concept Beliefs would eventually engage in Market Information Processing (or give up on the beliefs). As a result, we would expect to see organization with high Marketing Concept Beliefs and low Market Information Processing behaviors to be in a state of change. Conversely, we would expect organizations with a high level of Market Information Processing and low Marketing Concept Beliefs to be more stable. Organizations with a consistent pattern (i.e., low beliefs and low Market Information Processing or high beliefs and high Market Information Processing) would be relatively stable. Organizations with high levels of Market Information Processing and low beliefs that appeared to be stable would tend to have high levels of scanning relative to information use. While they may gather large amounts of data they would not make much use of these data.[8] Scanning activities may

[8] This inconsistency between beliefs and activities would be most easily maintained

		Adoption of Marketing Concept Beliefs	
		Low	High
Performance of Information Processing	High	Inconsistent: Moderate Stability	Consistent: High Stability
	Low	Consistent: High Stability	Inconsistent: Low Stability

Figure 13
Patterns of Implementation and Organizational Stability

be the most visible to individuals outside of the organization and, as a result, the most likely to be copied. In terms of interpretation, organizations with high information processing and low marketing concept values would tend to engage in higher levels of instrumental use than conceptual use. These organizations would tend to use market data to feed into decisions other than those directed at the market.

H_7: Organizations with consistency between marketing concept beliefs and marketing information processing (i.e., high levels of both or low levels of both), will tend to be more stable than organizations that lack this consistency.

H_{7a}: Organizations with *low* levels of marketing concept beliefs *and high* levels of market information processing will tend to be more stable than those organizations with *high* levels of marketing concept beliefs *and low* levels of market information processing.

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during periods of relatively good performance. In other words, organizations with high levels of organizational performance could afford to maintain inconsistencies.

Organizational stability can be assessed from a number of perspectives. "Structural flux is the rate at which an organization changes its structure, rules, personnel, and procedures." (Maltz and Kohli 1996, p. 52). Several factors are expected to be related to Organizational Flux. First, organizations are likely to experience Organizational Flux when they undertake significant reorientations. For example, an organization implementing the marketing concept would likely need to change its structure, rules, personnel, and procedures. Since organizations with inconsistent beliefs/market information processes may represent those in the process of implementing (or abandoning) the marketing concept, these organizations may be experiencing a higher level of Organizational Flux than other organizations.

Organizational stability can also be assessed from the perspective of individual members. Members of organizations undergoing substantial change will feel greater levels of uncertainty and role ambiguity than those in more stable organizations. Also, members of stable organizations are expected to feel greater levels of commitment to their organizations than those in unstable organizations. In unstable organizations the prospects for the future are less certain so members may feel the need to look for a more satisfactory setting.

Market Performance

The marketing concept literature has consistently argued that organizations implementing the marketing concept will outperform those that do not (Narver and Slater 1990). As noted in the literature review, organizational effectiveness is a difficult concept to define. For the purpose of this dissertation, organizational effectiveness is

defined in terms of Market Performance. Market Performance was defined as the success of the organization in satisfying the needs of past customers, retaining these customers, and acquiring new customers. The acquisition of new customers must be assessed in terms of the potential to attract new customers. For example, in some industries almost all potential customers have already purchased the product so new customers must be gained at the expense of competitors. In other industries, the market is growing and new customers to a firm may well be new customers to the industry. In this setting, it is relatively easy for organizations to gain new customers.

Organizations with high levels of Marketing Concept Beliefs and Market Information Processing are expected to have the highest level of market effectiveness. In this dissertation, however, implementation of the marketing concept is seen as occurring along two dimensions: adoption of Marketing Concept Beliefs and performance of Market Information Processing. It is expected that there should be a main effect between Market Information Processing and market effectiveness. It is also expected that there will be an interaction effect between adoption of Marketing Concept Beliefs and Market Information Processing on effectiveness. As adoption of Marketing Concept Beliefs increases, the strength of the positive relationship between Market Information Processing and market effectiveness will increase.

H_8: Organizations with high levels of marketing concept beliefs *and* market information processing will tend to report higher levels of market performance than organizations with low levels of marketing concept beliefs *and/or* market information processing.

These eight hypotheses constituted the constructs and relationships explored in this research. The following section discusses the research plan for testing these hypotheses.

RESEARCH PLAN

The research plan refers to the collection and analysis of data for the purpose of testing the research hypotheses. This plan addresses the major issues to be resolved in the collection and analysis of data, including selecting a sample frame, selecting and developing measures, programming data collection, and analyzing data. The following sections discuss these issues in detail.

Selection of a Sample Frame

The primary issue considered in selection of a sample was the opportunity to collect the data necessary to answer the research question. Two requirements were particularly important. First, data needed to be collected from business-units (or strategic business unit: SBU) rather than corporations (Andrews 1987). Business-unit activities are relatively autonomous units which pursue a consistent set of product-market opportunities. Corporations can consist of a single business or a number of business-units each pursuing quite different strategies (Rumelt 1974). The pursuit of different strategies may result in different business units within a corporation having substantially different cultures and information processing systems. As a result, this variation at the corporate-level made it an inappropriate level-of-analysis.

The second requirement of the sample was that it allowed for the collection of multiple responses from each business-unit. Intra-organizational sampling requires that the sample drawn from each organization be comparable. For example, one might expect that marketing personnel within an organization tend to hold Marketing Concept Beliefs more closely than manufacturing personnel. If a sample drawn from one organization includes several marketing personnel and no one from manufacturing, we would expect that the organization would appear to hold a high level of Marketing Concept Beliefs.

There are basically two ways to solve this problem. First, the sample might contain a large number of members from each organization being assessed. However, gathering these large samples would have been extremely expensive and likely reduced the number of organizations willing to participate in the research. Second, purposive sampling may be used. Here, the sample would contain a relatively small number of carefully selected members from each organization. In addition, the measures for each organization would likely be inaccurate, but the measures would be comparable across organizations sampled in this manner. Since a comparison of organization was essential for this research, the purposive-sample approach was used in this study.

Purposive sampling requires that the classes of members from each organization be identified (Kerlinger 1986). In turn, the organizations examined must have similar role assignments. For example, if some organizations in the sample have product managers while other organizations do not, it would not be possible to include this class of organizational members in the samples.

An opportunity arose to test the marketing concept culture measure in a healthcare organization. Having access to this organization provided an opportunity to develop and refine the measure specifically for that setting. Healthcare organizations represent an attractive research setting for several reasons. First, healthcare organizations appear to operate as business-units. While they may be subjected to minimum standards set by governmental authorities, they do have the opportunity to develop their own strategies. Second, healthcare organizations tend to have similar organizational structures. Thus, it was possible to collect data from personnel in similar roles across the entire sample.

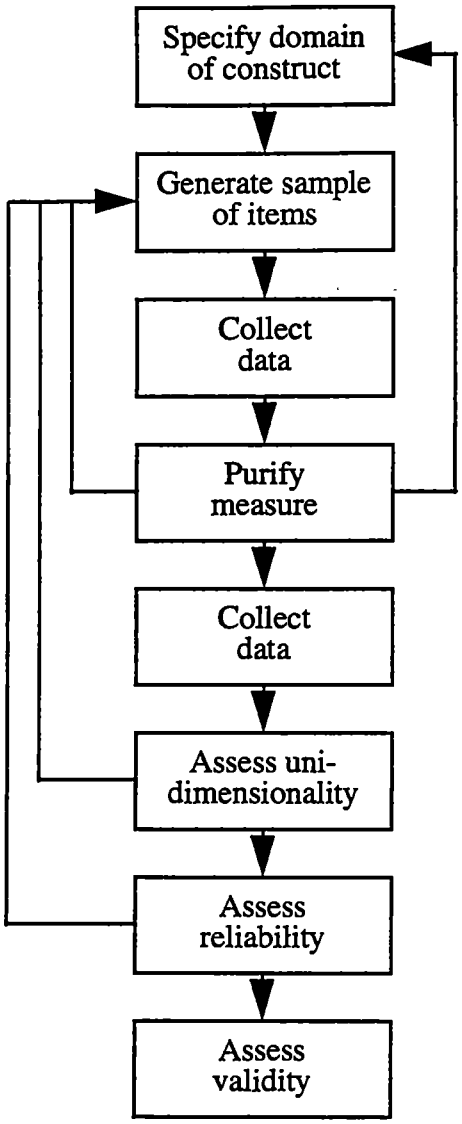
While healthcare organizations have several attributes that make them attractive for this study, there are also problems with using them as the research setting. The first problem is that readers may view healthcare as being so different from other industries that the study has no external validity. In other words, healthcare organizations may be viewed as being so distinct from other organizations that results of this study are not applicable to other organizations. In response to this concern, it should be noted that the American Marketing Association publishes the journal *Marketing Health Services* (formerly *Journal of Health Care Marketing*). Health care organizations are interested in marketing their products. In the United States, health care organizations do compete with one another. In Canada, health care organizations are becoming increasingly sensitive to marketing issues as governments reduce funding. This puts pressure on health care organizations to improve patients' and communities' perceptions of their performance to attract additional funding. Furthermore, several studies have been reported in the main-stream management literature using health care institutions as the research setting.

Examples of theses studies include research by Miles and Snow (1978) in their seminal work. They applied their typology to not-for-profit hospitals. Meyer (1982) went on to detail a particular aspect of this research – the reaction of these hospitals to a doctors' strike.

While not common in the marketing literature, hospitals are an acceptable setting for this research. These institutions have business units with relatively consistent structures. Care must be taken, however, in interpreting data to account for the differences between these organizations and those in other industry settings. For example, while the direction of relationships between variables should be consistent between hospitals and other industry setting, the relative importance of variables may differ.

Measurement Plan

Assessing the hypotheses presented above required measuring the constructs they discuss. The process of measurement development was based on the work of Churchill (1979) and Gerbing and Anderson (1988) (Figure 14). The intent was to use existing measures of the constructs as much as possible. Out of eight measures, only two new measure needed to be developed. The following sections will identify in more detail those scales that were developed in previous research and the new scale developed for this dissertation.



Based on Churchill (1979) and Gerbing and Anderson (1988)

Figure 14
Procedure for Developing Measures

Existing Measures Used in This Research

In this research several constructs were measured using scales previously reported in the literature. While these scales were generally used as they were developed, it was necessary in some situations to revise a scale to fit this particular research setting. For example, some scales ask respondents to consider their strategic business unit in answering the questions. Such wording was not appropriate when surveying members of hospitals. In this section I discuss the existing measures to be used in this research in terms of appropriateness to this research and quality (e.g., reliability).

Market Information Processing

Moorman (1995) reports an initial attempt to measure Market Information Processing. She defines "market" as an organization's current and potential external stakeholders. This definition may appear somewhat broader than the definition of market being used in this research (i.e., current and potential customers). According to the view of "market" used in this dissertation, other external stakeholders are considered because of their effect on customers. For example, competitors are not *defined* as being a part of the market. In cases where competitors affect customers, information regarding competitors is market information. In the case of hospitals, other hospitals do affect customers. Thus, information regarding other hospitals is "market information." Thus, while Moorman's view of markets is conceptually broader than that of this dissertation, operationally it is not.

Moorman's (1995) measure was built on the view that Market Information Processing consists of four major sub-processes: acquisition, transmission, conceptual utilization, and instrumental utilization. "[A]cquisition processes involve bringing [data] about the external environment to the boundary of the organization." (Moorman 1995, p. 320) Transmission refers to the movement of these data from an organization's boundary to potential users in the organization. In terms of the conceptual model being used in this dissertation, acquisition and transmission are considered to be aspects of scanning. Conceptual utilization refers to processes that influence "the way organizations *process* information or their *commitment* to it" (Moorman 1995, p. 320, emphasis in original). In contrast, instrumental utilization refers to processes that interpret data for the direct application to make a decision. In terms of the conceptual model being used in this dissertation, conceptual and instrumental utilization are considered aspects of interpretation processes.

Moorman goes on to further subdivide utilization processes. She identifies two dimensions of conceptual utilization: information commitment and information processing. "[I]nformation commitment refers to the extent to which an organization recognizes the value of information agents and products." (Moorman 1995, p. 320) Note that this definition is inconsistent with Moorman's own definition of conceptual utilization processes. Conceptual utilization leads to *changes* in commitment: conceptual utilization is *not* the *level* of commitment! The model of organizational learning used in this dissertation distinguishes between information processing behaviors and the values that guide this processing. The purpose of this measure was to assess information

processing behaviors. Thus, Moorman's view of information commitment was inconsistent with the perspective of interpretation processes used in this dissertation. As a result, items reflecting information commitment were not used.

Moorman's (1995) Market Information Processing scales appear to be fairly good in terms of reliability. Cronbach Alphas range from .65 to .91. The scale with the lowest reliability, information acquisition processes, appears to have the moderate reliability necessary for this type of research.

There is one substantial difference in Moorman's (1995) use of the scale and the one proposed for this dissertation. Moorman had respondents answer the questions with regard to a new product development project. In this dissertation, organizations are not necessarily engaging in such projects. As a result, respondents for this research were asked the questions with regard to ongoing decisions.

Organizational Size

Size of hospitals could have been measured along several dimensions. First, size could have been measured in terms of the productive capacity. In the case of hospitals this refers to the number of staff. Since hospitals engage both full-time and part-time staff, the number of full-time equivalent (FTE) should be used. Second, size can be assessed in terms of the number of beds. While the number of FTEs and number of beds was expected to be highly correlated, some hospitals may have smaller staff/bed ratios than others. Third, hospital size can be assessed in terms of annual operating budgets. Data on all of these dimensions were to be gathered from the Guide to Canadian Healthcare Facilities: 1997-1998 (Canadian Healthcare Association 1997).

Perceived Environmental Complexity and Dynamism

A considerable number of measures of environmental uncertainty have been developed and used in marketing research. Not surprisingly, many of these measures are designed for use in traditional product marketing settings. For example, McCabe (1987) developed a 12-item scale for assessing environmental uncertainty for buying group decisions. Dwyer and Welsh (1985) developed a ten-item scale that assessed the importance of various environmental conditions to the organization. One of the most extensive studies in environmental uncertainty was conducted by Achrol and Stern (1988). They developed a series of measures to assess environmental issues, including diversity, dynamism, concentration, and conflict. Consistent with the perspective taken in this dissertation, Achrol and Stern conceptualize the environment as an enacted phenomenon; therefore, their definition of environmental dimensions are phrased in terms of perceptions.

Among the measures developed by Achrol and Stern (1988), two were appropriate for this research. First, Achrol and Stern provide a measure of Market Complexity. This measure assesses the extent to which an organization's customers are perceived to be similar. As the perceived similarity among customers decreases, the complexity of the market increases. A second applicable measure was perceived Market Dynamism. This measure assesses the extent to which an organization's customers are perceived to change their preferences. As the perceived rate of change increases, the dynamism of the market increases. Note that this measure does not assess the causes of change to customer preferences. Such change might be the result of intense competition

or the rapid development of new technologies. Consistent with the view adopted in this dissertation, the "market" is defined in terms of potential customers and not in terms of the forces that affect them.

Achrol and Stern (1988) subjected both of these measures to a thorough measurement-development and measurement-validation process. A sample of 64 responses was used in measurement-development and a sample of 269 for measurement validation. These samples consisted of retail organizations and included firms dealing with product-markets such agricultural equipment, books, computers, furniture, and TV/electronics. In terms of reliability, Achrol and Stern (1988) report Cronbach Alphas of 0.908 and 0.799 for the Market Complexity and Market Dynamism measures respectively. These values suggest the scales have acceptable inter-item reliability. Both of these measures were subjected to internal consistency analysis using the similarity coefficients procedure and confirmatory analysis using LISREL. "From the overall evidence on internal consistency, factor structure, and reliability, [they] conclude moderately good to high levels of measure were achieved." (Achrol and Stern 1988, p. 42)

Transferring these scales from a retail-business setting to a hospital setting required some changes to the wording of the individual items. In this revision, one item was added to both measures. These items separated issues of price and quality that had been combined in the original scales. Table 7 identifies the items used in the original scales and the revised items for use in this study.

Table 7
Measures of Market Complexity and Dynamism

Original Items (Achrol and Stern 1988)	Revised Items
Market Complexity Measure	
1. Demographic characteristics (income, profession, education, social class).	1. Demographic characteristics (e.g., social class, gender, age).
2. Preferred variety of product brands/features.	2. Preferred variety of service options/opportunities.
3. Preferences in price/ quality.	3. Preferences in service quality.
4. Credit needs.	4. Preference in service costs.
Market Dynamism Measure	
1. Changes in customer preferences in product features.	1. Changes in customer preferences in services features.
2. Changes in customer preferences in brands.	2. Changes in customer preferences for services.
3. Changes in customer preferences in product quality/price.	3. Changes in customer preferences in service quality.
	4. Changes in customer preferences in service costs.

Strategic Orientation

Snow and Hambrick (1980) identify four approaches to measuring Strategic Orientations using the Miles and Snow's (1978) typology: investigator inference, self-typing, external assessment, and objective indicators. Investigator inference refers to the process of researchers gathering detailed information regarding each organization's operations. Based on this information and a theoretic framework, the researcher identifies the Strategic Orientations of each organization. Self-typing asks members of an organization to identify the Strategic Orientations of that organization. External

assessment refers to the process of having individuals outside a focal organization identify the Strategic Orientations of the organization. The objective indicators approach "involves measures of strategy that do not rely on the perceptions of the individual (either internal or external to the organization). An example would be published product-market data." (Snow and Hambrick 1980, p. 536). Each of these approaches has advantages and disadvantages. For example, investigator inference may be accurate because the investigator is detached from the focal organization. On the other hand, the time required for the investigator to make an informed assessment of an organization's strategy makes large-sample sizes prohibitively expensive.

Like the other measurement approaches, self-typing has advantages and disadvantages. Its advantage of being able to collect data from relatively large numbers of respondents has resulted in its frequent use in scholarly research. McDaniel and Kolari (1987) identify four major short-comings of the self-typing approach. "First, many managers are reluctant to classify their organization." (McDaniel and Kolari 1987, p. 25) Such reluctance may result in lower response rates or missing data in returned questionnaires. Either of these outcomes reduces the quality of the data to be analyzed. In this dissertation research, however, data were collected from multiple respondents in each organization. While this does not eliminate the missing data problem it does reduce it. "A second limitation of self-typing is possible variance among managers' perceptions in the same organization." (McDaniel and Kolari 1987, p. 25) Again, the use of multiple respondents from each organization allowed an explicit assessment of the extent of disagreement about each organization's strategy. This does not eliminate the problem,

but it does allow assessment of the extent to which this problem is present. Third, self-typing may result in the reporting of *intended* strategy rather than *emergent* or *realized* strategy (Snow and Hambrick 1980). McDaniel and Kolari (1987) suggest that this problem permeates social sciences research and that we must carefully interpret data with this in mind. "A fourth limitation of the self-typing approach is the lack of external confirmation of the respondents' answers." (McDaniel and Kolari 1987, p. 25) Unfortunately, it was not possible to collect external data on some or all organizations to validate internal reports.

Two self-typing measures have been reported in literature. Snow and Hrebiniak (1980) developed a measure that was later used by McDaniel and Kolari (1987) and McKee, Varadarajan, and Pride (1989). This measure provides descriptions of Miles and Snow's (1978) four Strategic Orientations. Respondents are asked to identify the profile that best matches their organizations. This measure provides data on a nominal scale. A second measure was developed by Shortell and Zajac (1990). Like the first measure, respondents are presented with descriptions of the four Strategic Orientations. Unlike the first scale, these descriptions are used as anchors on a seven-point scale ranging from "low change" to "high change". Reactors are depicted as being off the scale. Thus, the Shortell and Zajac (1990) measure results in data that are presented on an ordinal (and arguably an interval) scale. Both of these measures appear to be sufficiently valid for consideration. Snow and Hrebiniak's (1980) measure appears to have worked well in the studies in which it was used (McDaniel and Kolari 1987; McKee, Varadarajan, and Pride 1989; Snow and Hrebiniak 1980). The stated purpose of Shortell and Zajac's (1990)

paper was to assess the measure. Their results provide support for the measurement validity of Miles and Snow's (1978) strategic types.

Of the two scales, Snow and Hrebiniak's (1980) scale was used for this research. This scale was selected because it is less demanding on respondents. The descriptive statements were drawn from Shortell and Zajac (1990) since they conducted their research on hospitals.

Organizational Effectiveness Orientation (Organizational Culture)

Two measures of organizational effectiveness orientation appear in the literature. Both measures are based on the model originally developed by Quinn and Rohrbaugh (1983). The first measure was developed by Quinn (1988) and used by Cameron and Freeman (1991), Zammuto and Krakower (1991), and Deshpandé, Farley, and Webster (1993). The measure consists of four questions. Each question contains scenarios describing the four orientation types. Respondents are asked to divide 100 points among four scenarios based on how similar each scenario is to their organization's culture. Scores from each question for the same orientation type are summed to determine a total score for each orientation. Note that this measure produces partially ipsative data (Kerlinger 1986; Quinn and Spreitzer 1991).

The second measure of effectiveness orientation was developed by Quinn and Spreitzer (1991). This measure is similar to the first except that it was designed to use Likert scales which are normative rather than ipsative scales. For each scenario in each question, respondents were asked to indicate the extent to which the scenario reflected

their organization's culture. Since Likert scales were used, responses to each question were independent.

Quinn and Spreitzer (1991) identify two benefits of using ipsative measures. "First, some authors argue that due to the holistic nature of organizational culture, it is inappropriate to separate the four quadrants as independent." (Quinn and Spreitzer 1991, p. 117) Thus, an ipsative measure serves to maintain interdependence between types of orientation. Second, ipsative measures tend to overstate differences in orientations, making it easier to see variation. Quinn and Spreitzer suggest that this is useful to executives in that it facilitates their describing and understanding organizational culture.

There are, however, several negative consequences of using ipsative measures rather than normative measures. First, ipsative measures violate the assumption of independence upon which many statistical tests are based (Kerlinger 1986). Tests affected by this assumption include factor analysis, regression, covariance-structural modeling, and reliability analysis. Second, some authors argue that effectiveness orientation are not fully interdependent. For example, Quinn and Spreitzer (1991) identify some organizations that report low levels of all orientation types and others that report high levels of all orientation types. Deshpandé, Farley, and Webster (1993) and Moorman (1995) reflect this point of view in the analysis of their data.

This study used Likert scales as suggested by Quinn and Spreitzer (1991). Thus, this measure consisted of four sub-scales – one for each of the four orientation types. The scale development work reported by Quinn and Spreitzer suggest adequate levels of reliability and validity. Inter-item reliability was assessed with Cronbach's Alphas,

which ranged from 0.77 to 0.84. Quinn and Spreitzer performed multitrait-multimethod analysis and multidimensional scaling to assess convergent and discriminate validity. (It should be noted that although the authors did use two methods to measure orientation, these measures cannot be considered "maximally different.") These analyses provide support for the validity of these measures.

Organizational Stability (Flux)

Organizational stability was measured using the Organizational Flux scale developed by Maltz and Kohli (1996). This measure consisted of six fairly direct questions regarding the rate of change within the organization (e.g., "It seems like we are always reorganizing"). Maltz and Kohli report that the inter-item reliability of the scale is reasonably good (Alpha = 0.78). In terms of validity, this measure appears to behave as expected. Maltz and Kohli tested two hypotheses using this measure. One of these hypotheses received partial support: the effect was in the hypothesized direction but was not statistically significant ($p<0.30$). The second hypothesis was fully supported ($p<0.05$). Maltz and Kohli (1996) use the scale with middle-level SBU managers. It appears that the scale would be appropriate to a wide range of organizational members.

Development of New Measures

Two new measures were developed for this research: Adoption of Marketing Concept Beliefs and Market Performance. Once the items for the two measures were developed, the measures were subjected to a pilot test and a pre-test. The pilot test of the measures was conducted on a convenience sample of staff at two sites of a multi-site

healthcare organization. Care was taken to ensure that participants in the pretest represented a broad range of staff from the facilities. The participants in the pretest were invited to a large meeting room and asked to complete the questionnaire. The researchers asked the participants to identify any questions which they found to be ambiguous or difficult to understand. A total of 110 respondents completed the pretest questionnaire. Based on feedback from respondents and analysis of the data generated, some changes to the measures were made.

The revised scales were then administered (along with several other scales) to a larger sample. A total of 1,500 questionnaires were distributed to a cross-section of staff from the same healthcare organization from which members of the pre-test group were selected. The sample included staff and management of the organization, but not physicians. Of the 1,500 questionnaires distributed, 826 responses were received (a 55% response rate). To facilitate analysis, those respondents who did not complete *all* of the items for *all* of the scales were dropped from the data set. Complete responses were received from 614 respondents. Each of these respondents was randomly assigned to one of two groups. This split provided two groups of 307 respondents: one group was used to perform an exploratory analysis and the second group used to provide a cross-validation analysis. The following sections provide details on the scale development process for these two measures.

Adoption of Marketing Concept Beliefs

This research required the development of one new scale. This scale measures the extent to which an organization adopts Marketing Concept Beliefs. While this is a new

measure, the marketing literature provides a number of related measures. This measure differs from those already in the literature in that it focus specifically on Marketing Concept Beliefs. Other scales have items that refer to beliefs, but these scales also have items referring to activities, practices, or procedures.

Potential items for use in the new measure came from three sources. First, items from scales developed by other authors (e.g., Deshpandé, Farley, and Webster 1993; Jaworski and Kohli 1993, Narver and Slater 1990; and Ruekert 1992) were reviewed. Items that appeared to focus on Marketing Concept Beliefs were retained for consideration. Second, items were generated based on views of the marketing concept expressed in the marketing literature (e.g., King 1965; Kotler 1977; Shapiro 1988; and Webster 1988). Third, items were generated based on interviews conducted with six managers. These interviews explored what a "market orientation" meant to these managers in the context of their businesses. The managers interviewed were from a wide range of business settings: banking, heavy industry, telephone services, healthcare, and post-secondary education.

Care was taken to ensure that items generated from this process referred to beliefs and not to activities. As a result, the three sources produced 32 items.

These 32 items were reviewed and rephrased to be appropriate to the research setting. Several items were deemed to be duplicates of other items and were deleted. This left 18 items.

These items were shown to marketing faculty and doctoral students who were asked to assess the extent to which each item reflected Marketing Concept Beliefs. These

individuals were also asked to consider whether items covered the scope of the construct. While no additional items were added, several items were reworded in an attempt to better represent the construct.

Next, individuals representative of the intended sample were asked to review the items. These people were asked to respond to the items and to discuss how they interpreted each item. These discussions lead to the revision of some items and the deletion of others. The remaining set of items was reviewed to ensure complete coverage of the construct. At the end of the screening process, the measure included 13 items (Table 8).

These 13 items were then pilot tested (descriptions of the pilot test are provided above). Using the data gathered in the pretest, an assessment of inter-item reliability was conducted using Cronbach's alpha. The initial Cronbach's alpha, calculated with 13 items in the scale, was a respectable 0.86 (Nunnally and Bernstein 1994).

