

Market Driving and Firm Performance

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Market Driving and Firm Performance

Research on strategic marketing is largely dominated by the concept of market orientation as the main strategy influencing firm performance (Kohli et al. 1993; Slater and Narver 1998; Jaworski et al. 2000). In contrast to market orientation, the strategy of market driving is largely neglected by prior research, although many firms (e. g., Ikea, Tetra Pak, Starbucks or SAP) drive markets through revolutionizing the industry to gain competitive advantage (Jaworski et al. 2000; Kumar 2004; Carrillat et al. 2004). Due to the lack of research on this topic, the paper conceptualizes the construct, develops a new measure and empirically tests the antecedents and consequences of market driving using a sample of 184 firms.

Market Driving and Firm Performance

INTRODUCTION

Since the late 1980's marketing theory suggests market orientation to be the most effective strategy of achieving and maintaining competitive advantage (Jaworski, Kohli, and Sahay 2000; Narver and Slater 1990). Current understanding of market orientation relates to the organization wide generation and dissemination of customer and competitor information and is associated with a firm's ability to learn and respond to the market (Kohli and Jaworski 1990). It has been conceptualized from both a behavioral and a cultural perspective (Homburg and Pflesser 2000; Kirca, Jayachandran, and Bearden 2005). While the behavioral perspective captures organizational activities being related to generation and dissemination of market intelligence and a firm's responsiveness to the market (Kohli and Jaworski 1990), the cultural perspective relates to organizational norm and values encouraging behaviors being consistent with market orientation (Deshpande, Farley, and Webster 1993; Narver and Slater 1990). Reviewing prior research on the construct, Jaworski et al. (2000) criticize most conceptualizations of the construct to be too narrow. They extend understanding of market orientation through distinguishing between two complementary approaches: The first approach which is characterized as '*market driven*', describes market orientation as a reactive concept, where companies intend to keep the status quo by focusing mainly on existing customers and their current needs. The second '*market driving*'-approach is a more proactive understanding of the concept, where companies shape not only customers' but also other market participants' behaviors and/or market structure in a direction that enhances the competitive position of a firm (Jaworski et al. 2000).

Our research falls into the latter stream of market orientation research. The importance of this perspective is underlined by a recent meta-analysis supporting that market orientation-performance linkage does not always hold (Kirca et al. 2005). Against this background Jaworski et al. (2000) highlight the potential of market driving as a complementary approach. Unfortunately, most of prior research on this strategy is qualitative in nature. Several propositions to the antecedents of market driving have pointed out (Carrillat, Jaramillo, and Locander 2004; Harris and Cai 2003; Kumar et al. 2000), but these propositions still need empirical validation. Furthermore, although market driving is discussed to lead to higher organizational performance, this relationship and factors affecting market driving-performance linkage have not been tested

empirically. Hence, understanding of the market driving construct, its relevance and strategies to strengthen a firm's market driving activities is hampered, by the lack of appropriate measures of the construct (Hills 2003). Thus, managers receive no guidance neither on how to improve their organizations' market driving efforts nor under what circumstances, they should implement a market driving strategy (Jaworski et al. 2000; Kumar et al. 2000). Our study fills that void by (1) developing a measurement instrument of the market driving construct based on the recent conceptualization developed by Jaworski et al. (2000), (2) discussing and empirically testing antecedents and performance outcomes of the market driving construct, and finally, (3) examining the moderating effects of market turbulence and technological change on the market driving–performance linkage.