Further analysis indicated that dropping four items from the measure would either increase or lead to a very small reduction in the Cronbach's alpha. These items were assessed in terms of their consistency with the construct and their relation to other measures. Of these four items, the researchers concluded that two items should remain in the scale as they were necessary to cover the scope of the construct. One item was deleted because it appeared to substantially overlap with another item in the scale (i.e., item 4 overlapped with item 11). Another item, number 9, was also dropped. This item addressed the issue of "long-term satisfaction to customers." It was determined that this

Table 8
Items Used in the Measurement of Marketing Concept Beliefs

Number in Pilot Test	Number in Pretest Test	Sub-Scale Membership	Item
1	1		• Our organization's strategies are geared toward providing better service to customers.
2	2	A	• We try to achieve our goals by satisfying our customers.
3	3	B	• Staff understand how they can provide better service to their customers.
4			• The programs/services we offer depend more on internal politics than our customers' real needs. (reverse scored)
5	4	B	• Staff think of meeting customers' needs as their number one task.
6	5	B	• When we make decisions, we try to understand what our customers need from us.
7	6	B	• Staff try to exceed our customers' expectations.
8	7	A	• This organization exists primarily to serve customers.
9			• If we do what we can to serve customers, everything else will fall into place.
10	8	A	• Our organization's objectives are based on meeting customers' needs.
11	9		• In this organization we focus on basic customer needs rather than our own internal needs.
12	10	A	• Our organization's plans for the future are based on our understanding of customers' needs.
13	11		• Staff have a long-term commitment to understanding our customers' expectations and how they change.

was quite different than providing "customer satisfaction in the long-term." As a result, this item was dropped from the scale.

As a result of the assessment, the scale was revised to include eleven items. The Cronbach's alpha for the revised scale was 0.87.

The measure was then subjected to a pretest (a description of the pretest appears above). An assessment of unidimensionality was performed by a covariance structural analysis using the AMOS software package. The initial model tested was a single factor model. This model produced a fairly poor fit (AGFI = 0.407; see Model A, Table 9). A review of the modification indices indicated that there was a considerable amount of covariance among the error terms. The hypothesis that the 11 items in our measure marketing concept culture constituted a single, unidimensional factor was rejected.

A number of models were then tested which allowed correlations among various error terms. Reviewing the statistics associated with these models suggested that the items fell into two groups. With the identification of two groups, a second-order factor model was tested (see Model B, Table 9). This model included two sub-factors. An assessment of this model indicated that it produced a significantly better fit than the single-factor model (AGFI =0.801).

The scale was then refined by running a series of models (see Models C-J, Table 9). Each model was developed by reviewing the standardized residual covariances and modification indices. An item with a pattern of high standardized residual covariances and modification indices was dropped and the resulting model assessed. This continued

Table 9
Comparison of Marketing Concept Beliefs Factor Structure Models

Model ID	Description of Model	Items included in Factor 1	Items included in Factor 2	χ^2	d.f.	Compare with Model...	AGFI	CFI
A	Single Factor	1, 2, 3, 5, 6, 7, 8, 9, 10, 11		746	44		0.407	0.719
B	Second-Order Factor	1, 2, 7, 8, 9, 10	3, 4, 5, 6, 11	263	43	A p<0.00	0.801	0.912
C	Second-Order Factor	1, 2, 7, 8, 9, 10	3, 4, 5, 6	219	34	B p<0.00	0.804	0.915
D	Second-Order Factor	2, 7, 8, 9, 10	3, 4, 5, 6, 11	160	34	B p<0.00	0.852	0.943
E	Second-Order Factor	2, 7, 8, 9, 10	3, 4, 5, 6	117	26	D p<0.00	0.867	0.952
F	Second-Order Factor	2, 7, 8, 9, 10	3, 5, 6	91	19	E p<0.00	0.872	0.954
G	Second-Order Factor	2, 7, 8, 10	3, 4, 5, 6	78	19	E p<0.00	0.888	0.962
H	Second-Order Factor	7, 8, 10	3, 4, 5, 6	52	13	G p<0.00	0.901	0.970
I	Second-Order Factor	2, 7, 8, 10	3, 4, 6	58	13	G p=0.003	0.893	0.965
J	Second-Order Factor	7, 8, 10	3, 4, 6	34	8	H p=0.003	0.912	0.975
GG	Second-Order Factor Holdout Sample	2, 7, 8, 10	3, 4, 5, 6	77	19		0.893	0.947
K	Single Factor Holdout Sample	2, 3, 4, 5, 6, 7, 8, 10		481	20		0.370	0.702

until there were only three indicators for each sub-factor. In total, eight models were generated and tested in this way.

With this analysis in hand, the scale was reviewed and all of the items assessed. This review lead to two observations. First, the two sub-factors appeared to differ in terms of the focus of the statements. One set of items referred to the "organization" while the other set referred to the respondents' particular facilities. Second, while the models with only three indicators for each sub-factor provided a significantly better fit than the model with four indicators for each sub-factor, it appeared that the four-indicator model provided a more complete perspective of the construct (see Models G-J, Table 9). As a result, it was decided that the model with four indicators for each sub-factor was preferable to the other models.

The selected model exhibited a good fit with the data (AGFI = O.888; see Model G, Table 9). The model was then cross-validated using the holdout sample. This analysis indicated that model also provided a good fit for these data (AGFI = 0.893; see Model GG, Table 9).

In summary, this analysis suggested that the items used did not constitute a unidimensional factor. Rather, the items represent a second-order factor consisting of two sub-factors. Each of these sub-factors is unidimensional. To test this conclusion, a single-factor model consisting of the eight indicators in the final model was tested. This single-factor model did not fit the data well at all (AGFI = 0.370; see Model K, Table 9).

Cronbach's alpha was calculated for the second-order factor and each of the unidimensional sub-factors: Second-order Factor, α=0.8923; Factor A, α=0.8902; and

Factor B α=0.8792. These values are well within the range typically deemed acceptable for theory development (Nunnally and Bernstein 1994).

As a result of the analysis of the pretest data, the number of items appearing in the scale were reduced to eight. The wording of several items was altered to focus respondents on the same level of analysis. The intent was to create a unidimensional scale.

The data gathered using this scale were used to measure the two dimensions of adoption-of-marketing-concept-beliefs construct. First, the data for each hospital were combined to yield a score of the level of belief adoption. This score was the mean of the individual's scores for each hospital.

Second, the data for each hospital were assessed to yield a score of the degree to which Marketing Concept Beliefs are shared. A number of alternatives were available for assessing the level of agreement within a set of respondents.[9] These measures evaluate the difference between raters responses in terms of single items or set of items. The simplest approach to assessing difference is calculating the range of responses. This approach emphasizes the responses of the extremes. Other approaches incorporate the data from all respondents to assess agreement. For example, Euclidean distance (D^2) can be calculated between pairs of raters. Average D^2 can be calculated to measure the average distance between raters scores. Finally, some measures of agreement are scaled

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[9] Note that interrater agreement is distinct from interrater reliability. Interrater reliability is concerned with the consistency of responses among raters (James, Demaree, and Wolf 1993). High interrater reliability is associated with high correlations between raters. Interrater agreement, on the other hand, is associated with the variance in responses among raters.

such that a score of 1 indicates total agreement (Zegers 1991). These measures are useful in that they are directly interpretable.

For this research, the r_{WG}, was used as the coefficient of interrater agreement (James, Demaree, and Wolf 1984; 1993). The following equations were used to calculate the r_{WG}:

$$r_{WG} = \frac{J\,[1-(\overline{s_{xj}^2}\,/\sigma_{EU}^2)]}{J\,[1-(\overline{s_{xj}^2}\,/\sigma_{EU}^2)] + (\overline{s_{xj}^2}\,/\sigma_{EU}^2)}$$

Where

- r_{WG} = within-group interrater agreement
- J = the number of items in a multi-item measure of a construct
- $\overline{s_{xj}^2}$ = mean of the observed variances on the J items
- σ_{EU}^2 = the expected error variance based on a uniform distribution.

$$\sigma_{EU}^2 = (A^2 - 1) / 12$$

- A^2 = number of items in the response scales.

The r_{WG} is an appropriate measure of agreement for this research for two reasons. First, this coefficient is scaled so that perfect agreement between judges would produce a score of 1. This provides for straight-forward interpretation. Second, the r_{WG} has been used widely in the management and marketing literatures (e.g., Cooke and Szumal 1993; Dean and Sharfman 1996; Narver, Jacobsen, and Slater 1993MSI). This indicates an acceptance of the measure by the academy.

Market Performance

"Market" performance in Canadian hospitals was a relatively new concept. As a result, a new measure was created. The construct was defined as the success of the organization in satisfying the needs of customers. In the Canadian health care system indicators such as retaining customers or gaining new customers are not particularly relevant. Patients have very little opportunity to determine the hospital in which they receive treatment. As a result, these dimensions of the construct were not assessed in the measure. Therefore, the measure was developed to assess staff members' perceptions of how well their hospital provided services to its markets.

Items used in the measure were generated by a team consisting of the researcher, a professor of management, and a four hospital administrators. The administrators represented various functional areas including human resource management, marketing, nursing, and medicine. After preliminary generation and assessment, eleven items were included in the measure (Table 10).

The measure was then subjected to the pilot test described above. Feedback from participants in the pilot-test and analysis of the data indicated deleting one item would increase the scale's reliability and parsimony. It was the consensus of the team that deleting the item would not reduce the scope of the measure. Therefore, the pre-test questionnaire contained a ten-item scale to measure this variable. Initial assessment of the fit of the Market Performance measure suggested a good fit (e.g., AGFI = 0.855 and CFI = 0.900). A review of the standardized residuals indicated that one item suffered from large residuals (i.e., greater than 3.0). Another model was assessed with this item

Table 10
Items Used in the Measurement of Market Performance

Item	Number in Pilot Test	Number in Pre-Test	Number in Final Scale
After receiving service from this hospital, most patients would agree with the following statement: "The care I received was so good that I have told my family and friends how wonderful it was."	1		
Based on their experiences, past customers would recommend this hospital to their family and friends.	2	5	5
This hospital has an excellent reputation in the community.	3	1	1
Tests and treatments are scheduled and conducted promptly.	4	2	2
Staff are concerned for their customers' comfort and feelings.	5	3	
Productivity at this hospital is high.	6	4	4
This hospital is a progressive, leading-edge organization.	7	6	6
Staff have access to the resources required to provide excellent service to customers.	8	7	7
Care and service are well coordinated throughout this hospital.	9	8	8
Customers generally feel that staff are sensitive to special problems or concerns.	10	9	9
Overall, the quality of care and services delivered by this hospital is excellent.	11	10	10

deleted. This model produced a good fit (e.g., AGFI = 0.903 and CFI = 0.944). After reviewing the items in the measure, it was concluded that dropping the item would not reduce the face validity of the measure. The revised model was then tested using the hold-out sample. Again, the model produced a good fit (e.g., AGFI = 0.877 and CFI = 0.938). It was concluded that this measure was unidimensional. This measure of Market Performance displayed very good reliability ($\alpha = .90$)

Questionnaire Construction and Refinement

The data for this study were collected through a self-administered mail survey. Like other data collection methods, mail surveys have advantages and disadvantages (Churchill 1991; Kerlinger 1986). On balance, a mail survey appears appropriate for this study. First, this study requires data gathered from a fairly large number of respondents (i.e., over 100) who are geographically dispersed. Under such conditions, mail surveys provide a cost-effective method of data collection. Second, some of the questions being asked are complex and respondents may benefit from being able to re-read items before making a response. Mail surveys allow respondents to read and re-read questions at their own speed. Third, mail surveys provide respondents with a greater sense of anonymity and reduce interview bias when compared to other data collection methods.

The process of questionnaire development began with the development and refinement of measures. These measures were then placed together on a questionnaire. This questionnaire was then subjected to a series of pretests. First, the questionnaire was presented to university faculty for their feedback. These individuals were drawn from management, marketing, and nursing areas. Based on this feedback, minor revisions

were made to the questionnaire format. Second, the revised questionnaire was reviewed by a number of individuals representative of those in the final sample. This round of pretesting was conducted in the context of one-on-one interviews. Respondents were asked to complete the questionnaire and note any ambiguous or difficult questions. No problems were encountered during this phase. Since the individual measures were either drawn from the literature or subjected to substantial pilot and pretesting, no further assessment of the questionnaire were performed prior to distribution.

Survey Administration

The survey was conducted using a two-step procedure. First, the senior administrator at each hospital selected for the sample was contacted by letter (Appendix A). This letter requested the participation of that hospital in the study. The letter indicated in broad terms the purpose of the research and extended the offer of an executive summary of the report to those hospitals that participated in the study. The letter also indicated that individuals and hospitals participating in the study would remain anonymous. Administrators agreeing to participate were asked to complete a form indicating their agreement and to identify a contact person in the hospital (Appendix B). A fax was sent to the contact person asking for the names and titles of individuals performing certain functions within their hospital (Appendix C):

- Chief Medical Officer
- Director of Nursing
- Director of Community Relations / Marketing
- Director of Human Resources
- Director of Admissions
- Chief Financial Officer.
- Five Head Nurses

- Five Primary Care Nurses
- Five Technologist / Technician (e.g., laboratory and x-ray technicians)

This provided a list of twenty-one individuals within each hospital. This list comprises the key administrative roles within hospitals and a sample of staff.

The second step of the data collection process was the mailing of questionnaires to individuals identified at each participating hospital. These questionnaires were sent with a cover-letter requesting participation by the individual (Appendix D). Reference was made to the importance of individual responses to the research and the agreement of their senior administrator to participate in the study.

Two forms of questionnaires were used. The first questionnaire (Appendix E) was sent to senior administrators (Chief Medical Officer, Director of Nursing, Director of Community Relations / Marketing, Director of Human Resources, Director of Admissions, and Chief Financial Officer). This questionnaire included measures of Market Performance, Effectiveness Orientation, Marketing Concept Beliefs, Strategic Orientation, Market Information Processing, Organizational Flux, and perceived Market Complexity and Dynamism,. The second questionnaire (Appendix F) was be sent to other members of the staff. This questionnaire included measures of Market Performance, Effectiveness Orientation, and Marketing Concept Beliefs. The intent was to keep the second form relatively short to increase response rates. To enhance response the response, a rate reminder postcard (Appendix G) was sent to those who were sent a questionnaire.

Data Analysis

After data were collected, they were analyzed. Data analysis included data assessment and hypothesis testing.

Data Assessment

Data assessment refers to the process of checking the data for problems that might affect the validity of hypothesis testing. Data assessment consisted of three steps: a data coding audit, a data distribution audit, and a nonresponse bias check. A data coding audit checks to ensure that surveys were correctly coded and that these codes were accurately entered into a database for analysis. This process includes checking a sample of surveys to ensure that coding and data-entry were accurate. Also, print-outs of the minimum and maximum value of each variable were reviewed to ensure that all values fall within reasonable ranges. For example, a value of "9" on a 7-point scale would require checking.

The second step in data assessment was a data distribution audit. During this phase, each interval-scale variable was checked for mean, standard deviation, skewness, and kurtosis. In addition, frequency distributions for all variables were printed. These reports are reviewed to identify potential problems relative to subsequent data analysis. For example, high levels of skewness may suggest the use of nonparametric statistics.

The third data assessment step was a check for nonresponse bias. This check was consisted of a ANOVA analysis of all variables for which there is data on all organizations in the sample frame. If a difference between respondents and non-respondents were found, a post-hoc analysis would have been performed to identify the

source of this difference. If found, an assessment of the implication of any differences would have been conducted. If non-response bias had appeared to be a major problem, additional attempts would have been made to gather data from non-responding organizations.

Hypothesis Testing

The hypotheses discussed earlier were to be tested using regression, ANOVA, and MANOVA. These tests provide several benefits to alternative testing methods. First, these tests appear to be fairly robust to minor violations of the assumptions upon which they are based (Churchill 1991). Furthermore, procedures are available to assess whether the assumptions have been violated so severely that the tests may be inappropriate. Second, the results of these tests are well understood unless analysis includes three-way interaction terms.

Other analysis techniques are also commonly used in marketing research. Over the past ten years the use of covariance structure analysis has been used more often. This technique allows the assessment of complete models with multiple dependent variables. Also, this technique allows for the simultaneous fitting of measurement models and structural models. In more traditional analysis the fit of indicators to latent variables is performed first and then tests of relationships among latent variables are performed. While covariance structural analysis is a powerful approach to testing models, it does not appear to be appropriate in this research setting for at least two reasons. First, Kerlinger (1986) notes "LISREL should only be used at a relatively late stage of a research program when 'crucial' tests of complex hypotheses are needed." (p. 614) This

dissertation study represents a relatively early stage in the research exploring the marketing concept from an organizational learning perspective. At this stage, the purpose of empirical research is a first look at the proposed model. Second, covariance structure analysis requires fairly large samples in order to work well. For example, Anderson and Gerbing (1984) suggest a minimum sample of 150. Such a large sample would be difficult or impossible to attain from the sample frame to be used in this research.

The following sections describes how each of the hypotheses presented earlier were to be tested. The tests used a significance level of $\alpha = 0.05$.

Hypothesis 1

H_1: Marketing concept beliefs will be positively associated with market information processing.

H_{1a}: The strength of the relationship between level of adoption of marketing concept beliefs and market information processing will increase as marketing concept belief congruence increases.

Regression analysis was to be used to test Hypothesis 1. Market Information Processing is the dependent variable and Marketing Concept Beliefs is the independent variable. This regression will test the main effect. Hypothesis 1 would be supported if the parameter estimate b_1 is greater than zero.

Regression Model: $MIP = b_0 + b_1 (MCB) + e$

- MIP: Market Information Processing
- MCB: Marketing Concept Beliefs

Moderated regression analysis was be used to test Hypothesis 1a. "Effect size in moderated regression analysis is represented by the difference between coefficients of

determination [$R^2_{mult} - R^2_{add}$] obtained from the following equations" (Russell and Bobko 1992, p. 338):

Additive: $MIP = b_0 + b_1 (MCB) + b_2 (CMCB) + e$

Multiplicative: $MIP = b^*_0 + b^*_1 (MCB) + b^*_2 (CMCB) + b^*_3 (MCB*CMCB) + e$

- MIP: Market Information Processing
- MCB: Marketing Concept Beliefs
- CMCB: Measure of Congruence of Marketing Concept Beliefs within an organization.

Hypothesis 1a would be supported if the difference between coefficients of determination is greater than zero.

Hypothesis 2

H_2: As the number of members in an organization increases, marketing concept belief congruence decreases.

Regression analysis was to be used to test this hypothesis. The dependent variable is Congruence of Marketing Concept Beliefs. Two independent variables appear in the model: the number of full-time faculty (FTF), the number of part-time faculty (PTF), and the number of full-time administrators (FTA). This hypothesis would be supported if parameter estimates for the independent variables (i.e., b_1, b_2, and b_3) were less than zero.

Regression Model: $CMCB = b_0 + b_1 (FTF) + b_2 (PTF) + b_3 (FTA) + e$

- CMCB: Measure of Congruence of Marketing Concept Beliefs within an organization.
- FTF: Number of Full-Time Faculty.
- PTF: Number of Part-Time Faculty.
- FTF: Number of Full-Time Administrators.

Hypothesis 3

H_3: As organizational size increases, in terms of number of members and dollar budgets, levels of market information processing will increase.

Regression analysis was to be used to test this hypothesis. Market Information Process is the dependent variable (MIP). The independent variables were to be number of full-time equivalent staff and annual dollar budget. This hypothesis would be supported if the of the slope estimates were significantly greater than zero.

Regression Model: $MIP=b_0 + b_1 (FTE) + b_2 (ADB) + e$

- MIP: Market Information Processing.
- FTE: Number of Full-Time Equivalent Staff.
- ADB: Annual Dollar Budget

Hypotheses 4

H_4: Organizations that perceive greater market complexity and greater market dynamism will also tend to engage in more market information processing activities.

Hypothesis 4 was to be tested with regression analysis. Market Information Processing is the dependent variable. Independent variables were to be perceived Market Complexity and perceived Market Dynamism. This hypothesis would be supported if the parameter estimates associated with the independent variables were both significantly greater than zero.

Regression Model:

$MIP=b_0 + b_1 (MktCplx) + b_2 (MktTrbl) + e$

- MIP: Market Information Processing.
- MktCplx: Perceived Market Complexity
- MktTrbl: Perceived Market Dynamism

Hypothesis 5

H_5: Organizations' utilization of market information will vary with strategic orientation:

H_{5a}: In terms of *instrumental* utilization of market information, Prospectors will tend to engage in this type of utilization process less than Analyzers, who will tend to use this process less than Defenders.

H_{5b}: In terms of *conceptual* utilization of market information, Prospectors will tend to engage in this type of utilization process more than Analyzers, who will tend to use this process more than Defenders.

This hypothesis was tested using MANOVA. Dependent variables for this analysis were instrumental utilization and conceptual utilization. The independent variable was Strategic Orientations. This hypothesis would be supported if two conditions were met. First, the means for instrumental utilization (InstUtil) and conceptual utilization (ConUtil) must be significantly different for organizations with different Strategic Orientations. Second, planned comparisons were performed to ensure that the means varied in the manner specified by the hypothesis.

MANOVA Model:

[InstUtil; ConUtil] = StratOr

Planned Comparison Analysis:

$InstUtil_{Pros} < InstUtil_{Ana} < InstUtil_{Def}$

$ConUtil_{Pros} > ConUtil_{Ana} > ConUtil_{Def}$

- InstUtil: Instrumental Utilization Processes
- ConUtil: Conceptual Utilization Processes
- StratOr: Strategic Orientation
- Pros: Prospector Strategic Orientation
- Ana: Analyzer Strategic Orientation
- Def: Defender Strategic Orientation

Hypothesis 6

H_6: Different organizational effectiveness orientations tend to be associated with different levels of marketing concept beliefs and market information processing activities.

H_{6a}: Clans tend to have low marketing concept beliefs, high congruence, low scanning, low instrumental use, and high conceptual use.

H_{6b}: Adhocracies tend to have high marketing concept beliefs, high congruence, high scanning, low instrumental use, and high conceptual use.

H_{6c}: Hierarchies tend to have low marketing concept beliefs, low congruence, moderate scanning, high instrumental use, and low conceptual use.

H_{6d}: Market culture will tend to have high marketing concept beliefs, moderate congruence, high scanning, moderate instrumental use, and moderate conceptual use.

Hypothesis 6 was a series of predictions regarding Organizational Effectiveness Orientation and the indicators of implementation of the marketing concept. The first approach to testing this hypothesis was a comparison of parameter estimates across four regression equations. The dependent variable in each equation was one of the four effectiveness orientation types (i.e., Clan, Adhocracy, Hierarchy, and Market culture). The dependent variables in all of the equations were to be the five measures of implementation of the marketing concept. Following the predictions offered in Hypothesis 6, parameter estimates for the marketing concept variables should differ across the four regression equations.

Regression Models:

$$Clan = b_{co} + b_{c1}(MCB) + b_{c2}(CMCB) + b_{c3}(Scan) + b_{c4}(InstUtil) + b_{c5}(ConUtil) + e$$

$$Adhoc = b_{a1} + b_{a1}(MCB) + b_{a2}(CMCB) + b_{a3}(Scan) + b_{a4}(InstUtil) + b_{a5}(ConUtil) + e$$

$$Hier = b_{ho} + b_{h1}(MCB) + b_{h2}(CMCB) + b_{h3}(Scan) + b_{h4}(InstUtil) + b_{h5}(ConUtil) + e$$

$$MktCult = b_{mo} + b_{m1}(MCB) + b_{m2}(CMCB) + b_{m3}(Scan) + b_{m4}(InstUtil) + b_{m5}(ConUtil) + e$$

Marketing Concept Beliefs:	$b_{c1}; b_{h1} < b_{a1}; b_{m1}$
Congruence of MCB:	$b_{h2} < b_{m2} < b_{c2}; b_{a2}$
Scanning	$b_{c3} < b_{h3} < b_{a3}; b_{m3}$
Instrumental Utilization	$b_{c4}; b_{a4} < b_{m4} < b_{h4}$
Conceptual Utilization	$b_{h5} < b_{m5} < b_{c5}; b_{a5}$

- Clan: Clan Effectiveness Orientation.
- Adhoc: Adhocracy Effectiveness Orientation.
- Hier: Hierarchy Effectiveness Orientation.
- MrkCult: Market Culture Effectiveness Orientation.
- MCB: Marketing Concept Beliefs.
- CMCB: Congruence of Marketing Concept Beliefs.
- Scan: Scanning Processes.
- InstUtil: Instrumental Utilization Processes.
- ConUtil: Conceptual Utilization Processes.

Performing the above comparison of parameter estimates assumed that the variances of the dependent variables were equal across the four regression equations (i.e., $s^2_{Clan}=s^2_{Adhoc}=s^2_{Hier}=s^2_{MktCult}$). To ensure that this assumption was met, the dependent variables were all standardized (i.e., $s^2_{Clan}=s^2_{Adhoc}=s^2_{Hier}=s^2_{MktCult}=1$).

Hypothesis 7

H_7: Organizations with consistency between marketing concept beliefs and marketing information processing (i.e., high levels of both or low levels of both), will tend to be more stable than organizations that lack this consistency.

H_{7a}: Organizations with *low* levels of marketing concept beliefs *and high* levels of market information processing will tend to be more stable

than those organizations with *low* levels of marketing concept beliefs *and high* levels of market information processing.

To test Hypothesis 7, Marketing Concept Beliefs (MCB) and Market Information Processing (MIP) were to be converted into categorical data using a median split. An ANOVA will be performed using Organizational Flux (Flux) as the dependent variable. MCB, MIP, and the interaction between these two variables are the independent variables. This hypothesis would be supported if there is a significant difference between cell means and the mean of the high MCB/high MIP cell is the highest.

ANOVA Model: Flux= MCB + MIP + MCB*MIP

- Flux: Organizational Flux.
- MCB: Marketing Concept Beliefs.
- MIP: Market Information Processing.

Hypothesis 8

H_8: Organizations with high levels of marketing concept beliefs *and* market information processing will tend to report higher levels of marketing performance than organizations with low levels of marketing concept beliefs *and/or* market information processing.

To test Hypothesis 8, Marketing Concept Beliefs (MCB) and Market Information Processing (MIP) will be converted into categorical data using a median split. ANOVA was used with Market Performance as the dependent variable. MCB, MIP, and the interaction between these two variables were the independent variables. This hypothesis will be supported if there is a significant difference between cell means and the mean of the high MCB/high MIP cell is the highest.

ANOVA Model: MktPerf= MCB + MIP + MCB*MIP

- MCB: Marketing Concept Beliefs
- MIP: Market Information Processing

SUMMARY

To meet the objectives of this research, several measures were drawn from the literature and, in some cases, modified to fit the context of the research. Also, two new measure were developed. A cross-sectional survey questionnaire was to be administered to a number of staff at a sample of Canadian hospitals. Data gathered from this survey was then to be analyzed to test the research hypotheses.

CHAPTER 5
RESULTS

INTRODUCTION

The previous chapter described the methodology to be used in exploring the research question. The purpose of this chapter is to describe the analysis of the data and present the results of the analysis. The analysis of data was conducted in three steps: description of sample, data assessment, and hypotheses testing.

DESCRIPTION OF SAMPLE

The sample was selected from the Canadian Institute of Health Information 1997 hospital database. This database included all hospitals in Canada. Of the hospitals in this database, those with the following characteristics were included in the sample frame:

1. Hospitals not located in Quebec. Many hospitals in this province conduct business in French so an English language questionnaire would be inappropriate.
2. Hospital with more than 60 beds. Hospital with fewer than 60 beds might not have enough staff in positions required for participation in this study.
3. Hospital delivering acute-care services. Examples of such hospitals not included in the sample include psychiatric hospitals.

The Guide to Canadian Healthcare Facilities: 1997-1998 (Canadian Hospital Association 1997) was consulted to find the name of the senior administrative officer, the number of full-time-equivalent employees (FTEs), and the annual budget for each hospital. Unfortunately, data regarding FTEs and annual budgets were not reported for

all hospitals. Some entries in the Directory were in French – an indication that the working language in the hospital was French. These hospitals were dropped from the sample.

As a result of this process, 254 hospitals were in the sample frame. A request to participate in this study was mailed to the senior administrator in each hospital. Of the hospitals, the senior administrators in 60 agreed to participate. A form requesting the names of 21 staff members in specific positions was sent to each of these hospitals. Of these, 51 were returned.

In total, 980 questionnaires were sent to staff member at the 51 hospitals. Of these, 267 questionnaires were sent to "Senior Administrators" and 713 questionnaires were sent to "Staff". A total of 656 questionnaires were returned, providing a response rate of 66.9%. Senior administrators returned 165 questionnaires (62% response rate) and staff returned 491 questionnaires (69% response rate). As a result, approximately 25% of questionnaires in the sample were "Senior Administrator" questionnaires, and the remaining 75% were "Staff" questionnaires.

Of the 51 hospitals returning staff lists, 46 hospitals had eight or more respondents return usable questionnaires. As a result, 18% of the sample frame (46/254) were included in the final data set. This represents a relatively low response rate. The hospitals that were included in the final sample were compared with other hospitals in the sample frame using three descriptive variables: teaching status (i.e., teaching versus non-teaching), ownership (e.g., provincial government and religious organization), and

number of beds. On these variables, there were no significant differences between hospitals participating in the research and those that did not (see Table 11).

Table 11
Comparison of Participating Hospitals with Sample Frame

Descriptive Variable	Test Statistic	d.f.	p (two-sided)
Teaching Status	$\chi^2 = 0.026$	1	0.515
Ownership	$\chi^2 = 2.514$	5	0.774
Number of Beds	F = 0.393	1, 233	0.529

DATA ASSESSMENT

The first step in the data analysis was assessing the data for problems that might affect the validity of hypothesis testing. Data assessment consists of four steps. The first step was a data-coding audit. This audit checked to ensure that questionnaires were correctly coded and that these codes were accurately entered into the database for analysis. The second step was a data distribution audit. This audit reviewed data for each variable to check for distributions that might invalidate certain statistical techniques. The third step was an assessment of the reliability of multi-items scales. Finally, the fourth step was an assessment of non-response bias. The following sections report on each of these steps.

Data-Coding Audit

The purpose of the data-coding audit was to ensure that responses on the questionnaires were correctly entered into the database for analysis. The first step in this

process was to check for out-of-range entries in the database. This check consisted of identifying the maximum and minimum values entered in the database for each variable and then checking these against the range of possible values. For example, many items in the questionnaire required respondents to select an answer from a seven-point scale. Values of "0" or "8" would clearly fall outside the range of possible values.

This exploration resulted in the identification of one variable for which the maximum fell outside the possible range (question 77). Sorting the database by that variable and inspecting the values entered revealed that one entry had been made that exceeded the possible range. Referring back to the questionnaire, the correct value for that variable was determined and entered. Values for the proceeding ten questions and the following questions to the end of the questionnaire were checked to ensure that the entry error was not related to other errors. No further errors were discovered from this investigation.

The second phase of the data-coding audit was to draw a random sample of questionnaires and check to ensure that all items from the questionnaires were correctly entered into the database. A sample of 70 questionnaires, over 10% of the 657 responses, was randomly selected for this test. This random selection produced a list of questionnaires including 19 Senior Administrator questionnaires (27.1%) and 51 Staff Questionnaires (72.9%). Thus, "Senior Administrator" questionnaires were slightly over represented in the audit sample.

For each "Senior Administrator" questionnaire, 104 entries were made. For each "Staff" questionnaire, 55 entries were made. Based on the audit sample, a total of 4,781 entries were made [(19 x 104) + (51 x 55)].

Table 12 provides a summary of the results of the audit. Of the 70 questionnaires included in the audit, five questionnaires were entered with at least one error. In total, 10 of the 4,084 entries were incorrect – an error rate of 0.209%. The *upper* bound of a 99% confidence interval was 0.376%. In other words, given an observed error rate of 0.209%, 99 times out of 100 the true error rate would not be greater than 0.376%. Even at this extreme, it appeared that data entry errors would not substantially affect the outcome of the analysis. As a result, it was concluded that data entry was accurate enough to continue with the data analysis.

Table 12
Summary of Data Audit

Number of Errors	Senior Administrator Questionnaires	Staff Questionnaires	Total
0	18	47	65
1		3	3
2	1		1
5		1	1
Total	19	51	70

Data Distribution Audit

The second phase of the data assessment process was a data distribution audit. For this audit, the mean, standard deviation, skewness, and kurtosis for each interval scale item were calculated (see Tables 13 to 17).

Table 13
Data Distribution: Market Effectiveness Orientation

Measure / Variable	N	Mean	Std. Deviation	Skewness		Kurtosis	
				Statistic	Std. Error	Statistic	Std. Error
Clan							
CLAN13	653	4.47	1.52	-.14	.10	-.73	.19
CLAN17	653	3.72	1.63	.09	.10	-.89	.19
CLAN21	653	4.25	1.60	-.18	.10	-.75	.19
CLAN25	652	4.07	1.68	-.05	.10	-.92	.19
CLAN29	649	3.82	1.63	.14	.10	-.81	.19
CLAN33	649	4.43	1.67	-.15	.10	-.90	.19
Adhocracy							
ADHOC14	655	3.16	1.40	.40	.10	-.30	.19
ADHOC18	649	3.17	1.48	.34	.10	-.62	.19
ADHOC22	651	3.10	1.49	.39	.10	-.61	.19
ADHOC26	651	3.42	1.52	.25	.10	-.65	.19
ADHOC30	648	3.81	1.55	.09	.10	-.70	.19
ADHOC34	647	3.34	1.57	.46	.10	-.53	.19
Market							
MKT15	654	3.41	1.30	.48	.10	-.02	.19
MKT19	649	3.24	1.43	.43	.10	-.31	.19
MKT23	651	3.24	1.48	.38	.10	-.57	.19
MKT27	651	3.19	1.38	.47	.10	-.29	.19
MKT31	644	3.41	1.38	.43	.10	-.26	.19
MKT35	647	2.97	1.51	.57	.10	-.41	.19
Hierarchy							
HIER16	653	3.94	1.46	.21	.10	-.60	.19
HIER20	652	3.95	1.45	.00	.10	-.55	.19
HIER24	650	3.43	1.48	.24	.10	-.61	.19
HIER28	652	4.04	1.40	.10	.10	-.54	.19
HIER32	650	4.07	1.42	-.10	.10	-.60	.19
HIER36	651	4.63	1.46	-.24	.10	-.58	.19

Table 14
Data Distribution: Market Performance

Measure / Variable	N	Mean	Std. Deviation	Skewness		Kurtosis	
				Statistic	Std. Error	Statistic	Std. Error
PERF01	655	5.64	1.08	-1.20	.10	1.85	.19
PERF02	653	5.28	1.11	-1.15	.10	1.40	.19
PERF03	653	6.02	.82	-1.05	.10	2.10	.19
PERF04	648	5.50	1.21	-1.13	.10	1.08	.19
PERF05	654	5.61	.92	-1.07	.10	1.87	.19
PERF06	651	4.92	1.47	-.78	.10	.01	.19
PERF07	654	4.55	1.46	-.57	.10	-.63	.19
PERF08	654	4.97	1.25	-.84	.10	.16	.19
PERF09	654	5.57	.91	-1.06	.10	1.36	.19
PERF10	653	5.62	1.04	-1.33	.10	2.31	.19

Table 15
Data Distribution: Marketing Concept Beliefs

Measure / Variable	N	Mean	Std. Deviation	Skewness		Kurtosis	
				Statistic	Std. Error	Statistic	Std. Error
MCULT38	653	5.69	.95	-1.32	.10	3.13	.19
MCULT39	651	5.25	1.11	-.85	.10	.91	.19
MCULT40	652	2.79	1.48	.81	.10	-.22	.19
MCULT40R	652	5.21	1.48	-.81	.10	-.22	.19
MCULT41	652	5.46	1.02	-1.13	.10	1.95	.19
MCULT42	651	4.89	1.17	-.59	.10	.17	.19
MCULT43	652	5.60	1.22	-1.16	.10	1.46	.19
MCULT44	649	5.60	1.13	-1.28	.10	2.00	.19
MCULT46	653	5.35	1.28	-.94	.10	.50	.19

Table 16
Data Distribution: Organizational Flux, Environmental Dynamism, and Environmental Complexity

Measure / Variable	N	Mean	Std. Deviation	Skewness		Kurtosis	
				Statistic	Std. Error	Statistic	Std. Error
Organizational Flux							
FLUX83	162	5.19	1.40	-.74	.19	.35	.38
FLUX84	162	3.40	1.79	.37	.19	-.96	.38
FLUX85	162	4.09	1.63	-.05	.19	-.92	.38
FLUX86	162	4.60	1.74	-.38	.19	-.85	.38
FLUX87	160	3.49	1.57	.19	.19	-.57	.38
FLUX87R	160	4.51	1.57	-.19	.19	-.57	.38
FLUX88	162	4.41	1.63	-.32	.19	-.87	.38
Environmental Dynamism							
CHNG89	159	4.50	1.35	-.59	.19	-.15	.38
CHNG90	159	4.75	1.20	-.69	.19	.03	.38
CHNG91	160	4.96	1.34	-.96	.19	.74	.38
CHNG92	160	3.84	1.56	-.16	.19	-.83	.38
Environmental Complexity							
CHNG93	162	4.86	1.77	-.61	.19	-.81	.38
CHNG94	161	4.39	1.60	-.36	.19	-.63	.38
CHNG95	162	3.56	1.72	.11	.19	-1.12	.38
CHNG96	162	3.64	1.74	.12	.19	-.95	.38

Table 17
Data Distribution: Market Information Processing

Measure / Variable	N	Mean	Std. Deviation	Skewness		Kurtosis	
				Statistic	Std. Error	Statistic	Std. Error
Information Acquisition							
INPRO51	163	5.37	1.34	-1.30	.19	1.24	.38
INPRO52	163	3.83	1.62	.08	.19	-1.07	.38
INPRO53	163	3.88	1.45	-.18	.19	-.90	.38
INPRO54	163	4.48	1.40	-.42	.19	-.53	.38
INPRO55	163	4.04	1.52	-.14	.19	-1.06	.38
Information Transmission							
INPRO56	163	4.71	1.45	-.79	.19	-.02	.38
INPRO71	161	4.46	1.46	-.45	.19	-.83	.38
INPRO72	161	4.85	1.18	-.87	.19	.27	.38
INPRO73	160	4.83	1.32	-.82	.19	.41	.38
INPRO74	161	4.44	1.46	-.51	.19	-.50	.38
Conceptual Utilization							
INPRO57	163	4.64	1.45	-.55	.19	-.50	.38
INPRO58	163	4.18	1.45	-.30	.19	-.56	.38
INPRO59	163	4.53	1.33	-.55	.19	-.38	.38
INPRO60	163	4.66	1.36	-.64	.19	-.14	.38
INPRO75	161	5.04	1.26	-1.10	.19	1.19	.38
INPRO76	160	2.61	1.31	.90	.19	.29	.38
INPRO76R	160	5.39	1.31	-.90	.19	.29	.38
INPRO77	162	2.98	1.26	.42	.19	-.41	.38
INPRO77R	162	5.02	1.26	-.42	.19	-.41	.38
INPRO78	159	4.10	1.25	-.09	.19	-.45	.38
Instrumental Utilization							
INPRO61	163	4.31	1.44	-.43	.19	-.63	.38
INPRO62	161	4.80	1.26	-.78	.19	-.03	.38
INPRO63	160	4.66	1.28	-.90	.19	.33	.38
INPRO64	160	4.55	1.27	-.83	.19	.12	.38
INPRO65	161	4.71	1.45	-.80	.19	.01	.38
INPRO66	161	4.89	1.33	-.87	.19	.28	.38
INPRO67	160	4.96	1.20	-.83	.19	.43	.38
INPRO68	161	4.73	1.33	-.64	.19	-.15	.38
INPRO69	161	4.67	1.26	-.57	.19	-.18	.38
INPRO70	161	4.60	1.42	-.54	.19	-.61	.38
INPRO79	162	4.37	1.35	-.52	.19	-.54	.38
INPRO80	161	4.28	1.34	-.45	.19	-.28	.38
INPRO81	161	4.67	1.21	-.72	.19	.27	.38
INPRO82	161	4.49	1.30	-.54	.19	-.21	.38

Particular attention was paid to the skewness and kurtosis of the distributions. Skewness is measure of the asymmetry of a distribution. The normal distribution is symmetric, and has a skewness value of zero. A distribution with a significant positive skewness has a long right tail. A distribution with a significant negative skewness has a long left tail. Kurtosis is a measure of the extent to which observations cluster around a central point. For a normal distribution, the value of the kurtosis statistic is 0. "Positive" kurtosis indicates that the observations cluster more and have longer tails (leptokurtic distribution) than those in the normal distribution and "negative" kurtosis indicates that observations cluster less and have shorter tails (platykurtic distribution).

Results of this audit show that many variables suffer from severe skewness and kurtosis. In terms of skewness, negative skewness (long left tail) was the typical problem. Respondents tended to respond positively to questions (i.e., agreeing with positive statements and disagreeing with negative statements). In terms of kurtosis, positive kurtosis (leptokurtic distribution) was the typical problem.

The conclusion of this audit was that great care must be taken with subsequent analysis. In particular, maximum likelihood and generalized least squares estimators used in covariance structure modeling analysis assume multivariate normal distributions of data. Measures of fit based on chi-square appear to be affected by excessive kurtosis. Leptokurtic distributions might lead to too many rejections of the null hypothesis (i.e., sample covariance matrix equals the covariance matrix predicted by the specified model). On the other hand, platykurtic distributions might lead to too few rejections of the null hypothesis.

Unidimensionality Assessment for Multi-item Scales from Previous Literature

The third phase of the data assessment process was the assessment of unidimensionality of multi-item measures. Prior to assessing their inter-item reliability, Anderson, Gerbing and Hunter (1987) argue that one should assess the unidimensionality of the multi-item measures. Assessing dimensionality also provides a preliminary test of construct validity for multi-item measures. This section presents the assessments of multi-item measures drawn from previous literature.

Unidimensionality for each measure was assessed using covariance structure modeling analysis employing the AMOS 3.6 software package. Maximum likelihood estimation was used to generate estimates for the models. As mentioned earlier, many of the variables are plagued by problems of skewness and kurtosis. As a result, the assumption of multivariate normality that underlies maximum likelihood estimation (Arbuckle 1997) was severely violated. Muthén (1993) suggests that, even in situations were the data do not conform to a multivariate normal distribution, maximum likelihood estimation provides close estimates for small models (i.e., around five variables). For the most part, the multi-item measures used in this research were relatively small (i.e., six to nine variables). One measure (Instrumental Utilization of Market Information) consisted of 14 items. Muthén goes on to indicate that, unless working with sample sizes of at least 1,000, maximum likelihood outperforms asymptotic distribution-free estimation. Because none of the measures assessed here had a sample size near 1,000, maximum likelihood was selected as the estimation method.

Model fit was judged using Adjusted Goodness of Fit Index (AGFI) and Bentler's (1990) Comparative Fit Index (CFI). Although firm criteria for assessing fit are still being explored, cutoffs of 0.80 for AGFI and 0.90 for CFI were used. Measures that exceeded the cut-off for both of these indices were considered to display "good" fit. Because some of the data exhibited poor distributional qualities (i.e., not multivariate normal) and some of the analysis was conducted using small sample sizes, a somewhat lower standard was set for measures drawn from previous literature. The fit for these measures was considered "acceptable" if they exceeded the cut-off for either one of the two indices.

To facilitate analysis, only those questionnaires in which all of the items relating to a particular measure were included in this analysis. As a result, the sample size varied somewhat among the measures. Also, for several of the measures (Market Information Processing, Market Complexity, Market Dynamism, and Organizational Flux), data were collected only from Senior Administrators. As a result, sample sizes available to assess unidimensionality were smaller.

Table 18 provides a listing of the multi-item measures drawn from the previous literature. For each measure, the sample size, the number of items included in the measure, the χ^2 statistic (with the associated degrees of freedom), and the two fit-indices are reported.

Of the eleven measures, six displayed a "good" fit and two displayed an "acceptable" fit. Therefore, these measures were accepted as being unidimensional. The remaining three measures, however, displayed a "poor" fit. As a result, they were

Table 18
Summary of Initial Assessment of Unidimensionality for Multi-Items Measures Drawn from Previous Literature

Measure	No. of Items	N	χ^2	d.f.	AGFI	CFI	Fit
Effectiveness Orientation							
Clan	6	619	54.91	9	0.92	0.98	Good
Adhocracy	6	619	129.31	9	0.81	0.95	Good
Market	6	619	33.56	9	0.95	0.99	Good
Hierarchy	6	619	205.33	9	0.77	0.85	**Poor**
Organizational Flux	6	145	13.84	9	0.93	0.98	Good
Environmental Dynamism	4	157	18.54	2	0.71	0.92	Acceptable
Environmental Complexity	4	157	75.11	2	0.11	0.69	**Poor**
Market Information Processing							
Information Acquisition	5	138	19.68	5	0.82	0.94	Good
Information Transmission	5	138	21.93	5	0.81	0.92	Good
Conceptual Utilization	8	138	117.15	20	0.65	0.84	**Poor**
Instrumental Utilization	14	138	221.76	77	0.75	0.90	Acceptable
Overall Market Information Processing	4	138	0.32	2	0.99	1.00	Good

subjected to further analysis. Also, the fit of the overall Market Information Processing measure was almost too good. As a result, this measure was analyzed further. These analyses are reported in the following sections.

Organizational Effectiveness Orientation: Hierarchy

To better understand why this model displayed a poor fit, a review of the distribution statistics for the variables in this scale revealed that kurtosis was not as

severe as was the case for many of the other variables. As a result, data transformations to improve the distribution were not attempted. Next, a review of the standardized residuals was conducted. This revealed that one indicator (hier16) had very high standardized residuals (i.e., greater than 3.0). A second model was tested using the remaining five indictors. Table 19 displays a comparison of the two models in terms of χ^2. The five-variable model provided a significantly better fit than the six-variable model. Table 20 provides a summary of fit indices for the five-variable model. This model displayed a "good" fit.

Table 19
Comparison of Six-Variable with Five-Variable Model of Hierarchy

Model	Six Variable Model (Includes inpro76 and inpro77)	Five Variable Model (Includes inpro77)
χ^2	205.33	47.20
Degrees of Freedom	9	5
Improvement in fit over Six Variable Model	N/A	χ^2 = (205.33-47.20) =158.13 d.f. = (20-14) = 4 p<0.000

Table 20
Fit Indices for Hierarchy Effectiveness Orientation
(Five-Indicator Model)

	ML
χ^2	47.20
d.f.	5
AGFI	0.91
CFI	0.96

Each question in this measure addresses a different issue with respect to Effectiveness Orientation. The item that created the poor fit (hier16) relates to the organization's leader. Dropping it from the measure would reduce the face-validity of the measure. However, since there were five items left in the measure and these items constituted a unidimensional measure, the five-item measure was used in the subsequent analyses. In fact, dropping the one item makes no substantive difference to the subsequent analysis.

Perceived Environmental Complexity

The second measure that displayed a "poor" fit was Environmental Complexity. As a result of the poor fit, a review of the distribution statistics for the variables in this scale revealed that kurtosis was not as severe as was the case for many of the other variables. As a result, data transformations to improve the distribution were not attempted.

An exploration of the items in this measure was conducted using an exploratory factor analysis approach. An examination of eignvalues (see Table 21) suggested that there were, in fact, two factors underlying these data. Next, a factor analysis using principal axis extraction and varimax rotation was conducted. This produced a rotated factor matrix with a relatively simple structure (i.e., variables loaded heavily on one factor and lightly on the other) (see Table 22).

It was clear that these four items did not constitute a unidimensional factor. With the four items in the scale splitting evenly into two sub-scales, it is not possible to conduct further analysis on the sub-scale level. As a result, this measure was dropped

Table 21
Eigen Values for Perceived Market Complexity Measure

Factor	Eigenvalue	% of Variance	Cumm. % of Variance
1	2.417	60.43%	60.43%
2	1.045	26.14%	86.56%
3	0.288	7.21%	93.77%
4	0.249	6.23%	100.00%

Table 22
Rotated Factor Matrix for Perceived Market Complexity Variables

Variable	Factor 1	Factor 2
CHNG93	0.125	0.807
CHNG94	0.302	0.812
CHNG95	0.847	0.187
CHNG96	0.835	0.222

from further analysis. Dropping this measure resulted in one aspect of Hypothesis 4 not being tested.

Market Information Processing: Conceptual Utilization

As a result of the poor fit of this model, further analyses were conducted. A review of the standardized residual covariances reveals a problem with two items that were reverse-scored (inpro76 and inpro77). These items produced several standardized residuals in excess of 2.00. A model was run dropping inpro76 (this variable had the greater sum of standardized residual covariances). This model solution produced a χ^2 of 58.14 with 20 degrees of freedom. Fit indices suggested that this model had an acceptable fit (AGFI=0.78; CFI=0.92). Another model was run dropping the variable

inpro77. This model solution produced a χ^2 of 87.61 with 20 degrees of freedom. Fit indices suggest that this model had a poor fit (AGFI=0.67; CFI=0.88). A third model was tested in which both inpro76 and inpro77 were dropped. This model solution produced a χ^2 of 46.10 with 9 degrees of freedom. Fit indices suggest that this model had an acceptable fit (AGFI=0.77; CFI=0.93). A χ^2 statistic was used to assess the relative fit of these models. Table 23 summarizes the χ^2 and degrees of freedom for the best fitting of these models. This table also indicates whether there was a significant improvement in fit as a result of changing to a model with fewer variables. There was a significant improvement in fit in changing from an eight-variable model to a seven-variable model ($p<0.000$). There was also a significant improvement in fit in changing from a seven-variable to a six-variable model ($p<0.032$).

Table 23
Comparing the Fit of Three Conceptual Utilization of Information Models

Model	Eight Variable Model (Includes inpro76 and inpro77)	Seven Variable Model (Includes inpro77)	Six Variable Model (Includes neither inpro76 or inpro77)
χ^2	117.15	58.14	46.10
Degrees of Freedom	20	14	9
Improvement in fit over Eight Variable Model	N/A	χ^2 = (117.15-58.14) =59.01 d.f. = (20-14) = 6 p<0.000	χ^2 = (117.15-46.10) =71.05 d.f. = (20-9)=11 p<0.000
Improvement in fit over Seven Variable Model	N/A		χ^2 = (58.14-46.10) =12.02 d.f. = (14-9)=5 p<0.032

In terms of fit, none of the models tested provided a "good" fit. An "acceptable" fit was achieved by dropping one or both of the items in question. Based on this analysis, the items in the scale were reviewed. Although both of the items in question appeared to add to the measure, these items overlapped with other items in the scale. Even with the dropping of the two items, the measure was composed of six indicators. This provided confidence that the measure would be acceptable for hypothesis testing. As a result, the six-variable model was selected. Table 24 provides a summary of several measures of fit of the revised model. These fit indices suggested that this model displayed an acceptable fit, thus supporting the expectation that the sub-scale was unidimensional.

Dropping the two items from the measure should have relatively little effect on the current study.

Table 24
Fit Indices for Revised Conceptual Utilization Measure

	ML
χ^2	46.10
d.f.	9
AGFI	0.77
CFI	0.93

Overall Market Information Processing

The overall measure of Market Information Processing was created from the sub-scales discussed in the preceding sections (i.e., acquisition, transmission, conceptual utilization, and instrumental utilization). Each of the four sub-scales has equal weight in the overall measure.

The model for the overall measure tested was a first-order factor model with 4 indicators of one latent variable. Table 25 provides a summary of several measures of fit of the model. These fit indices suggested that this was a good fitting model supporting the expectation that the overall measure was unidimensional.

Table 25
Fit Indices for Market Information Processing

χ^2	0.32
d.f.	2
AGFI	0.99
CFI	1.00

As noted earlier, the fit of this model was almost too good. This suggested that the Market Information Processing sub-scales might be part of a single, unidimensional construct. To test this, two models were compared. Model A was a second-order factor model with 30 indicators for the four sub-scales discussed above. Model B was a first-order factor model with 30 indicators for the single factor, Market Information Processing. A comparison of the results for these two models appears in Table 26.

Table 26
Comparison of Overall Market Information Processing Factor Models

	Model A (2^{nd} Order Factor)	Model B (1^{st} Order Factor)	Difference
χ^2	999.23	1,092.17	92.94
d.f.	401	405	4
AGFI	0.64	0.62	n/a
CFI	0.83	0.81	n/a

Although neither model displayed an adequate fit, Model A fit the data significantly better than Model B ($\chi^2 = 92.94$, d.f. = 4, $p < 0.001$). This suggested that a second-order factor might be more appropriate than a first-order factor. This must be interpreted cautiously due to the kurtosis of some of the variables used in this analysis and the small sample size (n = 152).

Unidimensionality Assessment for Multi-item Scales Developed for this Research

In addition to the measures drawn from the literature, two multi-item measures were developed for use in this research: Marketing Concept Beliefs and Market Performance. Pilot testing and pre-testing of these measures is reported in detail in the Methodology chapter. In the sections that follow, these measures are assessed based on the data gathered for this study.

Marketing Concept Beliefs

Data were collected for this measure from all respondents (senior administrators and staff) providing a substantial sample for use in assessing the measure. The sample used to assess this measure consisted of 577 observations.

The measure of Marketing Concept Beliefs consisted of 8 items (mcult38, mcult39, mcult40, mcult41, mcult42, mcult43, mcult44, and mcult46). The model tested was a first-order factor model with nine indicators of one latent variable. Table 27 provides a summary of several measures of fit of the model. These fit indices indicate a rather poor fitting model.

Table 27
Fit Indices for Marketing Concept Beliefs

χ^2	358.61
d.f.	20
AGFI	0.71
CFI	0.83

A second model was then tested. This model was a second-order factor model consisting of two sub-factors each with four indicators (Factor A consisting of mcult38, mcult43, mcult44, and mcult46; Factor B consisting of mcult39, mcult40, mcult41, and mcult42). This was the same second-order factor model developed in the analysis of pretest data.

Table 28 provides a summary of several measures of fit of the model. These fit indices indicate a good fitting model. Clearly, however, the measure does not constitute a unidimensional factor. As a result, a more extensive exploration of this measure was conducted.

Table 29 provides a listing of the statements included in the two sub-scales. Reviewing the two sub-scales, it appears that the items in sub-scale A all address goals or objectives. These items relate to the *raison d'être* of the hospitals. These items also appear to be directed at the "hospital" level. Sub-scale B, on the other hand, appears to include items relating to what staff want, or try, to do with respect to their customers (e.g., "we want", "staff try").

Two items do not appear to fit as well with the others. Item 38 refers to "our goals". It is possible that some respondents interpreted "our" to mean members of their immediate workgroup or to mean hospital. Thus, "our goals" might not be the same as

Table 28
Fit Indices for Second-order Factor Model of Marketing Concept Beliefs

χ^2	124.39
d.f.	19
AGFI	0.90
CFI	0.95

Table 29
Marketing Concept Beliefs: Questionnaire Items Appearing in Each Sub-Scale

Sub-Scale A	Sub-Scale B
38. We try to achieve our goals by satisfying our customers' needs.	39. Staff want to understand how they can provide better service to their customers.
43. This hospital exists primarily to serve customers.	40. Staff do **not** think of meeting customers' needs as their number one task.
44. Our hospital's objectives are based on meeting customers' needs.	41. When we make decisions, we try to understand what our customers need from us.
46. Our hospital's plans for the future are based on our understanding of customers' needs.	42. Staff try to exceed our customers' expectations.

"hospital goals". As a result, this statement might not refer to the *raison d'être* of the hospital. Also, this item was different in that it makes reference to "try". This verb might connote action, therefore, fitting better with the second sub-scale. The second item that does not appear to fit well was item 40 which refers to the "number one task". This item appears to refer to *raison d'être* of the "staff". As a result, it might fit better in the first sub-scale. To summarize, item 38 might fit better with sub-scale B and item 40 might fit better with sub-scale A.

Further tests were conducted to explore this possibility. The initial two-sub-factor model was depicted in Figure 15. This model, Model 1, was compared to three other models. Model 2 shifted item 38 to sub-scale B and item 40 to sub-scale A (see Figure 16). Model 3 allowed items 38 and 40 to load on both sub-scales (see Figure 17). Model 4 dropped items 38 and 40 from the measure (see Figure 18).

First, a comparison of these models was conducted using the pretest data (described earlier in this chapter). Results of this comparison appear in Table 30. Model 2 appears to be a very poor fit to the data. On the other hand, Models 1, 3, and 4 appear to provide quite good fits.

In terms of χ^2, Models 3 and 4 represent significant improvements in fit over Model 1. Model 4 appears to be a significant improvement in fit over Model 3. The question is, which of these models makes the most sense? The construct is "Marketing Concept Beliefs". All eight items in the measure appear to be directed at this construct. The fact that two items load on both sub-scales serves to support the notion that the two sub-scales are closely related. While the cause of the appearance of two dimensions remains an open question, it appears that the eight-item measure does refer to the single construct Marketing Concept Beliefs. As a result, all eight items will be retained for this measure. As noted below, this does not have an adverse effect on the inter-item reliability of this measure.

Although the items in the two sub-scales appeared to have some differences in wording, the substantial differences in the pattern of responses between the two sub-

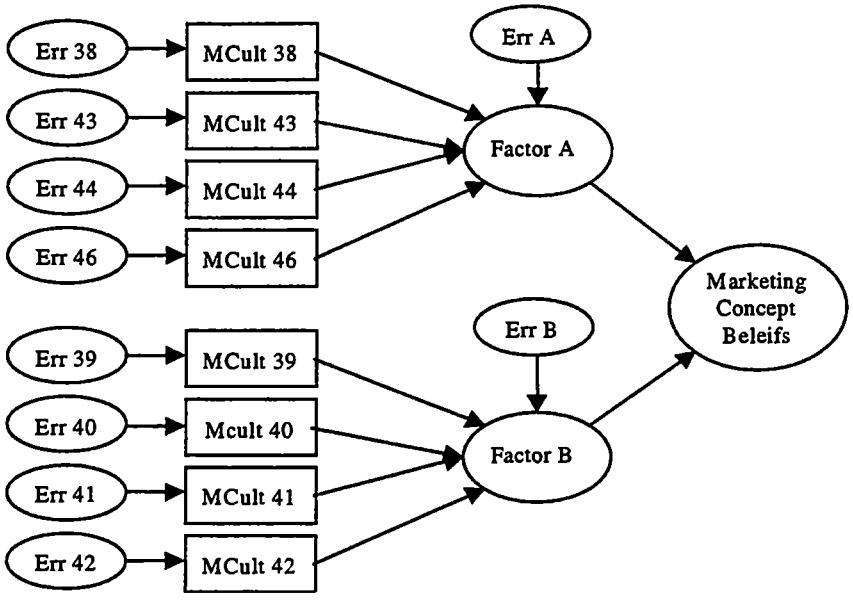

Figure 15
Marketing Culture Beliefs: Initial Factor Model
(Model 1)

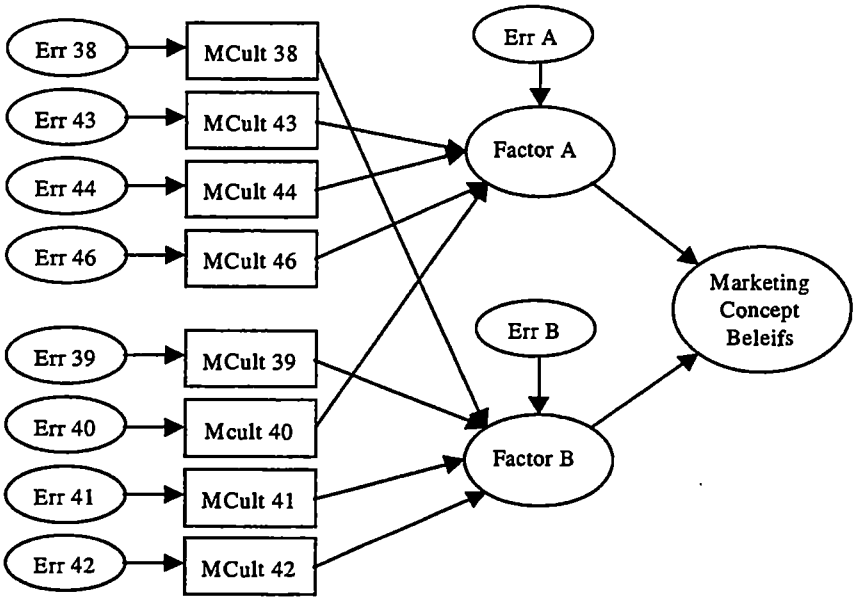

Figure 16
Marketing Culture Beliefs: Revised Factor Model (Eight Indicators)
(Model 2)

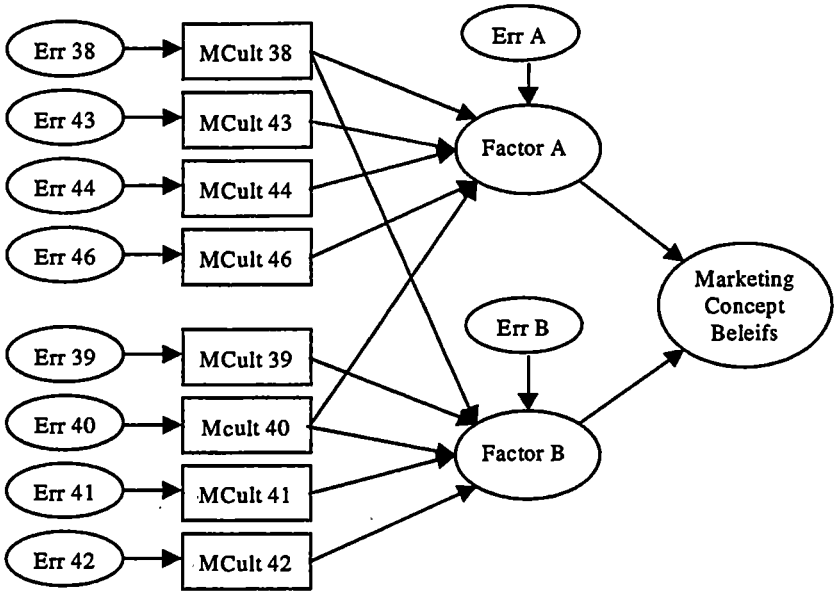

Figure 17
Marketing Culture Beliefs: Factor Model with Two Cross-Loading Indicators (Model 3)

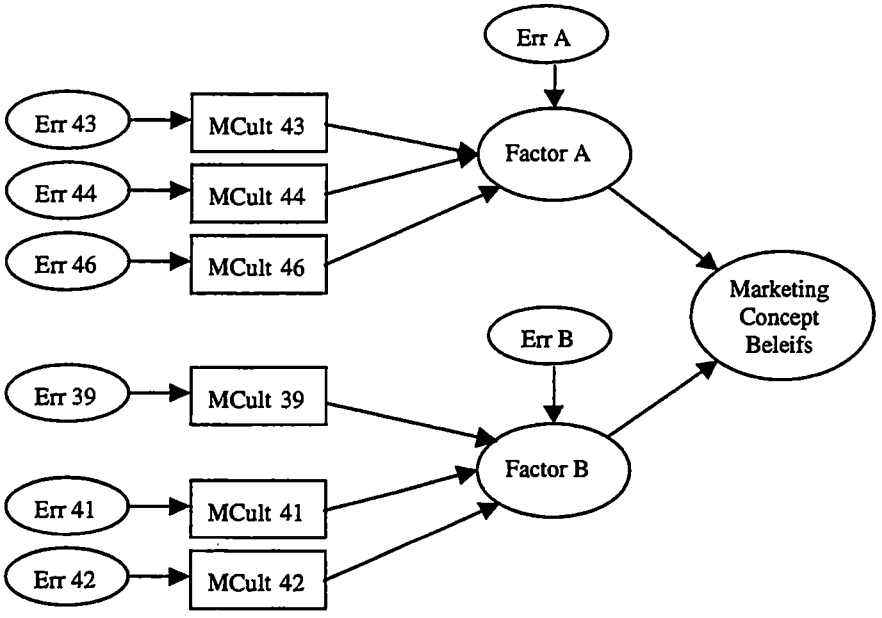

Figure 18
Marketing Culture Beliefs: Revised Factor Model (Six Indicators) (Model 4)

Table 30
Marketing Concept Beliefs Measure:
Comparison of Four Models Using Pre-test Data

Model	Model 1	Model 2	Model 3	Model 4
χ^2	78	398	53	35
Degrees of Freedom	19	19	17	8
χ^2/df	4.10	20.95	3.12	4.38
GFI	0.94	0.76	0.96	0.97
CFI	0.96	0.76	0.98	0.97
Compared to Model 1	Difference in...	χ^2	25	43
		d.f.	2	11
		p	0.000	0.000
Compared to Model 3	Difference in...	χ^2		18
		d.f.		9
		p		0.0352

scales was surprising. Why so much difference? Clearly this is question that requires more investigation.

Market Performance

Data was collected for this measure from all respondents (senior administrators and staff) providing a substantial sample for use in assessing the measure. The sample used to assess this measure consisted of 563 observations.

The Market Performance measure consisted of 9 items (perf01, perf02, perf04, perf05, perf06, perf07, perf08, perf09, and perf10). The model tested was a first-order factor model with nine indicators of one latent variable. Table 31 provides a summary of several measures of fit of the model. The fit of this model was good, thus supporting the expectation that the measure was unidimensional.

Table 31
Fit Indices for Market Performance

χ^2	279.11
d.f.	27
AGFI	0.84
CFI	0.91

Reliability Assessment for Multi-item Scales

With an assessment of unidimensionality complete, the next step was to assess the inter-item reliability of the multi-item measures (Anderson, Gerbing and Hunter 1987). This was done using Cronbach's alpha. Nunnally and Bernstein (1994) suggest that measures with "modest reliability, e.g., .70" are acceptable "[i]n the early stages of predictive or construct validation research" (p. 264). As a result, this was the standard used.

Table 32 lists the Cronbach's alphas for each of the multi-item measures. The lowest Cronbach's alpha was 0.76, for the Market Dynamism measure. As a result, all of the multi-item scales appear to possess an adequate level of inter-item reliability for use in hypothesis testing.

ADDITIONAL MEASURES

In addition to the multi-item measures used above, two additional measures were used in hypotheses testing.

Table 32
Inter-Item Reliability for Multi-Item Measures

Multi-Item Measure	Number of Items	Cronbach's Alpha
Clan	6	0.91
Adhocracy	6	0.92
Market	6	0.88
Hierarchy	5	0.88
Organization Flux	6	0.78
Market Complexity	4	0.79
Market Dynamism	4	0.76
Information Acquisition	5	0.82
Information Transmission	5	0.80
Conceptual Utilization of Information	6	0.89
Instrumental Utilization of Information	14	0.95
Market Info Processing	30	0.97
Performance	9	0.89
Marketing Concept Beliefs	8	0.86

Congruence of Marketing Concept Beliefs

Congruence of Marketing Concept Beliefs was a measure of agreement among respondents at each hospital in the sample to the items in the Marketing Concept Beliefs measure. As discussed in the Methodology chapter, agreement was calculated using r_{WG} (James, Demaree, and Wolf 1984). Values of this statistic range from 0.00 (random responses) to 1.00 (perfect agreement).

The following equations were used to calculate the r_{WG}:

$$r_{WG} = \frac{J\,[1-(\overline{s_{xj}^2}\,/\sigma_{EU}^2)]}{J\,[1-(\overline{s_{xj}^2}\,/\sigma_{EU}^2)] + (\overline{s_{xj}^2}\,/\sigma_{EU}^2)}$$

Where

- r_{WG} = within-group interrater agreement
- J = the number of items in a multi-item measure of a construct
- $\overline{s_{xj}^2}$ = mean of the observed variances on the J items
- σ_{EU}^2 = the expected error variance based on a uniform distribution
  - where $\sigma_{EU}^2 = (A^2 - 1) / 12)$ and A^2 = number of items in the response scales. Since 7-point response scales were used for the Marketing Concept Beliefs measure, $\sigma_{EU}^2 = 4$.

James, Demaree, and Wolf (1984) argue that the expected error variance be determined based on *a priori* expectations rather than based on the observed distribution. The reason for this is that an observed distribution might reflect a range of possible true distributions. Selecting the "expected error variance" based on the observed distribution allows the researcher to manipulate the agreement scores.

The *a priori* expectation was for a uniform distribution. This was based on the observation that Canadian hospitals were, in general, relatively new to the notion of

marketing. Some earlier movers would have adopted high levels of Marketing Concept Beliefs, others would not yet have started to adopt these beliefs, and others would be distributed in between the two extremes. As a result, it was expected that respondents would report all levels of Marketing Concept Beliefs. If anything, it was expected that the distribution might reflect a slightly positive skew (i.e., more respondents reporting low levels of Marketing Concept Beliefs). Since a uniform distribution provided a slightly more conservative estimate of expected variance, this distribution was selected.

Contrary to expectations, however, the pattern of responses was negatively skewed (see Table 23). The variances for the items in the marketing Concept Beliefs measure were much smaller than the expected variance (σ^2_{EU}). As a result of this distribution, values for r_{WG} were relatively high. The mean level of Congruence of Marketing Concept Beliefs was 0.94 with a minimum of 0.81 and maximum of 0.98. Some 75% of hospitals had a level of agreement greater than 0.93. The distribution of these scores were negatively skewed and severely leptokurtic (kurtosis = 3.43).

It is important to note that the shape of the expected distribution is important in determining the magnitude of the agreement scores, particularly as the average variances for the items in the measure increases. It plays a much smaller role in determining the shape of the distribution of agreement scores. In other words, minor reductions to the expected variance would lead to small reductions in agreement scores and no improvement to the distribution of these scores.

In presenting this measure, James, Demaree, and Wolf (1984) suggest that "bias is expected to be minimal for small numbers of judges and essentially negligible for a large

Table 33
Pattern of Reponses to Marketing Concept Belief Items

Item	Percent of Respondents Selecting Each Response						
	1	2	3	4	5	6	7
MCULT38	0.0%	1.7%	2.1%	2.8%	27.4%	50.7%	15.3%
MCULT39	0.3%	2.2%	5.1%	12.4%	33.8%	37.5%	8.8%
MCULT40R	1.2%	4.0%	13.3%	7.8%	18.6%	37.4%	17.6%
MCULT41	0.2%	1.7%	3.8%	6.4%	32.4%	45.6%	10.0%
MCULT42	0.6%	2.6%	9.2%	20.3%	33.8%	28.9%	4.6%
MCULT43	0.6%	2.1%	4.8%	6.4%	23.8%	39.3%	23.0%
MCULT44	0.3%	2.3%	4.0%	5.5%	23.6%	46.5%	17.7%
MCULT46	0.5%	3.1%	7.2%	10.3%	23.4%	40.4%	15.2%
Arithmetic Mean	0.5%	2.5%	6.2%	9.0%	27.1%	40.8%	14.0%

number of judges (e.g., 10 or more)." (, p. 96). As a result, only hospitals eight or more respondents were included in the analyses.

As noted above, the distribution of the Congruence of Marketing Concept Beliefs scores was severely leptokurtic. As a result, there was risk of finding "statistically significant" relationships due to the presence of extremely influential outliers. If significant relationships were found, further analyses would have be required to ensure that outliers were not the cause.

Strategic Orientation

The second measure that was not a multi-item measure was for Strategic Orientation (Miles and Snow 1978). Snow and Hrebiniak's (1980) measure of Strategic Orientation was used. This measure asked each senior administrators to identify which of four descriptions best reflected his or her hospital. For each hospital, one to four individuals responded to this question. The strategic orientation for each hospital was

determined using the following rules (the number following each rule indicates the number of times it was used):

1. The modal response (i.e., the alternative selected by the largest number of respondents within the hospital). (37)
2. When there was a tie in the modal response between either Defender and Analyzer *or* Prospector and Analyzer, Analyzer was selected. (5)
3. When there was a three-way tie among Defender, Analyzer, and Prospector *and* no respondent indicated Reactor, Analyzer was selected. (1)
4. When there was a tie in the modal response between Reactor and one or more of the alternatives, Reactor was selected. (5)

When choosing from among "consistent strategies" (rules 2 and 3), Analyzer was selected because it reflects a hybrid of the Defender and Prospector strategies (Miles and Snow 1978).

Two observations supported the conclusion that the categorization was relatively robust. First, over 75% (37/48) of the hospitals were classified based on the first rule. This rule represented the most positive way of classifying the hospitals. Second, the percent of respondents agreeing with the Strategic Orientation they were assigned was 72.4% (118 out of 163 respondents to the Senior Administrator Questionnaire). The level of agreement on Strategic Orientation for each hospital varied from no agreement (e.g., none of the four responses for one hospital indicated the same Strategic Orientation) to high agreement (e.g., all five of the responses for another hospital indicated Analyzer).

Table 24 summarizes the distribution of Strategic Orientations among the hospitals in the sample. Because only two hospitals were Defenders, these hospitals were not included in the analysis to assess hypotheses relating to strategic orientation.

Table 34
Frequency of Strategic Orientations Among Hospitals

Strategic Orientation	Number of Hospitals
Defender	2
Analyzer	26
Prospector	11
Reactor	9
Total	48

To this point, this chapter has described the data collected and its appropriateness for use in hypothesis testing. In total, 15 variables will be used in hypothesis testing. Table 35 provides the Pearson correlation coefficients between all pairs of these variables.

Several of these correlations deserve particular attention. First, there was a substantial correlation between Marketing Concept Beliefs and Congruence of Marketing Concept Beliefs. This relationship was problematic in the assessment of Hypothesis 1a where the product of these terms was used in an equation with both measures. The product has a very high correlation with both measures (0.97 and 0.85 respectively). As a result, there was little opportunity for the product to make a contribution. Second, as noted in the discussion of the overall Market Information Processing measure above, the correlations among three of the four sub-scales (Transmission, Conceptual Utilization, and Instrumental Utilization) are particularly high. These high correlations are particularly problematic with respect to Hypothesis 6 which predicts different relationships between these sub-scales and the different Effectiveness Orientation sub-scales.

Table 35
Correlation Coefficients for Variables in Hypotheses Testing

	Clan	Adhc	Mkt	Hier	Flux	Mkt Comp	Mkt Dyn	Info Acq	Info Trans	Con Util	Inst Util	MIP	Perf	MCB
Adhocracy	0.82[a]													
Market	0.36[b]	0.74[a]												
Hierarchy	0.78[a]	0.71[a]	0.55[a]											
Organization Flux	-0.43[a]	-0.25	0.05	-0.38[a]										
Market Complexity	-0.01	0.08	0.02	-0.12	0.16									
Market Dynamism	0.16	0.19	0.08	-0.06	0.00	0.41[a]								
Information Acquisition	0.43[a]	0.44[a]	0.32[b]	0.39[a]	-0.16	-0.13	0.15							
Information Transmission	0.53[a]	0.57[a]	0.34[b]	0.43[a]	-0.35[b]	0.08	0.15	0.63[a]						
Conceptual Utilization of Information	0.51[a]	0.58[a]	0.41[a]	0.40[a]	-0.18	0.13	0.21	0.63[a]	0.84[a]					
Instrumental Utilization of Information	0.57[a]	0.59[a]	0.38[a]	0.50[a]	-0.31[b]	-0.03	0.02	0.70[a]	0.88[a]	0.89[a]				
Market Info Processing	0.56[a]	0.60[a]	0.40[a]	0.47[a]	-0.28	-0.01	0.15	0.82[a]	0.93[a]	0.93[a]	0.95[a]			
Performance	0.81[a]	0.77[a]	0.50[a]	0.78[a]	-0.57[a]	-0.08	0.10	0.46[a]	0.59[a]	0.56[a]	0.65[a]	0.62[a]		
Marketing Concept Beliefs	0.79[a]	0.70[a]	0.45[a]	0.73[a]	-0.50[a]	-0.04	0.14	0.46[a]	0.62[a]	0.59[a]	0.67[a]	0.64[a]	0.90[a]	
Congruence of MCB	0.58[a]	0.50[a]	0.36[b]	0.56[a]	-0.34[b]	-0.03	0.20	0.50[a]	0.61[a]	0.60[a]	0.66[a]	0.65[a]	0.68[a]	0.70[a]

[a] Correlation significant at the 0.01 level (2-tailed).
[b] Correlation significant at the 0.05 level (2-tailed).

HYPOTHESIS TESTING

The purpose of this section is to describe the testing of the hypotheses. Hypothesis testing represents a concurrent testing of the predictive validity of the measures and testing of theory. The following sections describe how each of the hypotheses presented earlier were tested. The statistics used in the analyses were calculated using the SPSS 7.5 software package. All hypotheses were assessed using a significance level of $\alpha = 0.05$.

Hypothesis 1

H_1: Marketing concept beliefs will be positively associated with market information processing.

H_{1a}: The strength of the relationship between marketing concept beliefs and market information processing will increase as marketing concept belief congruence increases.

Hypothesis 1 was tested using regression analysis. Market Information Processing was the dependent variable and Marketing Concept Beliefs was the independent variable. This regression tested the main effect. Hypothesis 1 will be supported if the parameter estimate b_1 was greater than zero.

Regression Model: $MIP = b_0 + b_1 (MCB) + e$

- MIP: Market Information Processing
- MCB: Marketing Concept Beliefs

The model's fit with the data produced an F-value of 27.984 with d.f. = (1,43), $p \leq 0.000$. The estimate for b_1 was 1.268. This estimate produced a t-value of 5.290 ($p \leq 0.000$). An examination of the residuals revealed that the distribution of the residuals did

not conform to a normal distribution (skewness = -0.604, standard error = 0.354; kurtosis = 1.401, standard error = 0.695). One observation had a standardized residual of –3.165. This observation was dropped and the analysis repeated. This analysis data produced an F-value of 25.231 with d.f. = (1, 42), $p \leq 0.000$. The estimate for b_1 was 1.268. This value produced a t-value of 5.023 ($p \leq 0.000$). An examination of the residuals revealed that the distribution of these residuals was not significantly different than a normal distribution (skewness = -0.024, standard error = 0.357; kurtosis = -0.084, standard error = 0.702). As a result, it was concluded that b_1 was greater than zero and that Hypothesis 1 be accepted.

Hypothesis 1a predicted an interaction effect between Marketing Concept Beliefs and Congruence of Marketing Concept Beliefs. Moderated regression analysis was used to test this interaction. "Effect size in moderated regression analysis is represented by the difference between coefficients of determination [$R^2_{mult} - R^2_{add}$] obtained from the following equations" (Russell and Bobko 1992, p. 338):

Additive: $MIP = b_0 + b_1 (MCB) + b_2 (CMCB) + e$

Multiplicative: $MIP = b^*_0 + b^*_1 (MCB) + b^*_2 (CMCB) + b^*_3 (MCB*CMCB) + e$

- MIP: Market Information Processing
- MCB: Marketing Concept Beliefs
- CMCB: Congruence of Marketing Concept Beliefs.

The multiplicative equation included a term for the interaction not appearing in the additive equation. If the interaction effect was significant, the multiplicative model would have explained more of the variance than the additive model. Therefore,

Hypothesis 1a would be supported if the difference between coefficients of determination is greater than zero.

The additive model produced an F-value of 20.916 with d.f. = (2,43), $p \leq 0.000$. The coefficient of determination of the additive model (R^2_{add}) was 0.493. An examination of the residuals revealed that the distribution of these residuals was not significantly different than a normal distribution (skewness = -0.471, standard error = 0.354; kurtosis = 1.009, standard error = 0.695).

The multiplicative model produced an F-value of 15.504 with d.f. = (3,42), $p \leq 0.000$. The coefficient of determination of the multiplicative model (R^2_{mult}) was 0.525. An examination of the residuals revealed that the distribution of these residuals was not significantly different than a normal distribution (skewness = -0.471, standard error = 0.354; kurtosis = 1.009, standard error = 0.695).

The difference between the two coefficients of determination was:

$$R^2_{mult} - R^2_{add} = 0.525 - 0.493 = 0.032$$

This value was not statistically significant from zero ($F = 2.865$, d.f. = (1, 42), $p \leq 0.098$). As a result, Hypothesis 1a was not accepted.

Hypotheses 1 and 1a explored two of the three dimensions of assessing organizational culture: strength of beliefs and extent to which beliefs are shared across the organization (Cameron and Freeman 1991). Both of these hypotheses were based on the view that organizations attempt to have a rational alignment between beliefs and behaviors (Staw 1980). Hypothesis 1 predicted that strongly held Marketing Concept Beliefs would be related to higher levels of Market Information Processing behavior.

This hypothesis was supported. Hypothesis 1a was concerned with the extent to which beliefs were shared. It was expected that increasing agreement regarding beliefs among members of an organization would imply that the organization would behave more consistently with its beliefs. This premise was not supported.

Although Hypothesis 1a was not supported, it is important to note that there was a high level of correlation between the interaction term and the two measures. As a result, the multiplicative equation suffered from substantial multicollinearity. The interaction term has a higher correlation with Market Information Processing than either of the individual measures (Table 36). While not conclusive, this finding suggests that the relationship predicted in Hypothesis 1a deserves more investigation.

Hypothesis 2

H_2: As the number of members in an organization increases, congruence of marketing concept beliefs decreases.

Initially, regression analysis was used to test this hypothesis. The dependent variable was Congruence of Marketing Concept Beliefs. The independent variable was the number of beds. The number of beds was used as a proxy for the number of staff. The number of beds was a variable included in the Canadian Institute of Health Information database used to identify the sample frame for the study. The number of staff was not available for all of the hospitals in the sample, while the number of beds was available. The number of full-time equivalent staff (FTE) was drawn from the Guide to Canadian Healthcare Facilities: 1997-1998 (Canadian Healthcare Association 1997). Not all hospitals in the guide provided a value for FTEs.

Table 36
Correlations between Market Information Processing and Marketing Concept Beliefs, Congruence of Marketing Concept Beliefs, and their Interaction Term

Variable	Correlation with Market Information Processing
Marketing Concept Beliefs (MCB)	0.644[a]
Congruence of Marketing Concept Beliefs (CMCB)	0.649[a]
Interaction Term (MCB X CMCB)	0.688[a]

[a] $p \leq 0.01$

To test the veracity of using the number of beds as a proxy for number of staff, the following test was conducted. Using all of the hospitals in the sample frame for which data were available, the correlation between number of staff and number of beds was calculated. Of the 237 hospitals in the sample frame, the number of FTEs was available for 129. The correlation coefficient was $r = 0.866$ ($p \leq 0.000$). The coefficient of determination was $R^2 = 0.750$. It was concluded that number of beds was an acceptable proxy for number of staff.

Thus, the following regression model was used to test this hypothesis:

Regression Model: $CMCB = b_0 + b_1 (TotBeds) + e$

- CMCB: Congruence of Marketing Concept Beliefs
- TotBeds: Total number of beds (beds plus bassinets).

Hypothesis 2 would be supported if the value of b_1 was significantly less than 0.

The model was run and $b_1 = -0.0000249$ ($t = -1.376$; d.f. = 42; $p = 0.088$). A review of the standardized residuals revealed two problems. First, one observation was an extreme outlier (the standardized residual was –3.607). Second, the overall

distribution of residuals appeared to be quite different from a normal distribution. Although several transformations of the data were attempted, none provided an acceptable distribution of residuals.

As a result, this hypothesis was tested using non-parametric correlations. Two correlation coefficients were calculated: Kendall's Tau b and Spearman's rho. Both of these coefficients are based on rank-order data. Hypothesis 2 would be supported if the value of the correlation coefficients were less than zero (i.e., one-tailed tests). The values of these coefficients were: Kendall's Tau b = -0.068 ($p = 0.256$) and Spearman's rho = -0.098 ($p = 0.260$). In both cases, the correlation coefficients were not significantly less than zero. Thus, Hypothesis 2 was rejected.

This hypothesis was built on the notion that as organizations increase in size, it becomes increasingly difficult for them to have the same level of shared beliefs (Abrahamson and Fombrun 1994). There are at least four possible explanations for why this hypothesis was not supported. First, the variance for the measure Congruence of Marketing Concept Beliefs was relatively small. As a result, detecting significant relationships is difficult.

A second potential reason the hypothesis was not be supported was the nature of the sample surveyed within each hospital. The groups surveyed were senior administrators, head nurses, primary care nurses, and technicians. Other groups within hospitals might not share beliefs to the same degree as the groups sampled, three of these four groups were directly involved in direct patient care or the direct management of patient care. For example, medical records staff, information systems staff, and physical-

plant staff (e.g., stationary engineers) might not share beliefs with groups surveyed. To test this supposition, a review of the individuals' scores on the Marketing Concept Beliefs measure was conducted. Scores were compared across different job classifications. One job classification, rehabilitation therapy (a sub-set of the technicians), scored significantly differently from others in the technicians classification ($p \leq 0.5$, Tukey's HSD post-hoc test). This finding lends some support to this explanation for the lack of support of this hypothesis.

A third possible explanation of the lack of support for this hypothesis was socialization of staff members (e.g. DiMaggio and Powell 1983). Due to budget cutbacks, downsizing, and hiring freezes over the past decade, remaining staff are likely to have worked at the same hospital for a considerable time. Among all respondents, only 6.2% have worked at their current hospital for less than two years. As a result, the vast majority would have been well socialized into the hospital. This would imply a high level of shared beliefs among staff. To explore this possibility, parametric and non-parametric correlations between average tenure at the hospital and Congruence of Marketing Concept Beliefs were calculated. These correlations were not significant (Pearson's $r = 0.169$, $p = 0.262$; Kendall's Tau $b = 0.028$, $p = 0.784$; and Spearman's rho $= 0.048$, $p = 0.752$). This suggests that tenure at the hospital was not the reason behind the relatively high levels of agreement. Additional research is required to explore these and other possible explanations for why this hypothesis was not supported.

Hypothesis 3

H_3: As organizational size increases, levels of market information processing will increase.

Here again, regression analysis was used to test this hypothesis. Market Information Process was the dependent variable and the total number of beds was the independent variable. This hypothesis would be supported if the value of b_1 was significantly greater than zero.

Regression Model: $MIP=b_0 + b_1 (TotBeds) + e$

- MIP: Market Information Processing.
- TotBeds: Total number of beds (beds plus bassinets).

The model was run and $b_1 = -0.000196$ ($t = -0.634$; d.f. = 43; $p = 0.530$). But, as with the previous hypothesis, a review of the standardized residuals revealed two problems. First, one observation was an extreme outlier (the standardized residual was –3.623). Second, the overall distribution of residuals appeared to be quite different from a normal distribution. Several transformations of the data were attempted, but none provided an acceptable distribution of residuals.

As a result, this hypothesis was also tested using non-parametric correlations. Again, both Kendall's Tau b and Spearman's rho were calculated. Hypothesis 3 would be supported if the values of the correlation coefficients were significantly greater than zero (one-tailed test). The values of these coefficients were: Kendall's Tau b = -0.027 ($p = 0.604$) and Spearman's rho = -0.035 ($p = 0.591$). In both cases, the correlation coefficients were not significantly greater than zero. Thus, Hypothesis 3 was rejected.

Hypothesis 3 posited a relationship between Market Information Processing and organizational size. It was expected that as organizations get larger, they would have more resources to expend on market information processing activities (Houston 1986). However, no significant relationship was found . In fact, all three techniques used to explore this relationship (regression, Kendall's Tau b, and Spearman's rho) indicated a slightly negative relationship.

Reasons for this unexpected result might include the following. First, because hospitals are highly regulated, regulatory and other pressures might lead to very similar levels of Market Information Processing at all hospitals. A standard deviation of 0.5116 suggests a reasonable amount of variation in this measure. Therefore, it does not appear that lack of variation was the reason for failure to find the expected relationship.

Second, the effect of organizational size might relate to the sub-scales of Market Information Processing (i.e., Information Acquisition, Information Transmission, Conceptual Utilization, and Instrumental Utilization). To explore this possibility, Kendall's Tau b and Spearman's rho were calculated to assess the correlation between the four sub-scales and organizational size. None of the relationships with organizational size were significant. Based on these data, organizational size is not related to Market Information Processing unless it is through complex relationships with other variables.

Hypotheses 4

H_4: Organizations that perceive greater market complexity and greater market dynamism will also tend to engage in more market information processing activities.

Hypothesis 4 was tested with regression analysis. Market Information Processing was the dependent variable. Independent variables were Market Complexity and Market Dynamism. This hypothesis would be supported if the parameter estimates (b_1 and b_2) associated with *both* the independent variables were significantly greater than zero.

Regression Model:

$MIP=b_0 + b_1 (MktCplx) + b_2 (MktDyn) + e$

- MIP: Market Information Processing
- MktCplx: Perceived Market Complexity
- MktDyn: Perceived Market Dynamism.

This equation produced an F-value of 0.191 with d.f. = (2, 42) ($p = 0.827$). Neither of the parameter estimates was significantly different from zero ($b_1 = 0.082$, $p = 0.542$; $b_2 = 0.020$, $p = 0.869$). As a result, Hypothesis 4 was rejected.

In order to further investigate this finding, both Market Dynamism and Market Complexity were assessed for variability. With standard deviations of 0.7402 and 0.8268 respectively, both variables show a reasonable amount of variation. Therefore, lack of variation was likely not the problem. Another possible explanation as to why the predicted linear relationships were not found might be that the relationship between perceptions of the market environment (i.e., Dynamism and Complexity) and Market Information Processing is actually curvilinear. At low levels of Market Complexity and Dynamism there is little need for Market Information Processing because the market is easy to follow and is not changing quickly. As Market Complexity and/or Dynamism increase, Market Information Processing becomes necessary to understand and follow the market. At some point, however, the market becomes so complex and/or dynamic that it

becomes futile to try to understand the market. At this point, Market Information Processing would decrease with increases in Market Dynamism and/or Complexity. To test for the possibility of curvilinear relation, a scatter plot of actual versus predicted values and both partial plots were examined. These plots did not suggest a curvilinear relationship.

As another possible explanation for failure to find support for the hypothesis, the quality of the measures must also be considered. The Market Complexity measure, in particular, was questionable. As noted earlier, the four items used did not constitute a unidimensional measure. While this might explain the failure of Market Complexity to be significant, this does not explain the failure of Market Dynamism to be significant.

Hypothesis 5

H_5: Organizations' utilization of market information will vary with strategic orientation.

H_{5a}: In terms of *instrumental* utilization of market information, Prospectors will tend to engage in this type of utilization process less than Analyzers, who will tend to use this process less than Defenders.

H_{5b}: In terms of *conceptual* utilization of market information, Prospectors will tend to engage in this type of utilization process more than Analyzers, who will tend to use this process more than Defenders.

As noted earlier, only two hospitals reported following a "Defender" strategy. As a result, these hospitals were dropped from the analysis. Hypotheses H_{5a} and H_{5b} are restated below to reflect this change.

H_{5a}: In terms of *instrumental* utilization of market information, Prospectors will tend to engage in this type of utilization process less than Analyzers.

H_{5b}: In terms of *conceptual* utilization of market information, Prospectors will tend to engage in this type of utilization process more than Analyzers.

Hypothesis 5 was tested using MANOVA. Dependent variables for this analysis were Instrumental Utilization and Conceptual Utilization. The independent variable was Strategic Orientation. This hypothesis would be supported if two conditions were met. First, the means for Instrumental Utilization and Conceptual Utilization had to be significantly different for organizations with different Strategic Orientations. Second, both Hypotheses H_{5a} and H_{5b} should be supported.

Hypotheses H_{5a} and H_{5b} were tested using planned comparisons. These planned comparison were changed to reflect the elimination of Defenders from the analysis.

MANOVA Model:

[InstUtil; ConUtil] = StratOr

Planned Comparison Analysis:

$InstUtil_{Pros} < InstUtil_{Ana}$

$ConUtil_{Pros} > ConUtil_{Ana}$

- InstUtil: Instrumental Utilization Processes
- ConUtil: Conceptual Utilization Processes
- StratOr: Strategic Orientation
- Pros: Prospector Strategic Orientation
- Ana: Analyzer Strategic Orientation.

Table 37 provides summary statistics regarding the fit of the MANOVA model. In all of the forms of assessing the model, Strategic Orientation was significant. Since MANOVA is particularly sensitive to violations of the assumption of equal variances, two tests were performed. Box's test of the equality of the covariance matrices was

Table 37
MANOVA Results for Utilization of Market Information by Strategic Orientation

Effect	Value	F	Hypothesis d.f.	Error d.f.	Sig.
Intercept					
Pillai's Trace	.989	1737.052	2	38	.000
Wilks' Lambda	.011	1737.052	2	38	.000
Hotelling's Trace	91.424	1737.052	2	38	.000
Roy's Largest Root	91.424	1737.052	2	38	.000
Strategic Orientation					
Pillai's Trace	.300	3.441	4	78	.012
Wilks' Lambda	.703	3.665	4	76	.009
Hotelling's Trace	.419	3.877	4	74	.006
Roy's Largest Root	.410	7.988	2	39	.001

conducted to ensure homoscadasticity. This test produced an F of 1.51, d.f. = (6, 1999) ($p = 0.170$). Also, Levene's test for equality of error variances was conducted. This test did not find a significant difference. As a result, it was concluded that there were significant differences in utilization of market information for different Strategic Orientations.

Next, the planned comparisons were assessed to test Hypotheses H_{5a} and H_{5b}. Table 38 provides a summary of these results. The assessment was conducted by ANOVA with each comparison being tested separately. Because two tests were being conducted, the significance level of 0.05 was divided by two for each comparison to maintain an overall significance level of 0.05 . The first planned comparison failed to

support Hypothesis 5a. The mean value for Prospectors' Instrumental Utilization was greater than that for Analyzers; this difference was in the opposite direction of that predicted by the hypothesis. The second planned comparison was consistent with Hypothesis 5b. The mean value for Prospectors' Conceptual Utilization was greater than that for Analyzers. As a result, Hypothesis 5a was rejected and Hypothesis 5b was accepted. Because Hypothesis 5a was rejected, the second condition necessary for Hypothesis 5 was not met. Therefore, Hypothesis 5 was rejected

Table 38
Planned Comparisons for Types of Market Information Utilization by Strategic Orientation

	Prospector	Analyzer	Planned Comparison	Sig.
Instrumental Utilization	5.177	4.702	$InstUtil_{Pros} < InstUtil_{Ana}$	1.000
Conceptual Utilization	5.253	4.605	$ConUtil_{Pros} > ConUtil_{Ana}$	0.000

It was predicted that Prospectors would engage in less Instrumental Utilization of market information than would hospitals following other Strategic Orientations. The rationale here was that Analyzers (and Defenders) would use information in a more focused, routine way – to answer specific questions – than would Prospectors (Miles and Snow 1978; Moorman 1995). This prediction was not supported. Rather, it appears that Prospectors engage in at least as much Instrumental Utilization as Analyzers. It was also predicted that Prospectors would engage in more Conceptual Utilization of market information than hospitals following other Strategic Orientations. The rationale was that Prospectors are searching out new opportunities and are, therefore, trying to create new

understandings of the market (Miles and Snow 1978; Moorman 1995). This prediction was supported.

Taken together, Hypotheses 5a and 5b predicted that organizations with different strategic orientations would tend to engage in similar amounts of "learning" behaviors, but that the emphasis on these behaviors (i.e., instrumental versus conceptual) would differ. What was found, however, was that Prospectors appear to engage in more conceptual *and* instrumental utilization of market information than Analyzers.

Why would this be the case? Because data were collected with regard to *Market* Information Processing, the findings of this research might reflect that Prospectors are more concerned with the external world than Analyzers. On one hand, Prospectors search the external environment for opportunities and then experiment with potential responses. It is the external environment that leads the way. On the other hand, Defenders and, to a lesser extent, Analyzers "devote primary attention to improving the efficiency of their existing operations" (Miles and Snow 1978, p. 29). This suggests Analyzers are more concerned with the issues inside the organization.

The data here provide mixed support of this notion. The view that Prospectors pay more attention to the external environment was supported in two ways. First, Prospectors reported higher levels of Market Information Processing on all four dimensions (acquisition, transmission, conceptual utilization, and instrumental utilization) compared to Analyzers. Second, Prospectors scored significantly higher on the external types of effectiveness orientation (Adhocracy and Market) than Analyzers (Table 39). This suggests that Prospectors are more concerned with the external

environment than Analyzers. The view that Analyzers were more concerned with the internal environment was not supported. There were no significant differences between Analyzers and Prospectors with respect to the internal types of effectiveness orientation (Clan and Hierarchy). In fact, Prospectors scored higher on these two dimensions than Analyzers, although the difference was not significant. This suggests that Analyzers are not more concerned with the internal environment than Prospectors.

Table 39
Comparison of Effectiveness Orientation between Prospectors and Analyzers

		Prospector	Analyzer	p*
Internal Orientations	Clan	4.39	4.15	0.418
	Hierarchy	4.24	3.93	0.086
External Orientations	Adhocracy	3.88	3.18	0.003
	Market	3.64	3.04	0.001

* Univariate t-test.

The result of this set of hypotheses suggests that more research is need into market information processing behaviors and strategic orientation. While some work has been done on this front (e.g., McDaniel & Kolari 1987), more work is needed. to be directed at strategic orientation and market information processes.

Hypothesis 6

H_6: Different organizational effectiveness orientations tend to be associated with different levels of marketing concept beliefs and market information processing activities.

H_{6a}: Clans tend to have low marketing concept beliefs, high congruence, low scanning, low instrumental use, and high conceptual use.

H_{6b}: Adhocracies tend to have high marketing concept beliefs, high congruence, high scanning, low instrumental use, and high conceptual use.

H_{6c}: Hierarchies tend to have low marketing concept beliefs, low congruence, moderate scanning, high instrumental use, and low conceptual use.

H_{6d}: Market culture will tend to have high marketing concept beliefs, moderate congruence, high scanning, moderate instrumental use, and moderate conceptual use.

Hypothesis 6 (including all of its sub-hypotheses) comprised a series of predictions regarding Organizational Effectiveness Orientation and the indicators of implementation of the marketing concept (Marketing Concept Belief and Market Information Processing). The first approach to testing this hypothesis was a comparison of parameter estimates across four regression equations. The dependent variable in each equation was one of the four Effectiveness Orientation types (i.e., clan, adhocracy, hierarchy, and market culture). The independent variables in all of the equations will be the five measures of implementation of the marketing concept. Following the predictions offered in Hypothesis 6, parameter estimates for the marketing concept variables would differ across the four regression equations.

Regression Models:

$$Clan = b_{c0} + b_{c1}(MCB) + b_{c2}(CMCB) + b_{c3}(Scan) + b_{c4}(InstUtil) + b_{c5}(ConUtil) + e$$

$$Adhoc = b_{a0} + b_{a1}(MCB) + b_{a2}(CMCB) + b_{a3}(Scan) + b_{a4}(InstUtil) + b_{a5}(ConUtil) + e$$

$$Hier = b_{h0} + b_{h1}(MCB) + b_{h2}(CMCB) + b_{h3}(Scan) + b_{h4}(InstUtil) + b_{h5}(ConUtil) + e$$

$$MktCult = b_{m0} + b_{m1}(MCB) + b_{m2}(CMCB) + b_{m3}(Scan) + b_{m4}(InstUtil) + b_{m5}(ConUtil) + e$$

Marketing Concept Beliefs: $b_{c1}; b_{h1} < b_{a1}; b_{m1}$

Congruence of MCB: $b_{h2} < b_{m2} < b_{c2}; b_{a2}$

Scanning: $b_{c3} < b_{h3} < b_{a3}; b_{m3}$

Instrumental Utilization: $b_{c4}; b_{a4} < b_{m4} < b_{h4}$

Conceptual Utilization: $b_{h5} < b_{m5} < b_{c5}; b_{a5}$

- Clan: Clan Effectiveness Orientation
- Adhoc: Adhocracy Effectiveness Orientation
- Hier: Hierarchy Effectiveness Orientation
- MktCult: Market Culture Effectiveness Orientation
- MCB: Marketing Concept Beliefs
- CMCB: Congruence of Marketing Concept Beliefs
- Scan: Scanning Processes
- InstUtil: Instrumental Utilization Processes
- ConUtil: Conceptual Utilization Processes.

Valid comparison of parameter estimates was based on the assumption that the variances of the dependent variables were equal across the four regression equations (i.e., $s^2_{Clan}=s^2_{Adhoc}=s^2_{Hier}=s^2_{MktCult}$). To ensure this assumption was valid, the regressions were conducted using z-scores for the dependent variables.

Table 40 provides the results for the four regression equations. Residual plots were examined, but there was no indication of the distributions differing excessively from a normal distribution. For each of the four types of Effectiveness Orientation (i.e., clan, adhocracy, market, and hierarchy), the overall regression model was significant at the 0.05 level. A review of the parameter estimates revealed that in *all* cases only Marketing Concept Beliefs variable was significant ($p \leq 0.05$). No other variables' parameter estimates were significant.

Considering the high correlations among the Market Information Processing sub-scales, a review of collinearity diagnostics was conducted. This review revealed severe collinearity problems with the data. As a result, the coefficient estimates are highly

Table 40
Summary of Regression Results for Hypothesis 6

	Effectiveness Orientation			
	Clan	**Adhocracy**	**Market**	**Hierarchy**
Overall Regression (F / Sig.)	15.904 0.000	9.823 0.000	3.353 0.013	7.492 0.000
Standardized Coefficient Estimates				
Marketing Concept Beliefs	0.790[a]	0.603[a]	0.400[b]	0.691[a]
Congruence of Marketing Concept Beliefs	0.027	-0.091	-0.013	0.111
Information Acquisition	-0.047	0.018	0.027	0.022
Instrumental Use of Info.	0.064	0.216	0.457	0.100
Conceptual Use of Info.	-0.003	0.068	-0.287	-0.251

[a] $p \leq 0.01$
[b] $p \leq 0.05$

unstable. It was not reasonable to compare unstable coefficient estimates. Also, given these conditions, there appears to be no evidence to support the prediction that differences exist in the Market Information Processing sub-scales among the various Effectiveness Orientations. As a result, these variables were dropped from the analysis. Table 41 presents the results of the regression run with the two remaining variables.

The values of the parameter estimates were compared to assess the extent to which they were consistent with the sub-hypotheses. Table 42 shows the predicted and estimated relationship between the parameter estimates for Marketing Concept Beliefs and Congruence of Marketing Concept Beliefs. Of nine relationships, only one was in t

Table 41
Summary of Revised Regression Results for Hypothesis 6

	Effectiveness Orientation			
	Clan	**Adhocracy**	**Market**	**Hierarchy**
Overall Regression (F / Sig.)	35.556 0.000	20.328 0.000	5.651 0.007	19.889 0.000
Standardized Coefficient Estimates				
Marketing Concept Beliefs	0.745[a]	0.671[a]	0.399[b]	0.618[a]
Congruence of Marketing Concept Beliefs	0.063	0.038	0.078	0.102

[a] $p \leq 0.01$
[b] $p \leq 0.05$

Table 42
Predicted and Estimated Relationships between Regression Coefficients for the Four Types of Effectiveness Orientations

Independent Variable	Prediction	Estimates	Consistent with Hypothesis
Marketing Concept Beliefs	$b_{c1} < b_{a1}$	$0.745 > 0.671$	No
	$b_{c1} < b_{m1}$	$0.745 > 0.399$	No
	$b_{h1} < b_{a1}$	$0.618 < 0.671$	Yes
	$b_{h1} < b_{m1}$	$0.618 > 0.399$	No
Congruence of Marketing Concept Beliefs	$b_{h2} < b_{m2}$	$0.111 > 0.078$	No
	$b_{h2} < b_{c2}$	$0.111 > 0.063$	No
	$b_{h2} < b_{a2}$	$0.111 > 0.038$	No
	$b_{m2} < b_{c2}$	$0.078 > 0.063$	No
	$b_{m2} < b_{a2}$	$0.078 > 0.038$	No

he predicted direction. As a result of this analysis, Hypothesis 6 (including all of its sub-hypotheses) was rejected.

Two major problems were encountered with testing this set of hypotheses. First, the high level of correlation among the Market Information Processing sub-scales meant that they could not be meaningfully included in the analysis.

Second, the choice of techniques for measuring Organizational Effectiveness Orientation might have allowed too much correlation among the four effectiveness orientations. The technique used in this research had respondents select a number on a 7-point scale. An alternative technique would have asked respondents to assign 100 points across four questions (one for each orientation) (Cameron and Quinn 1996). The advantage of the second alternative is that it would have tended to highlight differences among organizations (Cameron and Quinn 1996). Had this second technique been used, there would have been more opportunity to relate differences in Effectiveness Orientation to other variables. (Note: the disadvantages of the second technique and the rationale for choosing the first one are discussed in the Methodology Chapter.)

Hypothesis 7

H_7: Organizations with consistency between marketing concept beliefs and marketing information processing (i.e., high levels of both or low levels of both), will tend to be more stable than organizations that lack this consistency.

H_{7a}: Organizations with *low* levels of marketing concept beliefs *and high* levels of market information processing will tend to be more stable than those organizations with *high* levels of marketing concept beliefs *and low* levels of market information processing.

In order to test these hypotheses, it was necessary to create a variable to indicate whether there was consistency between Marketing Concept Beliefs and Market Information Processing. This variable was created in two steps. First, Marketing Concept Beliefs (MCB) and Market Information Processing (MIP) were recoded to indicate whether each hospital scored relatively low or high on these measures. This was accomplished by performing a median split. Second, these recoded variables were combined to create the new variable, MCB/MIP. The new variable consisted of four categories (see Table 43).

Table 43
Categories of Marketing Concept Beliefs and Market Information Processing

		Market Information Processing	
		Low	**High**
Marketing Concept Beliefs	**Low**	Category 1 (consistent)	Category 2 (inconsistent)
	High	Category 3 (inconsistent)	Category 4 (consistent)

The first step in testing Hypothesis 7 and 7a was to check for significant differences among the cells. To do this, an ANOVA was performed using Organizational Flux as the dependent variable and MCB/MIP as the independent variable.

ANOVA Model: Flux = MCB/MIP

- Flux: Organizational Flux
- MCB/MIP: Marketing Concept Beliefs / Market Information Processing.

Hypothesis 7 would be supported if the mean levels of Flux for hospitals in categories 2 and 3 (i.e., inconsistent categories) were significantly greater than the means in categories

1 and 4 (i.e., consistent categories). If a significant difference was found, planned comparison tests would be performed to test the specific predictions of Hypothesis 7a. This hypothesis would have been supported if the mean level of Organizational Flux for the hospitals in category 2 (i.e., *low* MCB *and high* MIP) was significantly less than the mean for hospitals in category 3 (i.e., *high* MCB *and low* MIP).

An ANOVA was run, but the result was not significant ($F = 2.518$, d.f. = (3, 42), $p = 0.071$). As a result, Hypothesis 7 and Hypothesis 7a were rejected. Table 44 provides a summary of the mean level of organizational flux for each cell.

Table 44
Mean Level of Organizational Flux by Level of Marketing Concept Beliefs and Market Information Processing

		Market Information Processing		Marginal Means
		Low	High	
Marketing Concept Beliefs	Low	4.690 n = 17	4.663 n = 6	4.683 n = 23
	High	4.088 n=6	4.143 n = 17	4.129 n = 23
Marginal Means		4.533 n = 23	4.279 n = 23	4.406 n = 46

The results of this analysis were inconsistent with expectations. It was expected that hospitals with inconsistencies between their Marketing Concept Beliefs and Market Information Processing (behaviors) would be undergoing change to resolve the inconsistency (Staw 1980). Although organizations might work to resolve such inconsistencies, it might be that the level of Organizational Flux in Canadian hospitals is being driven by larger forces. For example, budget constraints and downsizing might

cause more organizational flux than inconsistencies between Marketing Concept Beliefs and Market Information Processing.

It is interesting to note that hospitals with a low level of Marketing Concept Beliefs reported higher levels of Organizational Flux than hospitals with a high level of Marketing Concept Beliefs. In fact, this difference was statistically significant ($F = 7.87$; d.f. = (1, 44); $p = 0.007$).

There are at least four possible explanations of this observation. Three of these explanations suggest that a given level of Marketing Concept Beliefs causes a given level of Organizational Flux. First, hospitals with higher levels of Marketing Concept Beliefs might have worked through organizational changes and now be in a more stable position. Second, hospitals with higher levels of Marketing Concept Beliefs might not have begun to work through the organizational changes and still be in a more stable position. Third, hospitals with higher levels of Marketing Concept Beliefs might have structures that allow them to cope with changes in the environment with fewer changes in the organization (i.e., lower levels of Flux). Because the data in this study was cross-sectional and did not address organizational structure, these possibilities could not be evaluated further.

The fourth possible explanation of the observed relationship suggests that Marketing Concept Beliefs was caused by Organizational Flux. According to this explanation, hospitals with high levels of Flux might develop a more internal focus (i.e., staff members are more concerned with changes in the organization than changes in the market). As a result, high levels of flux might lead to lower levels of Marketing Concept

Beliefs. If this were true, high levels of flux might also be associated with more emphasis on the internal dimensions of Effectiveness Orientation.

To explore this supposition, a review of the correlations between organizational flux and the four Effectiveness Orientations (i.e., Clan, Adhocracy, Market and Hierarchy) was conducted. This review did not support this explanation. The correlation between Organizational Flux and the Clan orientation was -0.43 ($p \leq 0.01$) while the correlation between Organizational Flux and the Hierarchy orientation was –0.32 ($p \leq 0.05$). In other words, higher levels of Organization Flux were associated with lower levels of internal Effectiveness Orientations. The correlations between Organizational Flux and external Effectiveness Orientations were not statistically significant. This result was unexpected. If Organizational Flux lead to a lower level of Marketing Concept Beliefs, it should also lead to a lower level of external Effectiveness Orientations. Nonetheless, these data did not support this view. Thus, the fourth explanation was not supported. However, this interpretation must be viewed cautiously. As noted earlier, the high correlations among the various Effectiveness Orientations made it difficult to draw firm conclusions.

Hypothesis 8

H_8: Organizations with high levels of marketing concept beliefs *and* market information processing will tend to report higher levels of marketing performance than organizations with low levels of marketing concept beliefs *and/or* market information processing.

The testing of Hypothesis 8 used the same categorical variable discussed with respect to Hypothesis 7. Hypothesis 8 predicted that organizations that had a consistent

implementation of the marketing concept (i.e., category 4) would report higher levels of market performance than other organizations.

The first step in testing Hypothesis 8 was to check for significant differences among the four cells of the Marketing Concept Beliefs/Market Information Processing (MCB/MIP) variable. To do this, an ANOVA was performed using Market Performance as the dependent variable and MCB/MIP as the independent variable.

ANOVA Model: MktPerf = MCB/MIP

- MktPerf: Market Performance
- MCB/MIP: Marketing Concept Beliefs/Market Information Processing

This hypothesis would be supported if there was a significant difference between category means *and* the mean of category 4 (i.e., high MCB and high MIP) was the highest.

Results of the ANOVA model were statistically significant ($F = 13.083$, d.f. = (3, 41), $p \leq 0.000$). Since ANOVA assumes equal variances among cells, Levene's test was conducted to directly assess this assumption. No statistically significant differences among the cell variances were discovered ($p = 0.153$). Therefore, it was concluded that there was a significant difference among the cell means. Next, a planned comparison test was performed to test the specific prediction of this hypothesis. The planned comparison test was conducted using the Dunnett t-test. This test sets one group as a control group and compares it to the other groups. In this case, the category 4 cell was set as the control group and compared to the three remaining cells. This test indicated that the mean for the category 4 cell was significantly higher than the mean for each of the other

cells ($p \leq 0.05$). Table 45 depicts the means for the four cells of the MCB/MIP variable. As a result, Hypothesis 8 was accepted.

Hypothesis 8 was a test of an assumption underlying much of the marketing concept literature over the past 45 years – the assumption that implementing the marketing concept leads to increased market performance (Narver and Slater 1990). The data reported here clearly support this assumption.

SUMMARY

This chapter reported analysis of the collected data. Several conclusions can be drawn from this analysis. First, the data used in the analysis accurately reflect respondents' answers to the survey questions (i.e., data entry appears to be accurate). Second, due to distributional characteristics of the data, results of some statistical tests must be interpreted cautiously. Third, on the whole, the multi-item measures used in this research displayed acceptable levels of unidimensionality and inter-item reliability. Fourth, results of hypotheses testing provided limited support for the research model. A summary of the results of hypotheses testing is presented in Table 46. The following chapter will discuss the implications of these results.

Table 45
Mean Market Performance by Level of Marketing Concept Beliefs and Market Information Processing

	Market Information Processing	
Marketing Concept Beliefs	**Low**	**High**
Low	4.920	5.043
High	5.324	5.768

Table 46
Summary of Hypotheses Testing

No.	Hypothesis	Accepted or Rejected
H_1:	Marketing concept beliefs will be positively associated with market information processing.	Accepted
H_{1a}:	The strength of the relationship between marketing concept beliefs and market information processing will increase as marketing concept belief congruence increases.	Rejected
H_2:	As the number of members in an organization increases, congruence of marketing concept beliefs decreases.	Rejected
H_3:	As organizational size increases, levels of market information processing will increase.	Rejected
H_4:	Organizations that perceive greater market dynamism will also tend to engage in more market information processing activities.	Rejected
H_5:	Organizations' utilization of market information will vary with strategic orientation.	Rejected
H_{5a}:	In terms of *instrumental* utilization of market information, Prospectors will tend to engage in this type of utilization process less than Analyzers, who will tend to use this process less than Defenders.	Rejected

Table 46 (cont)

No.	Hypothesis	Accepted or Rejected
H_{5b}:	In terms of *conceptual* utilization of market information, Prospectors will tend to engage in this type of utilization process more than Analyzers, who will tend to use this process more than Defenders.	Accepted
H_6:	Different organizational Effectiveness Orientations tend to be associated with different levels of marketing concept beliefs and market information processing activities.	Rejected
H_{6a}:	Clans tend to have low marketing concept beliefs, high congruence, low scanning, low instrumental use, and high conceptual use.	Rejected
H_{6b}:	Adhocracies tend to have high marketing concept beliefs, high congruence, high scanning, low instrumental use, and high conceptual use.	Rejected
H_{6c}:	Hierarchies tend to have low marketing concept beliefs, low congruence, moderate scanning, high instrumental use, and low conceptual use.	Rejected
H_{6d}:	Market culture will tend to have high marketing concept beliefs, moderate congruence, high scanning, moderate instrumental use, and moderate conceptual use.	Rejected
H_7:	Organizations with consistency between marketing concept beliefs and marketing information processing (i.e., high levels of both or low levels of both), will tend to be more stable than organizations that lack this consistency.	Rejected
H_{7a}:	Organizations with *low* levels of marketing concept beliefs *and high* levels of market information processing will tend to be more stable than those organizations with *low* levels of marketing concept beliefs *and high* levels of market information processing.	Rejected
H_8:	Organizations with high levels of marketing concept beliefs *and* market information processing will tend to report higher levels of marketing performance than organizations with low levels of marketing concept beliefs *and/or* market information processing.	Accepted

CHAPTER 6
DISCUSSION

INTRODUCTION

The basic proposition of this research was that the implementation of the marketing concept rests both in organizational culture (i.e., shared beliefs) and information processing activities. The purpose of this study was to explore the relationship between these two dimensions. In exploring this relationship, four subsidiary questions were raised. The first question dealt with the pattern of Marketing Concept Beliefs that exist within organizations. This question concerned the strength of the beliefs, the extent to which these beliefs are shared among members of the organization, and the consistency of these beliefs with other beliefs of the organization. The second subsidiary question referred to situations where there were inconsistencies between organizations' Marketing Concept Beliefs and Market Information Processing activities. At issue was the stability of such inconsistencies. The third subsidiary question drew attention to different types of interpretation that occur within organizations. The organizational learning literature suggests that some interpretation processes are geared toward single-loop or low-level learning while others are geared towards double-loop or high-order learning. The third question sought to explore the relationship between these two different kinds of information processing and Marketing Concept Beliefs. Finally, the fourth subsidiary question dealt with the relationship between organizations' implementation of the marketing concept and market performance.

The purpose of this chapter is to review the results of this study and assess their implications in light of the current state of the marketing literature and for future research. The first two sections of this chapter will lay the ground-work for discussing the implications of the study. The first section reviews the results of the study. The second section discusses the study's limitations. Drawing on this ground-work, the third section presents the implications of this study for the current marketing literature. This is followed by a discussion of other perspectives in the literature that might explain some of the results of this study. Finally, directions for future research are presented.

SUMMARY OF RESULTS

Table 46 presents a listing of the hypotheses tested in this study. Of the eight principle hypotheses, only two were supported by the data: Hypotheses 1 and 8. Hypothesis 1 predicted a positive relationship between Marketing Concept Beliefs and Market Information Processing. Hypothesis 8 predicted that organizations with high levels of Marketing Concept Beliefs *and* Market Information Processing would report higher Market Performance than other organizations.

One hypothesis, Hypothesis 5, received partitial support. This hypothesis predicted that organizations' patterns of market information utilization would be associated with their Strategic Orientation (Miles and Snow 1978). One aspect of this hypothesis was supported – Prospectors tended to engage in high levels of Conceptual Utilization than Analyzers. The second aspect of this hypothesis was not supported – Analyzers did not tend to engage in higher levels of Instrumental Utilization than Prospectors.

The five remaining hypotheses were not supported. Two of these were concerned with organizational size. Hypothesis 2 predicted that the level of Congruence of Marketing Concept Beliefs would decrease with the size of organization. Hypothesis 3 predicted that Market Information Processing would increase with the size of organization. Hypothesis 4 predicted a positive relationship between the perceived level of Market Dynamism and Market Information Processing. Hypothesis 6 referred to organizational Effectiveness Orientations and their relationships with Marketing Concept Beliefs and the different components of Market Information Processing. None of the four sub-hypotheses associated with Hypothesis 6 were supported. Finally, Hypothesis 7 predicted that organizations with inconsistencies between Marketing Concept Beliefs and Market Information Processing would be less stable than other organizations.

In summary, only two of the eight hypotheses were supported and one received partial support. As a result, the nomological validity of the measures, the Marketing Concept Beliefs measure in particular, is questionable (Cronbach and Meehl 1955).

The following section discusses the limitations of this study.

LIMITATIONS

Limitations of this research can be divided into three general categories: study design, response rates, and measurement. Each of these categories are discussed in turn.

Limitations Arising from Study Design

As with all research, the design of this study resulted from making a number of trade-offs. Several limitations were part and parcel with the design selected. First, this

study was a cross-sectional survey. Data were collected at one point in time and there was no effort to manipulate variables (i.e., the study was not experimental or quasi-experimental). As a result, no conclusions could be drawn with respect to causation. For example, although Hypothesis 8 was supported, one could not conclude that high levels of Marketing Concept Beliefs and Market Information Processing caused higher levels of Market Performance.

A second design limitation resulted from the industry setting in which the data were collected. The very reasons why Canadian hospitals were selected for the study (e.g., relative homogeneity of organizational structures) were the reasons why the results of this study could not be considered to be representative of other industry settings.

A third design limitation was the nature of the intra-organizational respondents. To facilitate data collection, hospital administrators were asked to identify respondents according to particular criteria (e.g., five primary-care nurses were to be selected). Where there was a large pool of potential participants, as would be the case for primary-care nurses, names for the mailing list were not selected from the pool randomly. As a result, views of respondents are not necessarily representative of the population from which they were drawn. Respondents may have been selected because of their views toward their hospitals. This may account for the relatively high level of the Congruence of Marketing Concept Beliefs scores.

Fourth, virtually all of the data collected for the study were collected via a survey questionnaire. As a result, it was not possible to assess convergent validity of any measures using multiple methods.

In light of these limitation, future research should represent a variety of research designs. First, longitudinal research, in particular, would be useful for exploring the timing of changes in the various constructs. For example, do beliefs tend to reflect changes in behavior or do behaviors reflect changes in beliefs? Second, research should be conducted in a variety of industry settings. These settings could be varied by country (e.g., health care in the United States) and product (e.g., manufactured products versus services). Third, different approaches to selecting intra-organizational respondents should be employed. These techniques may require larger intra-organizational sample sizes in order to compare organizations. For example, if intra-organizational respondents are selected at random, sample sizes of ten to twenty would likely be too small except for organizations with very few employees. It should be noted that gathering larger intra-organizational samples may require that fewer organizations participate in the research. Fourth, future studies should include a variety of data collection tools. Examples of these different tools would be (1) gathering organizational performance data from sources outside the organization would provide more robust measures of performance, and (2) determining effectiveness orientation by document analysis (e.g., annual reports and minutes of meetings) would provide an opportunity to assess the convergent validity of the self-report measure of the construct.

Limitations Arising from Response Rates

The sample frame used in this study included 254 hospitals. Requests to participate were distributed to all of the hospitals in the sample frame. Of the 254

hospitals contacted, only 46 were included in the final sample (17.7%). This lowresponse rate creates two limitations for this study.

First, a low response rate made it impossible to argue with confidence that the 46 hospitals included in the study are representative of the population. The fact that these hospitals agreed to participate in this study might suggest that these hospitals differ from other hospitals in terms of their views on marketing and the marketing concept. Although non-response bias was assessed and no differences found, the possiblity of such bias still exists. Furthermore, because this research was a first test of a theoretical model and the sample frame was selected as an appropriate context for testing the model, the lack of generalizability is not a fatal flaw of this research (Morgan and Hunt 1994).

Second, combined with the limited number of hospitals in the sample frame, the low response rate produced relatively small sample sizes. The small sample sizes were problematic for assessing measures for which data were gathered from the senior administrators. For hypothesis testing, where the unit of analysis was the hospital, the sample size was modest. For those analyses in which the sample is broken into groups (e.g., ANOVA), the number of observations falling into some cells was relatively small. Thus, the power available for some tests was limited.

These limitations also suggest future research follow a variety of designs. The study reported here requested 21 respondents from each organization. Thus, participation in this research required a substantial commitment of resources. This may have been a key factor behind the low response rate. Research designs requiring fewer intra-

organizational respondents should be conducted to enhance the generalizability of the results.

Limitations Arising from Measurement Problems

As with any empirical research, measurement was an important issue for this study. The basic proposition of this research was that implementation of the Marketing Concept required organizations to both adopt a set of beliefs (i.e., an element of organizational culture) and engage in a set of behaviors. To explore this premise, a new measure of Marketing Concept Beliefs was developed and a measure of Market Information Processing was drawn from the work of Moorman (1995). Unfortunately, both of these measures displayed unexpected and undesirable characteristics. In addition, the measure of Market Complexity (Achrol and Stern 1988) did not behave as expected. The following sections will discuss each measure in turn.

Operationalization of Marketing Concept Beliefs

The new measure for Marketing Concept Beliefs consisted of eight items. These items were expected to form a unidimensional measure of Marketing Concept Beliefs. As reported in the results chapter, however, this measure did not appear to be unidimensional. Rather, the data supported viewing the measure as a second-order factor with two sub-factors. Although the two sub-scales were highly correlated (Pearson's r = 0.758), the results of covariance structural modeling indicated that they were tapping into two different issues.

While the measure was considered reliable enough to be used in hypothesis testing, there was some uncertainty as to the validity of the measure. This uncertainty arises from two sources. First, since the measure is two dimensional and the construct was expected to be unidimensional, it is not clear the measure is taping into the construct it was designed to measure. Second, the failure of the measure to perform as expected does not support nomological validity. Conclusions based on the behavior of this measure in this study must be considered tentative at best. Future research is required to review and revise the operationalization of the Marketing Concept Beliefs construct.

It should also be noted that the items included in the Marketing Concept Beliefs measure (see Table 29) may be viewed as generally "positive" statements. In other words, responses to these items may suffer from a social acceptability bias. In future scale revision efforts, attempts should be made to reduce the potential for this problem.

Market Information Processing

Two problems arose with the Market Information Processing measure. First, two items were dropped from the Conceptual Utilization scale in order to achieve an acceptable fit and conclude the measure was unidimensional. Second, as outlined in the assessment of the overall Market Information Processing measure in the Results chapter, the various sub-scales were highly correlated. This raised the question of whether the sub-scales measure different constructs.

Table 47 displays the correlations among the sub-scales reported by Moorman (1995) and those in this study. Two observations arise from this comparison. First, correlations in this study are much higher than those reported by Moorman. Second, the

correlations in both studies follow a similar pattern. In other words, the rankings of the correlations for both studies is similar (e.g., the pair of sub-scales with the highest correlation in Moorman's paper had the highest correlation in this study).

Table 47
Comparison of Means and Correlations Among Market Information Processing Sub-Scales from Moorman (1995) and this Research

		Means*	Info. Acq.	Info. Trans.	Concep. Utiliz.
Information Acquisition (Info. Acq)	M-95	4.73			
	G-99	4.41			
Information Transmission (Info. Trans.)	M-95	5.42	0.25		
	G-99	4.67	0.63		
Conceptual Utilization (Concep. Utiliz.)	M-95	5.43	0.35	0.56	
	G-99	4.58	0.63	0.80	
Instrumental Utilization	M-95	5.31	0.42	0.68	0.66
	G-99	4.69	0.70	0.88	0.89

* Based on 7-point scales
M-95 Moorman 1995
G-99 Data from this research

Why would the correlations found in this research be so large relative to those in Moorman's research? One potential explanation is that Moorman's measure was revised for use in this study. Her measure was focused on market information processing relative to specific new product development projects. Respondents were asked to identify a specific project and then answer the questions based on that project.

In this research, respondents were asked about market information processing at the hospital facility. This is a much more general setting than a specific project. In the same way that a group mean shows less variance than individual observations, it is reasonable to expect that there should be less variation across organizations in their

"general" levels of information processing behaviors than in the levels of information processing relative to specific projects. In such cases it is possible for a variety of biases (e.g., social desirability) to enter into the data (Sudman and Bradburn 1982). This problem might have been exacerbated by the fact that intra-organizational samples were not selected randomly. Although respondents were assured of the confidentiality of their responses, there might have been concern that someone within the organization knew the names of those who would receive a questionnaire. Comparing the means for the Market Information Processing sub-scales reported by Moorman with those for this study (Table 48), the means reported by Moorman were typically larger. Therefore, there does not appear to be a strong positive bias in the data for this study.

Table 48
Means and Standard Deviations for Market Information Processing Sub-Scales from Moorman (1995) and this Study

Market Information Processing Sub-Scale	Moorman 1995		This Study	
	Mean	S.D.	Mean	S.D.
Information Acquisition	4.73	1.10	4.41	0.69
Information Transmission	5.42	0.86	4.67	0.74
Conceptual Utilization	5.43	0.86	4.58	0.69
Instrumental Utilization	5.31	0.92	4.69	0.62

Regardless of the reasons behind the performance of the Market Information Processing sub-scales, they did not behave well. Conclusions based on these measures must be considered tentative. Thus, lack of support for Hypotheses 2, 3, 4, 5, 6, and 7 should not be considered conclusive. Similarly, support for Hypotheses 1 and 8 should be considered tenative. As with the Marketing Concept Beliefs measure, the measure of Marketing Information Processing needs to be refined through future research.

Market Complexity

The Market Complexity measure simply did not behave as expected (Achrol and Stern 1988). The four items in the scale did not constitute a single measure. Because there were only four items in the measure, there was little opportunity to assess revisions to the measure for exploring the hypothesis in this study. As a result, one aspect of Hypothesis 4 could not tested.

Again there were a number of potential explanations. For example, perhaps application of this measure to Canadian hospitals in an over-extension. If the "market" is not the greatest source of complexity facing managers in Canadian hospitals, perhaps they interpreted some items in terms of other sources of complexity. Suffice it to say that before it is applied to this setting again, additional assessment and possible revision of the measure is required.

In summary, the limitations discussed above suggest that conclusions based on the data collected for this study be viewed as tentative, at best. The next section discusses the implications of the results of this study.

IMPLICATIONS OF RESULTS

As noted earlier, this research explored four questions related to Marketing Concept Beliefs and Market Information Processing. The following sections address these questions in order.

Question 1: Pattern of Marketing Concept Beliefs

Marketing Concept Beliefs are a set of beliefs regarding the relationship between an organization and its customers. To a greater or lesser extent, the beliefs are expected to be part of an organization's overall system of beliefs (i.e., organizational culture, Deshpandé and Webster 1989). Cameron and Freeman (1991) suggest that organizational culture be assessed on three dimensions: strength of beliefs, extent to which beliefs are shared across the organization, and compatibility with other beliefs. This research explored each of these three dimensions.

With respect to strength of beliefs, it is interesting to compare the means for items in the Marketing Concept Beliefs measure with other items (Table 49). The mean for Marketing Concept Beliefs is the highest of all of the multi-item measures. The mean of Market Performance is slightly lower, but the means for the other variables are substantially lower. This outcome was unexpected. Canadian hospitals have only recently begun to apply marketing tools and theories. Even today, relatively few Canadian hospitals have a staff position for "Marketing". Many staff members of Canadian hospitals are uncomfortable referring to the people to whom they provide service as "customers". Why would responses to the Marketing Concept Beliefs measure be so high? This question deserves futher exploration.

The second dimension for assessing organizational culture is the extent to which beliefs are shared. This was assessed with the Congruence of Marketing Concept Beliefs measure. As noted in the Results chapter, this measure exhibited relatively high scores

Table 49
Means of Multi-Item Measures

Measure	Mean
Marketing Concept Beliefs	5.37
Market Performance	5.29
Instrumental Utilization of Information	4.69
Information Transmission	4.67
Conceptual Utilization of Information	4.58
Market Dynamism	4.46
Information Acquisition	4.41
Organizational Flux	4.41
Clan	4.11
Hierarchy	4.00
Adhocracy	3.35
Market	3.26

and low variance indicating widely shared Marketing Concept Beliefs in these organizations. Again, this was unexpected.

Although some authors argue the virtue of having widely shared beliefs (e.g., Deal and Kennedy 1982), most authors agree that this is rarely the case. Organizations are typically viewed as composed of a variety of sub-cultures (e.g., Frost et al. 1991). A number of factors tend to reduce the level of shared beliefs across an organization including occupational culture (DiMaggio and Powell 1983) and ethnic culture (Hofstede et al 1990). With diverse groups such as senior administrators and primary care nurses, it was expected that Congruence of Marketing Concept Beliefs would be low – at least in some hospitals. Why would Congruence of Marketing Concept Beliefs be so high? Again, this question deserves further exploration.

The third dimension for assessing culture is consistency among beliefs. In this research, Marketing Concept Beliefs and Effectiveness Orientation were the primary sets of beliefs assessed for consistency. Effectiveness Orientation (referred to by the developers as the "Competing-Values" framework of organizational culture; Cameron and Quinn 1996) has received a considerable amount of attention in the literature. Examples of such research in the marketing literature include Deshpandé, Farley, and Webster (1991) and Moorman (1995). Examples of use of the competing values framework in hospital settings include Kalliath, Bluedorn, and Gillespie (1999) and Rondeau and Wagar (1998). This framework identifies four orientations based on two underlying dimensions.

One of these dimensions, internal versus external, was expected to be related to Marketing Concept Beliefs. It was predicted that high levels of the external Effectiveness Orientations (i.e., Adhocracy and Market) would be related to high levels of Marketing Concept Beliefs and that high levels of internal Effectiveness Orientations (i.e., Clan and Hierarchy) would be related to low levels of Marketing Concept Beliefs. While Marketing Concept Beliefs was significantly related to all four types of Organizational Effectiveness Orientation (i.e., Clan, Adhocracy, Market, and Hierarchy), the nature of these relationships was inconsistent with the predictions. The data revealed that higher levels of Marketing Concept Beliefs were associated with higher levels of the internal *and* external Orientations. It is interesting to note that Marketing Concept Beliefs had a higher correlation with the internal orientations than the external orientations – the opposite of what was expected. This suggests that believing that that striving to meet

customers' needs is important may be consistent with having stronger internal effectiveness orientations.

It is important to note that there was a high degree of correlation among all of the measures of Organizational Effectiveness Orientations (see Table 35 – in the Results chapter). The weakest correlation was between Market and Clan ($r = 0.365$, $p \leq 0.05$) and the second weakest correlation was between Market and Hierarchy ($r = 0.583$, $p \leq 0.01$). As a result of these relatively strong correlations, differences in the strength of association were less likely to surface.

Question 2: Relationship Between Marketing Concept Beliefs and Market Information Processing Activities

Again, the basic proposition of this research was that implementation of the marketing concept requires both the adoption of a set of beliefs and the performance of supporting information processing behaviors. Because these beliefs and behaviors were consistent, it was expected that they would be positively related (Hypothesis 1). This hypothesis was strongly supported. If anything, this hypotheses was more strongly supported than expected. It was anticipated that there would a number of "inconsistent" organizations. These organizations were expected to report relatively high levels of beliefs *or* behaviors, but not high levels of both.

To further explore the relationship between the Marketing Concept Beliefs and Market Information Processing variables, each was recoded into three groups (low, medium, and high) and a cross-tabulation prepared (see Table 50). Of the nine cells, three cells (33%) represented high levels of consistency (e.g., moderate levels of both

variables), four of the cells (44%) represented moderate levels of consistency (e.g., high levels of one variable and medium levels of the other), and two cells (22%) represent low levels of consistency (e.g., high levels of one variable and low levels of the other). Of the 46 hospitals in the sample, 18 (39%) were in the high consistency cells, 25 (54%) were in the moderate consistency cells, and only 3 (7%) were in the low consistency cells. Compared to a random distribution of hospitals across the nine cells, slightly more than the expected number of hospitals fall into the high consistency group. Of the moderate consistency group, it is interesting to note that almost twice as many hospitals appear in the cells where Marketing Concept Beliefs are relatively greater than Market Information Processing (e.g., medium Marketing Concept Beliefs and low Market Information Processing) than in the cells where Marketing Concept Beliefs are relatively less than Market Information Processing.

Table 50
Marketing Concept Beliefs and Market Information Processing Cross-Tabulation

			Marketing Concept Beliefs			Column Total
			Low	Medium	High	
Market Information Processing	Low	Obs.	9*	3**	3***	15
		Exp.	4.9	5.2	4.9	15
	Med.	Obs.	6**	3*	6**	15
		Exp.	4.9	5.2	4.9	15
	High	Obs.	0***	10**	6*	16
		Exp.	5.2	5.6	5.2	16
Row Total		Obs.	15	16	15	46
		Exp.	15.0	16.0	16.0	46.0

* High Consistency
** Moderately Consistency
*** Low Consistency

In selecting the setting for this research, it was expected that hospitals were generally shifting toward greater implementation of the marketing concept. If one assumes that this is true, these data suggest that they were doing so by first developing Marketing Concept Beliefs and then following with Market Information Processing behaviors. As noted above, almost twice as many hospitals appear in the cells where Marketing Concept Beliefs are relatively greater than Market Information Processing than in the cells where Marketing Concept Beliefs are relatively less than Market Information Processing. This was not consistent with expectations. Research on organization culture suggests that culture is very difficult, if not impossible, to manage (e.g., Harris and Ogbonna 1999). Experience with the implementation of total quality management programs in North America suggests that organizations are quick to pick-up practices or behaviors and slow to develop a corresponding belief system (Reger et al 1994).

Why would acceptance of Marketing Concept Beliefs tend to be stronger than performance of Market Information Processing Behaviors? A number of possible explanations exist for this observation. First, rather than shifting toward greater implementation of the marketing concept, Canadian hospitals might be shifting toward less implementation. One step in reducing the level of implementation would be the reduction in performing market information activities. This would imply that at some point in time a considerable number of Canadian hospitals had implemented the marketing concept. Discussions with participants in the industry do not support this contention. As noted earlier, marketing is a relatively new concept to Canadian hospitals.

Second, Canadian hospitals' high score on the Marketing Concept Beliefs measure might reflect a level of paternalism rather than a real acceptance of Marketing Concept Beliefs. In other words, hospitals might act in a way they believe to be in the best interest of their customers without actually trying to collect data regarding customers' needs. Hospitals might believe they know what is in the best interest of customers. Of these possibilities, the second appears most reasonable. A more extensive discussion of paternalism appears later in this chapter.

Market Information Processing also was expected to be related to several other variables. Hypothesis 3 posited a relationship between Market Information Processing and organizational size. It was expected that as organizations get larger, they would engage in more Market Information Processing. However, no significant relationship was found. In fact, all three techniques used to explore this relationship (regression, Kendall's Tau *b*, and Spearman's *rho*) indicated a small negative relationship.

Reasons for this surprise might include the following. First, because hospitals are highly regulated, regulatory and other pressures might lead to very similar levels of Market Information Processing at all hospitals. A standard deviation of 0.5116 suggests there was a reasonable amount of variation in this measure. Therefore, lack of variation was not likely to be the reason for failure to find the expected relationship. Second, the effect of size might relate to the underlying dimensions of Market Information Processing (i.e., Information Acquisition, Information Transmission, Conceptual Utilization, and Instrumental Utilization) rather than to overall Market Information Processing. To explore this possibility, Kendall's Tau *b* and Spearman's *rho* were calculated to assess

the correlation between the four sub-scales and organizational size. None of the relationships with organizational size were significant. Thus, the data show that size is not related to Market Information Processing unless it is through a complex relationship with other variables.

Market Information Processing was also expected to vary with dynamism of the market environment (Hypothesis 4)[10]. More specifically, as Market Dynamism increased, Market Information Processing was expected to increase. Again, the predicted relationships were not found. Market Dynamism was assessed for variability. With a standard deviation of 0.7402 (Market Dynamism), the variable showed a reasonable amount of variation.

One argument to explain why linear relationships were not found might be that the relationship between perceptions of the market environment (i.e., dynamism) and Market Information Processing is curvilinear. At low levels of Market Dynamism there is little need for Market Information Processing because the market is not changing quickly. As Market Dynamism increases, Market Information Processing becomes necessary to follow the market. At some point, the market becomes so dynamic that it becomes futile to try to understand the market. At this point, Market Information Processing would fall with further increases in Market Dynamism. A review of the scatter plot did not reveal any indication of a curvilinear relationship.

[10] Hypothesis 4 also predicted a relationship between Market Complexity and Market Information Processing. Due to problems with the measure, Market Complexity was dropped from the hypothesis.

Question 3: Organizational Learning and Implementation of the Marketing Concept

In Chapter 3, three classes or degrees of learning were described. Level Zero Learning is characterized by interpretations which result in data being fit into existing knowledge structures. Level One Learning refers to interpretations of data that result in relatively minor changes in organizational knowledge structures. Hedberg (1981) refers to this type of learning as "adjustment learning." This type of learning is closely related to instrumental utilization of market information. Instrumental utilization refers to the extent to which organizations use market information to make, implement, and evaluate marketing decisions (Menon and Varadarajan 1992; Moorman 1995). Level Two Learning refers to changes in the fundamental beliefs of an organization. This type of learning is closely related to conceptual Market Information Processing. Conceptual utilization refers to the use of information to provide "concepts, assumptions, models, and theories" (Menon and Varadarajan 1992, p. 56).

As discussed earlier, the high correlations among the various sub-scales of Market Information Processing made it difficult to explore different types of learning. The correlation between Instrumental Utilization and Conceptual Utilization was 0.89. Two hypotheses were directed at an exploration of organizational learning and implementation of the marketing concept. Hypothesis 5 explored the relationship between types of Market Information Processing and Strategic Orientation while Hypothesis 6 explored the relationship between Market Information Processing and Effectiveness Orientation.

Hypothesis 5 predicted a set of relationships between strategic orientation and Market Information Processing. Because there was only a small number of hospitals reporting a Defender Strategic Orientation, these firms were dropped from the hypothesis testing. It was predicted that Prospectors would engage in more conceptual utilization of market information than hospitals following other strategic orientations. The rationale was that Prospectors search out new opportunities and, as such, try to create new understandings of the market. This prediction was supported.

Hypothesis 5 also predicted that Prospectors would engage in less instrumental utilization of market information than hospitals following other strategic orientations. The rationale here was that Analyzers (and Defenders) would use information in a more routine way, to answer specific questions, than Prospectors. Essentially, the expectation was that organizations would tend to engage in similar amounts of "learning" behaviors, but that the emphasis on these behaviors (i.e., instrumental versus conceptual) would differ. This reasoning was not supported. What was found, however, was that Prospectors appear to engage in more conceptual *and* instrumental utilization of market information than Analyzers.

Why would this be the case? There are at least two possible explanations. First, because data were collected with regard to *Market* Information Processing, the findings of this research might reflect that Prospectors are more concerned with the external world than Analyzers. This would suggest that Analyzers would be more concerned with the issues inside the organization. In support of this notion, Prospectors reported higher levels of Market Information Processing on all for dimensions (Acquisition,

Transmission, Conceptual Utilization, and Instrumental Utilization) compared to Analyzers. This notion was also supported by an examination of Effectiveness Orientation by Strategic Orientation. Prospectors scored significantly higher on the external types of Effectiveness Orientation (Adhocracy and Market) than Analyzers (Table 51).

A second possible explanation is that Prospectors tend to be more "learning oriented" in general than Analyzers. It is interesting to note that while there were significant differences between Prospectors and Analyzers on the external types of Effectiveness Orientation, there were no significant differences between Prospectors and Analyzers on internal types of Effectiveness Orientation. This suggested that Analyzers are not more internally focussed than Prospectors. It is important to note that no relationships were present between Effectiveness Orientations and Market Information Processing behaviors. In other words, while Prospectors tend to engage in higher levels of conceptual and instrumental utilization of market information and tend to have higher scores on the externally-oriented Effectiveness Orientations, hospitals scoring higher on externally-oriented Effectiveness Orientation do not tend to engage in more conceptual and instrumental utilization of market information.

Table 51
Comparison of Effectiveness Orientation between Prospectors and Analyzers

		Prospector	Analyzer	p*
Internal Orientations	Clan	4.39	4.15	0.418
	Hierarchy	4.20	3.93	0.086
External Orientations	Adhocracy	3.88	3.18	0.003
	Market	3.64	3.04	0.001

* Univariate t-test.

Question 4: Relationship between Implementation of the Marketing Concept and Market Performance

The basic assumption underlying much of the writing and research on the Marketing Concept is that organizations that implement the Marketing Concept will out perform those that do not. Hypothesis 8 was a test of this assumption. This hypothesis predicted that those hospitals that scored high in terms of both Marketing Concept Beliefs and Market Information Processing would out-perform other hospitals. This hypothesis was supported. In general, other research conducted on implementation of the marketing concept also supports this relationship (e.g., Jaworski and Kohli 1993; Narver and Slater 1990; Ruekert 1992; and Slater and Narver 1994).

The measure of Market Performance used for this research was an assessment made by members of the organization not by those in the market. As a result, it is suceptible to social acceptability bias. The potential for this bias is compounded by the fact that the intra-organizational sample was not selected randomly. Thus, respondents my have been selected because of their positive views of the organization. The likelihood of this bias is supported by the relatively high scores on the Market Performance measure. The average score was 5.29 (second only to Marketing Concept Beliefs) with a standard deviation of 0.526.

The Market Performance measure included items that referred to perceptions in the market (e.g., "This hospital has an excellent reputation in the community.") as well as more internally focused items (e.g., "This hospital is a progressive, leading edge

organization."). Future research would be strengthened by having Market Performance data collected from sources outside of the organizations being studied.

MAKING SENSE OF THE RESULTS

Clearly, the results of this research did not support many of the hypotheses presented. As discussed earlier, the lack of support for results may be the result of the design of the research (e.g., Canadian hospitals may not have been a good setting for uncovering the relationships) or poor measurement. The lack of support for results may also reflect weaknesses in the theories used to create the hypotheses. These weaknesses may take one of two forms. First, the theories used to make predictions may not be correct.

Hypothesis 2 predicted that as organizations increase in size, the level of Congruence of Marketing Concept Beliefs would decrease. This reflects the notion that organizational culture is fragmented along departmental, professional, or ethnic dimensions (DiMaggio and Powell 1983; Frost et al 1991; and Harris and Ogbonna 1999). Perhaps the expectation of fragmentation is too great. Within the marketing literature, views of Marketing Concept Beliefs as organizational culture (e.g., Deshpandé and Webster 1989, Narver and Slater 1990) follow an integration perspective of culture. According to this view, culture is viewed as an organization-wide phenomenon (Frost et al 1991). Perhaps this second perspective is more appropriate.

Hypothesis 5 predicted that organizations with different Strategic Orientations would engage in different types of market information processing. The data suggest that Prospectors defend in more market information processing than Analyzers (and by

extension, Defenders). Perhaps the internal focus of Analyzers is much stronger than suggested in the literature.

The second type of weakness that may be present in the theory is the failure to include constructs important to understanding the phenomenon. Examples of potentially important constructs include entrepreneurial orientation (e.g., Miner, Smith, and Bracker 1989), orientation toward technology (e.g., Howell and Higgins 1990), ideological orientation (e.g., Hirshman 1983), and composition of the top management team (e.g., Finkelstein and Hambrick 1990). One new construct that appears quite interesting is that of paternalism. The following paragraphs provide a discussion of this construct.

First, consider the following is a list of the unexpected results related directly to Marketing Concept Beliefs:

1. high levels of Marketing Concept Beliefs;
2. high levels of Congruence of Marketing Concept Beliefs;
3. strong positive relationships between Marketing Concept Beliefs and internal Effectiveness Orientations (i.e., Clan and Hierarchy);
4. tendency for hospitals to display higher levels of Marketing Concept Beliefs than Market Information Processing.

What would account for these findings? Why would Canadian hospitals, only recently and somewhat reluctantly applying marketing technology, have such strongly held and widely shared beliefs? Why would hospitals with high levels of Marketing Concept Beliefs tend to have stronger internal Effectiveness Orientation?

Now consider the concept of paternalism. Salgado (1997) defines paternalism as an attitude that "assumes a tutelary role from a position of alleged authority" (p. 944). The essential feature of paternalism is that one party assumes a role of power, based on superior knowledge or expertise, over another. The classic example of paternalism is the

parent-child relationship. Paternalism also carries a connotation of benevolent use of power. For example, the parent assumes power over the child in the best interest of the child.

In the context of health care:

> ...physicians exercise authority over patients, their fellow workers in health care, and even the public at large in matters within, and sometimes outside, their jurisdiction.
>
> In clinical relations, this authority is often essential for the therapeutic process. The sick are ordinarily not the best judge of their own needs, nor are those who are emotionally close to them. Quite aside from specialized knowledge, professionals possess an advantage in judgment. Furthermore, effective therapeutic measures frequently require not only difficult and even repellent tasks, such as violating the integrity of the body, but also rechanneling the unconscious urges for some patients to be sick and to be cared for. (Starr 1992, p. 5)

This quote reflects the presence, and perhaps the necessity, of paternalism in health care. Health care professionals make judgments that others (e.g., patients and their loved ones) are not capable of making.

A considerable amount has been written about paternalism in the health care literature. Even a cursory search of this literature reveals a lively discussion regarding paternalism. The relationships considered in this research range from micro (e.g., doctor-patient relationships, Johanson et al 1998) to macro (e.g., government-citizen relationships, Salgado 1997). Some authors argue that the age of paternalism has passed and that this is a good thing (e.g., MacGregor 1998). Others argue that the age of paternalism has passed and that its passing had some negative consequences. Still others suggest that paternalism continues to exist and should remain an important part of medical practice (e.g., Savulescu 1995).

Paternalism does not reside only in the health care industry. Discussions of paternalism also appear in the management literature. In this literature, paternalism has been applied to management-labor relationships. Examples here include relationships between management and unionized workers in the "New South" (Padavic 1994) and between farmers and farm laborers in South Africa (Tiot 1993). These papers have a flavor of Critical Theory (e.g., Steffy and Grimes 1986). According to this perspective, paternalism is a negative aspect of some relationships and needs to be reduced.

While Paternalism, *per se*, does appear in the management literature, it does not appear in the marketing literature. However, two related concepts do appear in the marketing literature. The concept of power has appeared in numerous articles. Power is necessary in paternalism because one party must be able to force its decisions on the other. The bulk of the marketing literature's concern with power is directed at relationships in distribution channels (e.g., Achrol, Reve, and Stern 1983 and Gaski 1984). Writers in the marketing literature assume that power will be exercised in a self-interested manner (e.g., to capture greater margins or market share). Paternalism suggests a more altruistic use of power. The "paternalistic" marketer would make decisions in the "best interest" of the customer.

A second concept that is related to paternalism is consumerism. Although still considered today, consumerism was at its zenith in the marketing literature in the 1960s and 1970s (e.g., Aaker and Day 1971). The root of this concept is derived from the consumer movement of the 1960s and 1970s. A variety of definitions and connotations have been attached to consumerism. Of interest here is the view that consumerism refers

to the movement to empower the consumer – to increase "consumer sovereignty" (Swagler 1994). It should be noted that enhancing the power of the consumer necessarily means a shift of power away from the marketer. Sorell (1997) argues that "consumerism can be objectionable both within and beyond the health care market." (p. 71) He contends that empowering consumers allows them to abuse providers (both in health care and other industries). In other words, increasing the power of consumers decreases the power of providers to defend themselves (or take advantage of consumers).

Consumerism is a call for increasing the decision-making role of the consumer. As a result, consumerism represents an antithesis to paternalism. Paternalism in market would imply that vendors would make decisions regarding their customers' needs and customers would accept these decisions.

In summary, paternalism refers to one party exercising its authority or power over another party based on perceived superiority in knowledge or judgement. Although the concept does not appear in the marketing literature, it is related to concepts that do appear in the literature. The following paragraphs consider the relationship between the marketing concept and paternalism in marketing.

The marketing concept might be similar to paternalism in marketing in that both advocate the importance of the customer. Hippocrates, in an oath still important to the practice of medicine, included the following: "I will follow that system of regimen which, according to *my ability and judgement, I consider* for the benefit of my patients, and abstain from whatever is deleterious and mischievous." (DIMD 1994, emphasis added) This suggests that it is the duty of the physician to decide what is in the best

interest of the patient. The patient is very important to the practice of medicine. The patient's well-being is central. Thus, organizations with strong paternalistic tendencies toward the market might believe that they have a strong moral obligation or duty to advance the welfare of their customers. Such appears to be the case in healthcare (cf. Sorrell 1997).

The marketing concept might be different from paternalism in marketing with respect to assumed knowledge. The marketing concept is based on the notion that by better understanding customers' needs, marketers will be better able to create and deliver value to those customers. Thus, organizations that implement the marketing concept would have systems in place to learn about customers. Paternalism in marketing would reflect the assumption that the marketer knows customers' needs. Thus, there is no reason to learn more about these needs. Therefore, the paternalistic organization might not feel the need to gather information from customers.

On a related point, because of the assumption of knowledge, orientations on effectiveness might differ between the marketing concept and paternalism. The marketing concept suggests that organizational effectiveness be assessed by performance outside the organization. Effectiveness requires that the organization meet the needs of customers. Paternalism, on the other hand, suggests that the focus of organizational effectiveness assessment be internal. Effectiveness requires that the organization deliver what the customer is believed to need. Because the need is not in doubt, it is only the delivery that must be assessed.

If the Marketing Concept Beliefs measure is, in fact, measuring "Paternalism in Marketing", the four unexpected results identified at the beginning of this section might be explained. First, consider the high scores reported on the Marketing Concept Beliefs measure. The items that constitute the Marketing Concept Beliefs measure (Table 29) all refer to the importance of customers to the hospital. High levels of importance would be consistent with both paternalism and the marketing concept. Based on the profile of paternalism in the health care literature, one would expect hospitals to achieve high scores on a measure of paternalism.

Second, if the Marketing Concept Beliefs measure was taping into paternalism, this would explain the high levels of Congruence of Marketing Concept Beliefs found in this study. As the above reference to Hippocrates (c. 460 to c. 375 B.C.) suggests, paternalism has a long tradition. The fact that discussions of paternalism continue to appear in the health care literature indicates that paternalism remains a feature of this industry. Such a tradition, strongly embedded in the practice of medicine, would likely be shared widely across members of hospital organizations. Thus, one would expect hospitals to achieve high levels of congruence on scores of a measure of paternalism.

Third, paternalism in marketing might explain the observed positive relationship between Marketing Concept Beliefs and internal Effectiveness Orientations. As discussed above, paternalism in marketing suggests that the organization look toward internal measures of effectiveness. Higher levels of paternalism would tend to be associated with higher levels of internal orientation. If the Marketing Concept Beliefs

measure was measuring paternalism, one would expect a positive relationship with the two internal Effectiveness Orientations (i.e., Clan and Hierarchy).

Fourth, if paternalism in marketing reflects the assumption that members of the hospital know customers' needs, what would this suggest regarding Market Information Processing? On one hand, if it is believed that customers' needs are known, then little effort would be expended in gathering data from customers. Note that none of these items in the Marketing Concept Beliefs measure refer to affording the customer a voice. Consider item 40 as an example: "We try to understand what our customers need from us." This item asks respondents if they try to understand customer needs, it does not ask whether they believe that customers are a useful source of information for developing that understanding. One could "Strongly Agree" with all of these statements and not believe that customers should have a voice in deciding what services they should receive or how they should be delivered.

Considering the data gathered for this study, paternalism would be reflected in two ways. First, one would expect to see a negative relationship between Marketing Concept Beliefs and Information Acquisition. This was not the case. The correlation between these variables was 0.46 ($p \leq 0.05$). It is worth noting, however, that this relationship was lowest of all the Market Information Processing sub-scales with Marketing Concept Beliefs. Second, because of the belief that customer needs were known, perceived changes in customers' needs would not be related to Market Information Processing, in general, or Information Acquisition, in particular. As a result, one would expect non-significant relationships between perceived Market Dynamism and

both Market Information Processing and Information Acquisition. This pattern did appear in the data. The correlations were 0.15 between perceived Market Dynamism and both Market Information Processing and Information Acquisition.

On the other hand, even if customers' needs are believed to be known, servicing those needs would still be important to organizations with high paternalism in marketing. As a result, customers' needs would frequently be the subject of discussion. For example, discussions of program changes in response to budget cut-backs might include the transmission of information regarding customers' needs as well as the instrumental and conceptual utilization of that information. This information would not necessarily be based on data collected regarding customers' needs. Rather, this information might reflect what various sub-groups of the organization believe customers' needs to be. Thus, one would expect high levels of Market Information Processing, other than information Acquisition, in organizations with high paternalism in marketing. This notion is consistent with the results reported earlier.

In conclusion, paternalism in marketing explains many of the findings of this study. While paternalism has not be discussed in the marketing literature, it certainly merits further exploration. One would expect paternalism to be strongest in a those industries where vendors have high levels of professionalism or expertise relative to their customers. The first such industries to come to mind would include health care and education. Although not documented in the marketing literature, other settings in which paternalism might be present include legal services, enterprise resource management

systems, and automobiles. As a result, the concept of paternalism in marketing might be usefully applied to the broad range of settings in which relationships are important.

DIRECTIONS FOR FUTURE RESEARCH

Figure 2 (in Chapter 1) presents a model of the marketing concept from the organizational learning perspective. The study reported here was a first step in the larger research program to explore this model. This research program was to explore three broad questions. First, what is the relationship between marketing concept knowledge structures and behaviors? Here the issue of alignment or fit between these two constructs was central. This dissertation research was intended to explore the relationship between Marketing Concept Beliefs and Market Information Processing. Second, how are Marketing Concept Beliefs and marketing information processing related to organizational effectiveness? And third, how does the nature of the environment affect the relationships among marketing concept orientations, Market Information Processing, and organizational effectiveness?

The results of the study reported here require that more extensive work be conducted into the meaning of the marketing concept relative to other organizational beliefs. The first phase in conducting future research is to more fully explore the theoretical relationship between the marketing concept and paternalism. The marketing concept must be more clearly articulated *vis-à-vis* paternalism. Although the previous section began to sketch this relationship, more work is certainly required. This is not an empirical question, although it does have implications regarding future empirical research. Rather, this is a question of definition that strikes to the heart of marketing. On

one hand, the marketing literature has advocated that the marketing concept is a tool for increasing the voice of the customer – for empowering the customer. On the other hand, the marketing concept has been advocated as a tool for providing a competitive advantage. While this advantage is considered to be relative to competitors, one route to such a competitive advantage might be greater power over customers. Thus, does the marketing concept advocate enhancing the power of the customer or enhancing the power of the marketer? According to the marketing concept, how should power be distributed between these parties? Perhaps market paternalism could be viewed as a dysfunctional form of implementing the marketing concept.

As part of the process of exploring marketing concept beliefs and other beliefs, qualitative research methods could make a significant contribution. How do members of organizations understand their relationship with customers in terms of the importance and power of customers in organizational decision making? Such research should explore these issues in settings where paternalism is expected to be prevalent (e.g., hospitals) as well as in other consumer (e.g., grocery stores) and business-to-business (e.g., office supplies) settings.

Once the theoretical relationship between the marketing concept and paternalism has been clearly articulated, revision or redevelopment of the measure of Marketing Concept Beliefs is required. It will also be necessary to develop a measure of "Paternalism in Marketing". Empirical work in the development of these measures should be conducted in a variety of industries. It will be interesting to see the extent of paternalism in marketing that appears in various industries.

The Market Information Processing measure developed by Moorman (1995) also requires attention. Although it appears conceptually robust and performed well in Moorman's original research, the measure did not perform as well in the current study. As a result, additional assessment should be performed. Ideally, the number of items included in the measure would be reduced. In this dissertation research, the measure contained 32 items. This large number of items restricts the number of other constructs that can be measured in questionnaire. This will allow for more robust tests of theory. From an organizational learning perspective, Marketing Concept Beliefs would be considered part of larger systems of beliefs held by organizations. Similarly, Market Information Processing behaviors would be part of the larger information processing systems of organizations. As a result, it is necessary to assess a number of related beliefs and information processing activities.

Once measures of Marketing Concept Beliefs and Market Information Processing are enhanced, further exploration of the first research question (the relationship between beliefs and activities) is in order. In other words, studies similar to the one reported here need to be conducted. Given the limitations of the research design discussed above, a variety of reseat designs should be employed. Although difficult to conduct, longitudinal studies would be very useful for gaining a better understanding of the relationship between beliefs and activities.

Once the relationship between Marketing Concept Beliefs and Market Information Processing is better understood, it will be possible to further explore the relationship between these variables and organizational effectiveness. Although a

measure of market performance was considered in this research, this measure reflected a fairly narrow assessment of effectiveness. Although "important" indicators of effectiveness will vary by industry and organization, potential indicators of effectiveness would include measures such as market performance, profitability, and employee satisfaction.

Eventually, research will be required to explore the third question for the research program – how does the nature of the environment affect the relationships among marketing concept orientations, Market Information Processing, and organizational effectiveness? This research will require more sophisticated research designs. As a result, it should receive relatively little emphasis until the theoretical constructs are well understood and can be measured with reliability and validity.

CONCLUSION

The marketing concept has been an important part of the marketing literature for more than four decades. It continues to be an important component of marketing thought and has been one of the issues developed in marketing that receives attention in the broader management literature (e.g., Bennett, Lehman, and Forst 1999; Biggadike 1981; Harris and Ogbonna 1999; and Shapiro 1988).

This dissertation makes several contributions to the marketing literature. First, this dissertation develops a model of marketing concept implementation based on an organizational learning perspective. This perspective provides a framework for integrating the views of implementation of the marketing concept as organizational culture versus organizational activities. Although the data collected did not provide

support for most of the hypotheses, it appears that this may be due to the influence of unmeasured variables rather than a failure of the organizational learning perspective. Additional research is required to make an assessment of this perspective.

Second, this research provides some notions as to what implementation of the marketing concept is not. It raises the possibility that beliefs associated with paternalism might overlap with beliefs associated with the marketing concept. The concept of paternalism has received little, if any, attention in the marketing literature to date. This research suggests that the concept might be relevant in fully understanding implementation of the marketing concept.

Third, this study illustrates an unusual research design. Data were collected from a moderate number of organizations and from a moderate number of respondents within each organization. Typically, data are collected to assess differences between firms with little opportunity to assess differences within organizations or to collect data to illuminate the situation within one or a very few firms. The design used in this study provided a better opportunity to look within as well as among organizations. Such designs would be particularly useful for assessing constructs associated with organizational culture.

Despite the contributions of this research study, its numerous unexpected findings clearly indicate the need for further research. Specific advances in theory and methods will be necessary to conduct such research. This research is required to further explore the usefulness of the an organizational learning perspective in developing a model of marketing concept implementation that incorporates both marketing belief and marketing behaviors.

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APPENDICES

APPENDIX A
REQUEST TO PARTICIPATE LETTER

(Printed on Letterhead)

<DATE>

<ADMINISTRATOR'S FULL NAME>, <TITLE>
<HOSPITAL NAME>
<STREET ADDRESS>
<CITY>, <PROVINCE> <POSTAL CODE>

Dear <PREFIX> < ADMINISTRATOR'S LAST NAME>:

I am writing to request your participation in an important research project. The purpose of this research project is to assess the state of customer focus management in Canadian hospitals. If you agree to participate in this project, you will receive a comparison of your hospital to the norm of other Canadian hospitals once the project is complete.

I am a Canadian enrolled as a Ph.D. student at the University of Tennessee in Knoxville. Currently, I am a part-time faculty member in the Faculty of Business at the University of New Brunswick in Saint John. In this letter I ask for your support of a research project I am conducting. The following paragraphs will provide you with a brief description of this research and the support I am requesting.

The demands faced by healthcare organizations are extremely challenging. While the period of the most dramatic cutbacks in government funding may be behind us, the difficulties of coping with these cuts continue to confront us. At the same time, communities are expecting more from their healthcare organizations. In response to these challenges, some have suggested that healthcare organizations need to become more patient or customer-focused.

Your hospital is one of a small number I am asking to participate in this project and was drawn in a random sample of hospitals with more than 60 beds from across Canada. In order for the results to truly represent Canadian healthcare organizations, it is important that all of the selected hospitals participate.

In order to get accurate data, I will need to collect data from a number of staff members within your hospital. If you agree to participate, you should expect to spend approximately thirty (30) minutes of your time completing a written questionnaire. In addition, approximately 20 other persons representing a variety of functions within your hospital will spend between fifteen (15) and thirty (30) minutes of their time responding to questionnaires. I have enclosed a sample of the "Senior Administrator" questionnaire

for your information. Staff other than senior administrators will be asked to complete a questionnaire with fewer questions. There are no questions in the staff questionnaire that do not appear in the senior administrator questionnaire.

You may be assured of complete confidentiality. Your organization will be identified only by a code for data collection and analysis purposes. The name of your organization and the names of those individuals who complete questionnaires will never be placed on the questionnaires. The only report that will identify the responses from your organization will be the confidential report sent directly to you. This report will provide overall scores for your hospital and the average scores of the other hospitals in the sample. The responses of individuals or groups from within your organization will not be provided. In all other reports, responses from your organization will be grouped with responses from other organizations and will, therefore, remain anonymous.

If you wish to participate, please complete the enclosed form and have it faxed to me. If you have questions regarding this research, I would be most happy to answer them. Please write, fax, e-mail, or call. You will find the contact information below.

Thank you for your assistance.

Sincerely,

J. Robert Graves

Address: Hospital Research Project
School of Business, Acadia University
Wolfville, NS
B0P 1X0

Fax: (902) 585-1085

E-Mail: RGraves@ACADIAU.CA

Phone: (902) 585-1622

APPENDIX B
INTENT TO PARTICIPATE FORM

Hospital Research Project

Intent to Participate

Date: _____

From: <ADMINISTRATOR'S FULL NAME>
<TITLE>
<HOSPITAL NAME>
<STREET ADDRESS>
<CITY>, <PROVINCE> <POSTAL CODE>

To: Hospital Research Project
c/o School of Business
Acadia University
Wolfville, Nova Scotia

Fax Number: (902) 585-1085

Instructions:

1) Please correct any errors in the information regarding your facility shown above.

2) Please provide the name and contact information for an individual at your hospital who has access to staff lists. I will contact this person for a list of names of the individuals who will be sent a questionnaire.

Name: _____

Title: _____

Fax Number: _____ Phone Number: _____

E-Mail Address:

3) Please sign in the space below and have the form faxed to the number above.

Signature: _____

Thank you for agreeing to participate in this research.

APPENDIX C
REQUEST FOR RESPONDENT NAMES FAX

FAX	Hospital Research Project School of Business, Acadia University Wolfville, NS B0P 1X0

Date: <DATE>

Number of Pages (including the cover letter): 2

TO:	**<CONTACT'S FULL NAME>** **<CONTACT'S TITLE>** **<HOSPITAL NAME>** **<CITY>, <PROV.>**	**FROM:**	**J. Robert Graves**
Fax:	**<CONTACT'S FAX NUM.>**	**Fax:**	**(902) 585-1085**
Phone:	**<CONTACTS PHONE NUM.>**	**Phone:**	**(902) 585-1622**

Dear <CONTACT'S PREFIX> <CONTACT'S LAST NAME>:

<PREFIX> < ADMINISTRATOR'S LAST NAME> has agreed that your facility cooperate in a research project. You were indicated as the person I should contact you to gather the names of 21 people who will be asked to participate.

The table on the following page lists 21 positions often found in hospitals. The titles used here may or may not be those used within your facility. Please identify a person within your hospital that **best** fits the positions indicated and provide a mailing address where these individuals can be reached at work.

You will notice that the positions of head nurse, primary care nurse, and technologist/ technician are each listed a number of times. Please identify as many people in each of these positions as there are spaces in the table. Ideally, these individuals will represent a wide range of departments, wards, or specializations. For example, the position "primary care nurse" is listed five times. You would identify five staff nurses each representing a different ward or department (e.g., emergency room or pediatrics).

When you have completed the form, please fax it to me at the number indicated. If you have any questions, please do hesitate to contact me by phone or fax.

Thank you for your cooperation.

When you have completed this form, please fax it to:

J. Robert Graves
Hospital Research Project
Fax: (902) 585-1085

Hospital ID#: XXX

Position	Name	Work Mailing Address
Chief Medical Officer.		
Director of Nursing		
Director of Community Relations / Marketing.		
Director of Human Resources.		
Director of Admissions.		
Chief Financial Officer (within the facility)		
Head Nurse		
Head Nurse		
Head Nurse		
Head Nurse		
Head Nurse		
Primary Care Nurse		
Primary Care Nurse		
Primary Care Nurse		
Primary Care Nurse		
Primary Care Nurse		
Technologist / Technician*		
Technologist / Technician*		
Technologist / Technician*		
Technologist / Technician*		
Technologist / Technician*		

*for example: x-ray, laboratory, and respiratory

APPENDIX D
COVER LETTER FOR QUESTIONNAIRES

(Printed on Letterhead)

<DATE>

<PREFIX> <WHOLE NAME>, <TITLE>
<WORK ADDRESS>
<FACILITY>
<ADDRESS>
<CITY>, <PROVINCE> <POSTAL CODE>

Dear «Prefix» <PREFIX> <LAST NAME>:

The demands faced by healthcare organizations are extremely challenging. While the period of the most dramatic cutbacks in government funding may be behind us, the difficulties of coping with these cuts continue to confront us. At the same time, communities are expecting more from their healthcare organizations. In response to these challenges, some have suggested that healthcare organizations need to become more patient- or customer-focused. Currently, however, we do not have a clear idea of the role of a "customer-focus" in Canadian hospitals.

Your hospital is one of a number of hospitals from across Canada participating in a study to address this issue. I have approval of this participation from <SENIOR ADMINISTRATOR'S NAME AND TITLE>. You, in turn, are one of a small number of people in your hospital who I am asking to give their perceptions. In order that the results truly represent the view of people at your hospital, it is important that each questionnaire be completed and returned. Once you have completed the questionniare, merely put it in the self-addressed, stamped envelope provided.

You may be assured of complete confidentiality. The questionnaire has an identification number that allows for the grouping of responses from the same hospital. Your name will never be placed on the questionnaire.

Results of this research will be made available to healthcare practitioners and administrators. You may receive a summary of results by writing "copy of results requested" on the back of the return envelope, and printing your name and address below it. Please ***do not*** put this information on the questionnaire itself.

I would be most happy to answer any questions you might have. Please write, call, e-mail, or fax.

Sincerely,

J. Robert Graves
Lecturer
Bob.Graves@AcadiaU.ca

HID: «FacilityNo»

APPENDIX E
SENIOR ADMINISTRATOR QUESTIONNAIRE

Description of Questionnaire's Sections

Section	Measure
Part I	Market Performance
Part II	Effectiveness Orientation
Part III	Marketing Concept Beliefs
Part IV	Strategic orientation
Part V	Market Information Processing
Part VI	Flux
Part VII	Market Environment
Part VIII	Descriptive Variables

Hospital Identification Number: _____

PATIENT / CUSTOMER ORIENTATION RESEARCH

SENIOR ADMINISTRATOR QUESTIONNAIRE

Hospital Research Project
School of Business, Acadia University
Wolfville, Nova Scotia
(902) 585-1622

A NOTE BEFORE YOU BEGIN: Many questions in this survey refer to service provided to "customers". For the purposes of this survey, we would like you to think of a "customer" as *any person outside your organization who receives service from facility staff.* For example, the following groups would be considered "customers": patients, patients' families, and patients' friends.

Part I

Instructions: The following questions ask for your opinions regarding your hospital's effectiveness in providing customer service. *Remember that the term "customer" refers to any person (e.g., patients and patients' families) who receives any service from hospital staff.* Please read each statement carefully and circle the scale number that corresponds to your level of agreement or disagreement with the statement. For example, if you "disagree" with a statement, you should circle "2". If you "agree" with a statement, you should circle "6".

	Strongly Disagree	Disagree	Somewhat Disagree	Nether Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
1. This hospital has an excellent reputation in the community.	1	2	3	4	5	6	7
2. Tests and treatments are scheduled and conducted promptly.	1	2	3	4	5	6	7
3. Staff are concerned for their customers' comfort and feelings.	1	2	3	4	5	6	7
4. Productivity at this hospital is high.	1	2	3	4	5	6	7
5. Based on their experiences, past customers would recommend this hospital to their family and friends.	1	2	3	4	5	6	7
6. This hospital is a progressive, leading-edge organization.	1	2	3	4	5	6	7
7. Staff have access to the resources required to provide excellent service to customers.	1	2	3	4	5	6	7
8. Care and service are well coordinated throughout this hospital.	1	2	3	4	5	6	7
9. Customers generally feel that staff are sensitive to special problems or concerns.	1	2	3	4	5	6	7
10. Overall, the quality of care and services delivered by this hospital is excellent.	1	2	3	4	5	6	7
11. *Compared to other hospitals*, this hospital has an easier time gaining financial support from government.	1	2	3	4	5	6	7
12. *Compared to other hospitals*, this facility has an easier time obtaining donations from the community.	1	2	3	4	5	6	7

Part II

Instructions: This section of the questionnaire asks about the characteristics of your hospital. Most hospitals display some mixture of the various characteristics noted below. Please indicate the degree to which the hospital as a whole reflects each of these characteristics. For example, if you believe that the hospital reflects a particular characteristic "quite a bit", circle "5".

This hospital is a very:	Not At All		To Some Extent		Quite A Bit		Very Much
13. personal place. It's like an extended family. People seem to share a lot of themselves.	1	2	3	4	5	6	7
14. dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.	1	2	3	4	5	6	7
15. rules oriented place. A major concern is with getting the job done. People are very competitive and achievement oriented.	1	2	3	4	5	6	7
16. controlled and structured place. Formal procedures generally govern what people do.	1	2	3	4	5	6	7
The leadership in this hospital is generally considered to exemplify:	Not At All		To Some Extent		Quite A Bit		Very Much
17. mentoring, facilitating, nurturing.	1	2	3	4	5	6	7
18. entrepreneurship, innovating, a risk taking.	1	2	3	4	5	6	7
19. a no-nonsense, aggressive, results-oriented focus.	1	2	3	4	5	6	7
20. coordinating, an organizing, smooth running efficiency.	1	2	3	4	5	6	7
The management style in this hospital is characterized by:	Not At All		To Some Extent		Quite A Bit		Very Much
21. teamwork, consensus, and participation.	1	2	3	4	5	6	7
22. individual risk-taking, innovation, freedom, and uniqueness.	1	2	3	4	5	6	7
23. hard-driving competitiveness, high demands, and achievement.	1	2	3	4	5	6	7
24. security of employment, conformity, predictability, and stability of relationships.	1	2	3	4	5	6	7

The glue that holds this organization together is:	Not At All		To Some Extent		Quite A Bit		Very Much
25. loyalty and mutual trust. Commitment to this organization runs high.	1	2	3	4	5	6	7
26. a commitment to innovation and development. There is an emphasis on the cutting edge.	1	2	3	4	5	6	7
27. an emphasis on achievement and goal accomplishment. Aggressiveness and winning are common themes.	1	2	3	4	5	6	7
28. formal rules and policies. Maintaining a smooth running institution is important.	1	2	3	4	5	6	7
This hospital emphasizes:	Not At All		To Some Extent		Quite A Bit		Very Much
29. human development. High trust, openness and participation persist.	1	2	3	4	5	6	7
30. acquiring new resources and creating new challenges. Trying new things and prospecting for opportunities are valued.	1	2	3	4	5	6	7
31. competitive actions and achievement. Hitting stretch targets is important.	1	2	3	4	5	6	7
32. permanence and stability. Efficient, smooth operations are important.	1	2	3	4	5	6	7
This hospital defines success on the basis of:	Not At All		To Some Extent		Quite A Bit		Very Much
33. human resources, teamwork, employee commitment, and concern for people.	1	2	3	4	5	6	7
34. having the most unique or newest initiatives. It is a leader or innovator.	1	2	3	4	5	6	7
35. winning in the marketplace and outpacing the competition. Competitive leadership is key.	1	2	3	4	5	6	7
36. efficiency. Dependable delivery, smooth scheduling, and low cost production are critical.	1	2	3	4	5	6	7

Part III

Instructions: Each of the following statements refers to the importance of customers' needs in your hospital's operations. *Remember that the term "customer" refers to any person (e.g., patients and patients' families) who receives any service from hospital staff.* Please read each statement carefully and circle the scale number that corresponds to your level of agreement or disagreement with the statement. For example, if you "somewhat agree" with a given statement, circle "5".

	Strongly Disagree	Disagree	Somewhat Disagree	Nether Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
37. Our hospital's strategies are geared toward providing better service to customers.	1	2	3	4	5	6	7
38. We try to achieve our goals by satisfying our customers' needs.	1	2	3	4	5	6	7
39. Staff want to understand how they can provide better service to their customers.	1	2	3	4	5	6	7
40. Staff do **not** think of meeting customers' needs as their number one task.	1	2	3	4	5	6	7
41. When we make decisions, we try to understand what our customers need from us.	1	2	3	4	5	6	7
42. Staff try to exceed our customers' expectations.	1	2	3	4	5	6	7
43. This hospital exists primarily to serve customers.	1	2	3	4	5	6	7
44. Our hospital's objectives are based on meeting customers' needs.	1	2	3	4	5	6	7
45. In this hospital we focus on our own internal needs rather than basic customer needs.	1	2	3	4	5	6	7
46. Our hospital's plans for the future are based on our understanding of customers' needs.	1	2	3	4	5	6	7
47. Staff have a long-term commitment to understand our customers' expectations and how they change.	1	2	3	4	5	6	7

Part IV

Instructions: Read each of the following four descriptions carefully and then answer the question below.

Hospital A maintains a 'niche' within the healthcare system by offering a relatively stable set of programs/services. Generally Hospital A is not at the forefront of new program or service developments in healthcare. It tends to ignore changes that have no direct impact on current areas of operation and concentrates instead on doing the best job possible in its existing arena.

Hospital B maintains a relatively stable base of programs/services while at the same time moving to meet selected, promising new program/service developments. This hospital is seldom the 'first in' with new programs or services. However, by carefully monitoring the actions of institutions like Hospital C (below), Hospital B attempts to follow with a more cost-efficient or well-conceived program or service.

Hospital C makes relatively frequent changes in (especially additions to) its set of programs/services. It frequently attempts to pioneer by being 'first in' in new areas of program or service activity, even if not all of these attempts ultimately prove to be highly successful. Hospital C responds quickly to early signals of potential needs or opportunities.

Hospital D cannot be clearly characterized in terms of its approach to changing its programs/services. It does not have a consistent pattern on this dimension. Sometimes the hospital will be an early entrant into new fields of opportunity, sometimes it will move into new fields only after considerable evidence of potential success, and sometimes it will not make program/service changes unless forced to by external changes.

Which of these descriptions most closely fits your hospital compared to other hospitals? As you consider this question, please think of your hospital as a whole. Also, please note that none of the types listed above is inherently "good" or "bad."

	Hospital A	**Hospital B**	**Hospital C**	**Hospital D**
48. Which description most closely describes your hospital at this point in time?	A	B	C	D
49. Which description most closely describes your hospital **1-3 years ago**?	A	B	C	D
50. Which description will most closely describe your **hospital 1-3 years from now**?	A	B	C	D

Part V

Instructions: The following questions ask for your opinions regarding the use of customer service data at your facility. Customer service data is that data that describes the types of services requested by customers or offered to customers, the quality of those services, or the reactions of customers to these services. *Remember that the term "customer" refers to any person (e.g., patients and patients' families) who receives any service from hospital staff.*

Please read each statement carefully and circle the scale number that corresponds to your level of disagreement or agreement with the statement. For example, if you "disagree" with a statement, you should circle "2". If you "agree" with a statement, you should circle "6".

For these questions, "customer service data" refers to data about patients' needs for, opinions of, and satisfaction with hospital services. Please do not think about patients' medical records, such as test results or doctor's orders, as part of customer service data.

My facility has formal or informal processes in place to...	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree Nor Disagree	Somewhat Agree	Agree	Strongly Agree
51. continuously collecting customer service data *from* customers.	1	2	3	4	5	6	7
52. continuously collecting customer service data about other facilities' activities.	1	2	3	4	5	6	7
53. continuously collecting customer service data from relevant publics other than customers and other facilities.	1	2	3	4	5	6	7
54. continuously re-examining the value of customer service data collected in previous studies.	1	2	3	4	5	6	7
55. continuously collecting customer service data from external experts such as consultants.	1	2	3	4	5	6	7
56. sharing customer service data effectively between departments.	1	2	3	4	5	6	7
57. summarize customer service data, making it easier to understand.	1	2	3	4	5	6	7
58. encourage decision makers to disagree and to challenge one another's opinions regarding customer service.	1	2	3	4	5	6	7
59. organizing customer service data in meaningful ways.	1	2	3	4	5	6	7
60. process data about our customer services.	1	2	3	4	5	6	7
61. rely heavily upon customer service data to make decisions relating to service to customers.	1	2	3	4	5	6	7

My facility has formal or informal processes in place to...	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree Nor Disagree	Somewhat Agree	Agree	Strongly Agree
62. use customer service data to solve specific problems encountered in customer related projects.	1	2	3	4	5	6	7
63. provide customer service data to effectively implement customer related projects.	1	2	3	4	5	6	7
64. provide clear direction on implementation of customer related projects.	1	2	3	4	5	6	7
65. give customer service data to all departments / programs regarding their role in providing service to customers.	1	2	3	4	5	6	7
66. formally evaluate the effectiveness of service to customers.	1	2	3	4	5	6	7
67. informally evaluate the effectiveness of service to customers.	1	2	3	4	5	6	7
68. provide feedback to decision makers regarding the outcomes of their decisions and their effect on customer service.	1	2	3	4	5	6	7
69. constructively evaluate customer service outcomes.	1	2	3	4	5	6	7
70. encourage managers to understand the reasons for their mistakes.	1	2	3	4	5	6	7

My facility ...	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree Nor Disagree	Somewhat Agree	Agree	Strongly Agree
71. has formal information links established between all parties involved in service to customers.	1	2	3	4	5	6	7
72. has informal networks that ensure decision makers generally have the customer service data they need.	1	2	3	4	5	6	7
73. employs staff who were willing to educate others regarding service to customers.	1	2	3	4	5	6	7
74. takes the necessary time to properly train employees in new tasks relating to service to customers.	1	2	3	4	5	6	7
75. values customer service data as an aid to decision making.	1	2	3	4	5	6	7
76. views new customer service data as disruptive to the facility.	1	2	3	4	5	6	7
77. devalues the role of customer service data providers (e.g., marketing researchers).	1	2	3	4	5	6	7

My facility ...	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree Nor Disagree	Somewhat Agree	Agree	Strongly Agree
78. structures jobs so that customer service data providers play a role in strategy development.	1	2	3	4	5	6	7
79. integrates customer service data from a variety of sources when developing customer service strategies.	1	2	3	4	5	6	7
80. ensures that all customer service data sources were considered in decision making (not only those that supported the preferred action).	1	2	3	4	5	6	7
81. often uses data to answer specific questions necessary to improve service to customers.	1	2	3	4	5	6	7
82. often uses customer service data to challenge existing beliefs about service to customers.	1	2	3	4	5	6	7

Part VI

This section asks for your opinion regarding the extent to which changes are occurring within your hospital. Most hospitals will be some mixture of the various descriptions noted below. Indicate the degree to which these qualities reflect your hospital. If a statement does not at all reflect your hospital, circle "1". If a statement is very much a reflection of your hospital, circle "7".

	Not At All						Very Much
83. The way we do things in this hospital keeps changing.	1	2	3	4	5	6	7
84. You can never tell when you are going to have a new boss around here.	1	2	3	4	5	6	7
85. You can never tell when your job is going to change in this hospital.	1	2	3	4	5	6	7
86. The only thing that you can be sure of in this hospital is that something is going to change.	1	2	3	4	5	6	7
87. I'm always evaluated on the same criteria.	1	2	3	4	5	6	7
88. It seems that we are always reorganizing.	1	2	3	4	5	6	7

Part VII

Instructions: The following questions ask for your opinions regarding the amount of difference there is among customers at your facility. *Remember that the term "customer" refers to any person (e.g., patients and patients' families) who receives any service from hospital staff.*

The first set of questions ask for your opinion regarding the degree change in customer preferences over the past five years. Please read each statement carefully and circle the scale number that corresponds to the degree of change you believe has occurred among customers' preferences. For example, if you believe that there has been very frequent change in customers' preferences over the past five years, circle "7". If you believe there has been very little change (almost no change), you should circle "2".

	No Change						Very Frequent Change
89. Changes in customer preferences in service features (e.g., patients want more or less medication for pain).	1	2	3	4	5	6	7
90. Changes in customer preferences for services (e.g., patients' families want new educational programs).	1	2	3	4	5	6	7
91. Changes in customer preferences in service quality (e.g., more or less concerned with the quality of medical service).	1	2	3	4	5	6	7
92. Changes in customer preferences in service costs (e.g., more or less willingness to pay for additional services).	1	2	3	4	5	6	7

This next set of questions asks for your opinion regarding the degree to which current customers are similar or different from each other. Please read each statement carefully and circle the scale number that corresponds to the level of differences among customers. For example, if you believe that customers are very similar, circle "1". If you believe that customers are very different from one another, circle "7".

	Very Similar						Very Different
93. Range of demographic characteristics (e.g., social class, gender, age).	1	2	3	4	5	6	7
94. Range of preferred variety of service options/opportunities.	1	2	3	4	5	6	7
95. Range of preferences in service quality.	1	2	3	4	5	6	7
96. Range of preferences in service costs.	1	2	3	4	5	6	7

Part VIII

Instructions: The following questions provide background information regarding you and your job. Please note that *this information is for statistical purposes only*. It will *not* be used to identify specific individuals responding to the survey. Please read each question carefully. Then answer each question either by circling the number corresponding to your response or by writing your response in the space provided.

97. How old are you?

1. under 25
2. 25-34
3. 35-44
4. 45-54
5. 55 or over

98. What is your gender?

1. male
2. female

99. What is the highest level of education you have achieved?

1. Grade 9 or less
2. Some high school
3. High school diploma
4. Some technical or nursing training
5. Technical/Nursing diploma
6. Some university
7. Bachelor degree
8. MD degree
9. Masters degree
10. Doctoral degree

100. Which description or title best reflects your role at this hospital?

1. head nurse
2. primary care nurse
3. rehabilitation therapist
4. senior manager / administrator
5. technologist (for example: laboratory and x-ray)

101. How long have you worked at this hospital?

1. less than 6 months
2. 6 or more months but less than 2 years
3. 2 or more years but less than 5 years
4. 5 or more years but less than 10 years
5. 10 or more years but less than 15 years
6. 15 or more years but less than 20 years
7. 20 or more years but less than 25 years
8. 25 or more years but less than 30 years
9. 30 or more years

102. How long have you worked in hospitals or related positions?

1. less than 6 months
2. 6 or more months but less than 2 years
3. 2 or more years but less than 5 years
4. 5 or more years but less than 10 years
5. 10 or more years but less than 15 years
6. 15 or more years but less than 20 years
7. 20 or more years but less than 25 years
8. 25 or more years but less than 30 years
9. 30 or more years

Part IX : ADDITIONAL COMMENTS

Instructions: Please feel free to make any comments you wish in the space provided below. Your comments can address the survey itself, issues raised within the questionnaire, or any other points you may have regarding work in healthcare. Be assured that, *unless you identify yourself in your comments*, your written comments will remain strictly anonymous.

Thank You For Your Assistance!!

APPENDIX F
STAFF QUESTIONNAIRE

Description of Questionnaire's Sections

Section	Measure
Part I	Market Performance
Part II	Effectiveness Orientation
Part III	Marketing Concept Beliefs
Part IV	Descriptive Variables

Hospital Identification Number: _____

PATIENT / CUSTOMER ORIENTATION RESEARCH

STAFF QUESTIONNAIRE

Hospital Research Project
34 Forest Road
Rothesay, New Brunswick
E2H 1B5
(506) 847-5174

A NOTE BEFORE YOU BEGIN: Many questions in this survey refer to service provided to "customers". For the purposes of this survey, we would like you to think of a "customer" as *any person outside your organization who receives service from facility staff.* For example, the following groups would be considered "customers": patients, patients' families, and patients' friends.

Part I

Instructions: The following questions ask for your opinions regarding your hospital's effectiveness in providing customer service. *Remember that the term "customer" refers to any person (e.g., patients and patients' families) who receives any service from hospital staff.* Please read each statement carefully and circle the scale number that corresponds to your level of agreement or disagreement with the statement. For example, if you "disagree" with a statement, you should circle "2". If you "agree" with a statement, you should circle "6".

	Strongly Disagree	Disagree	Somewhat Disagree	Nether Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
1. This hospital has an excellent reputation in the community.	1	2	3	4	5	6	7
2. Tests and treatments are scheduled and conducted promptly.	1	2	3	4	5	6	7
3. Staff are concerned for their customers' comfort and feelings.	1	2	3	4	5	6	7
4. Productivity at this hospital is high.	1	2	3	4	5	6	7
5. Based on their experiences, past customers would recommend this hospital to their family and friends.	1	2	3	4	5	6	7
6. This hospital is a progressive, leading-edge organization.	1	2	3	4	5	6	7
7. Staff have access to the resources required to provide excellent service to customers.	1	2	3	4	5	6	7
8. Care and service are well coordinated throughout this hospital.	1	2	3	4	5	6	7
9. Customers generally feel that staff are sensitive to special problems or concerns.	1	2	3	4	5	6	7
10. Overall, the quality of care and services delivered by this hospital is excellent.	1	2	3	4	5	6	7
11. *Compared to other hospitals*, this hospital has an easier time gaining financial support from government.	1	2	3	4	5	6	7
12. *Compared to other hospitals*, this facility has an easier time obtaining donations from the community.	1	2	3	4	5	6	7

Part II

Instructions: This section of the questionnaire asks about the characteristics of your hospital. Most hospitals display some mixture of the various characteristics noted below. Please indicate the degree to which the hospital as a whole reflects each of these characteristics. For example, if you believe that the hospital reflects a particular characteristic "quite a bit", circle "5".

This hospital is a very:	Not At All		To Some Extent		Quite A Bit		Very Much
13. personal place. It's like an extended family. People seem to share a lot of themselves.	1	2	3	4	5	6	7
14. dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.	1	2	3	4	5	6	7
15. rules oriented place. A major concern is with getting the job done. People are very competitive and achievement oriented.	1	2	3	4	5	6	7
16. controlled and structured place. Formal procedures generally govern what people do.	1	2	3	4	5	6	7
The leadership in this hospital is generally considered to exemplify:	Not At All		To Some Extent		Quite A Bit		Very Much
17. mentoring, facilitating, nurturing.	1	2	3	4	5	6	7
18. entrepreneurship, innovating, a risk taking.	1	2	3	4	5	6	7
19. a no-nonsense, aggressive, results-oriented focus.	1	2	3	4	5	6	7
20. coordinating, an organizing, smooth running efficiency.	1	2	3	4	5	6	7
The management style in this hospital is characterized by:	Not At All		To Some Extent		Quite A Bit		Very Much
21. teamwork, consensus, and participation.	1	2	3	4	5	6	7
22. individual risk-taking, innovation, freedom, and uniqueness.	1	2	3	4	5	6	7
23. hard-driving competitiveness, high demands, and achievement.	1	2	3	4	5	6	7
24. security of employment, conformity, predictability, and stability of relationships.	1	2	3	4	5	6	7

The glue that holds this organization together is:	Not At All		To Some Extent		Quite A Bit		Very Much
25. loyalty and mutual trust. Commitment to this organization runs high.	1	2	3	4	5	6	7
26. a commitment to innovation and development. There is an emphasis on the cutting edge.	1	2	3	4	5	6	7
27. an emphasis on achievement and goal accomplishment. Aggressiveness and winning are common themes.	1	2	3	4	5	6	7
28. formal rules and policies. Maintaining a smooth running institution is important.	1	2	3	4	5	6	7
This hospital emphasizes:	Not At All		To Some Extent		Quite A Bit		Very Much
29. human development. High trust, openness and participation persist.	1	2	3	4	5	6	7
30. acquiring new resources and creating new challenges. Trying new things and prospecting for opportunities are valued.	1	2	3	4	5	6	7
31. competitive actions and achievement. Hitting stretch targets is important.	1	2	3	4	5	6	7
32. permanence and stability. Efficient, smooth operations are important.	1	2	3	4	5	6	7
This hospital defines success on the basis of:	Not At All		To Some Extent		Quite A Bit		Very Much
33. human resources, teamwork, employee commitment, and concern for people.	1	2	3	4	5	6	7
34. having the most unique or newest initiatives. It is a leader or innovator.	1	2	3	4	5	6	7
35. winning in the marketplace and outpacing the competition. Competitive leadership is key.	1	2	3	4	5	6	7
36. efficiency. Dependable delivery, smooth scheduling, and low cost production are critical.	1	2	3	4	5	6	7

Part III

Instructions: Each of the following statements refers to the importance of customers' needs in your hospital's operations. *Remember that the term "customer" refers to any person (e.g., patients and patients' families) who receives any service from hospital staff.* Please read each statement carefully and circle the scale number that corresponds to your level of agreement or disagreement with the statement. For example, if you "somewhat agree" with a given statement, circle "5".

	Strongly Disagree	Disagree	Somewhat Disagree	Nether Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
37. Our hospital's strategies are geared toward providing better service to customers.	1	2	3	4	5	6	7
38. We try to achieve our goals by satisfying our customers' needs.	1	2	3	4	5	6	7
39. Staff want to understand how they can provide better service to their customers.	1	2	3	4	5	6	7
40. Staff do **not** think of meeting customers' needs as their number one task.	1	2	3	4	5	6	7
41. When we make decisions, we try to understand what our customers need from us.	1	2	3	4	5	6	7
42. Staff try to exceed our customers' expectations.	1	2	3	4	5	6	7
43. This hospital exists primarily to serve customers.	1	2	3	4	5	6	7
44. Our hospital's objectives are based on meeting customers' needs.	1	2	3	4	5	6	7
45. In this hospital we focus on our own internal needs rather than basic customer needs.	1	2	3	4	5	6	7
46. Our hospital's plans for the future are based on our understanding of customers' needs.	1	2	3	4	5	6	7
47. Staff have a long-term commitment to understand our customers' expectations and how they change.	1	2	3	4	5	6	7

APPENDIX G
FOLLOW-UP POST CARD

Hospital
Research
Project

JUST A FRIENDLY REMINDER

<DATE>

Dear Survey Respondent:
I would like to remind you of the importance of your completing the Hospital Research Project questionnaire.

If you've already returned your survey, thank you very much and kindly disregard this reminder.

If you have not already completed and returned your survey, I encourage you to do so at your earliest convenience. If you have any questions, please do not hesitate to contact me.

Thank you!
J. Robert Graves

Phone: (902) 585-1622
E-Mail: Bob.Graves@acadiau.ca

VITA

John Robert Graves was born in Camrose, Alberta, Canada on December 28, 1958. He attended schools in the public school systems of Spirit River, Fairview, Grande Prairie, and High Prairie, Alberta, and Saskatoon, Saskatchewan. He graduated from E.W. Pratt High School in High Prairie, Alberta in 1976. In 1978 he entered Camrose Lutheran College. In 1980 he transferred to the University of Alberta where in May, 1982, he received a Bachelor of Commerce. After graduating, Bob worked one year for a firm of chartered accountants and then four years as an instructor of community college business administration courses. In 1985 he entered a University of Alberta program leading to a Diploma in Education (Adult and Post-Secondary Education) that he completed in 1986. In September, 1987, he enrolled in MBA program at the University of Manitoba. After receiving his Master's degree in 1989, he returned to teaching at a community college. In 1990 he accepted a two-year position as a Lecturer in the Marketing Department at the University of Manitoba. In August of 1992, he began attending The University of Tennessee to pursue the Doctor of Philosophy with a Major in Business Administration. The doctoral degree was received December, 1999. From the fall of 1996 through the spring of 1998 he taught as a sessional at the University of New Brunswick Saint John. For the 1998-99 academic year, he was a lecturer at Acadia University.

Presently, Bob is a Research Associate at the University of New Brunswick Saint John.