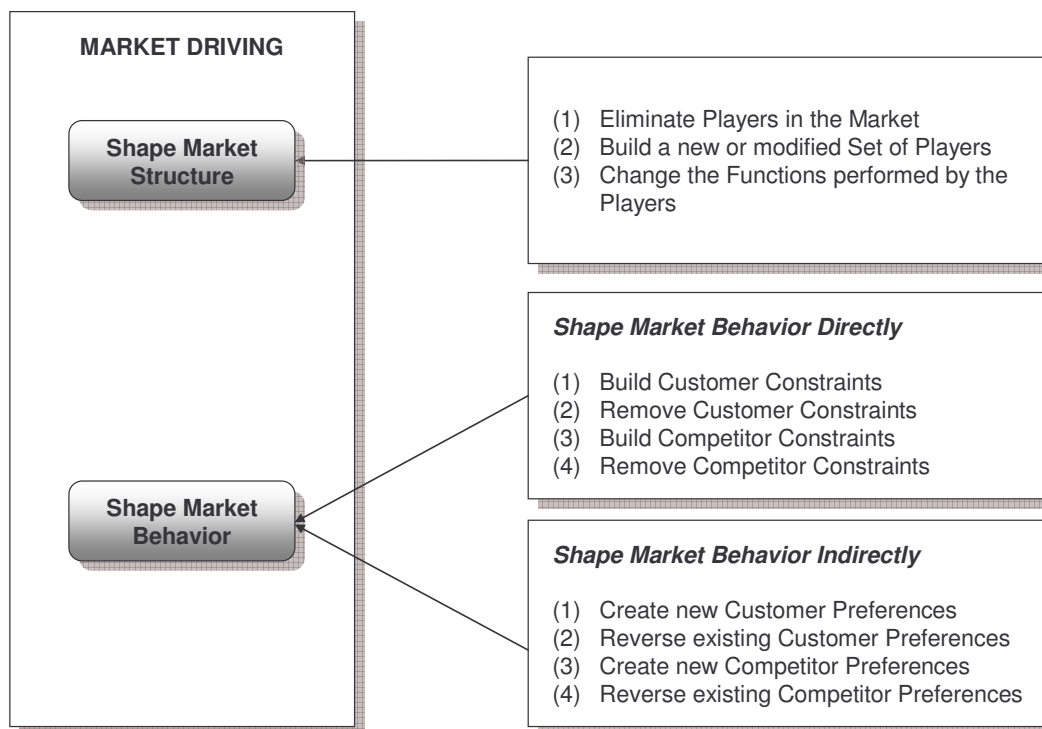
In accordance with these research objectives, this paper is organized as follows: First, we give a brief overview of prior research on the market driving concept and introduce the conceptualization developed by Jaworski et al. (2000) to capture a firm's market driving activities. As suggested by these researchers, we employ this conceptualization of market driving to develop our measures. Second, we derive our conceptual framework and discuss our research hypotheses. Third, we present the results of our empirical analysis, using a sample of 181 managers from electronics industry. We close this paper with a summary of our findings, a discussion about its limitations and further research.

MARKET DRIVING: THE CONSTRUCT

The conceptual roots of the market driving concept can be traced back to scholars such as Zeithaml and Zeithaml (1984), Clark (1994) and Hamel (1996) and their research on environmental management. This stream of research examines when environmental change should be undertaken and how companies proactively manage “the rules of the game”. The term market driving was mentioned first time by Kumar (1997) in a case study about changes in the retail landscape although later Kumar and colleagues (2000) note that this approach is already being adopted by several established firms, e.g., Body Shop, IKEA, and Dell. A definition of the construct was given by Jaworski et al. (2000), who describe market driving as “changing the composition and/or roles of players in a market and/or the behavior(s) of players in the market.” Jaworski et al. (2000) argue that firms which influence market players and/or affect market structure more often can be viewed as being more market driving. In contrast to being market

driven, the market driving approach is not only a more proactive approach, it also includes every stakeholder of the company not only customers and/or competitors. Although the idea of market driving is not entirely new and has been partially discussed in approaches like customer leading (also known as proactive market orientation) and pioneering, changing of competitor behavior and market structure is not included in these approaches (Hills 2003). Following Jaworski's et al. (2000) conceptualization of market driving, we distinguish between two sets of activities: (1) activities that shape the market structure and (2) activities that shape market behavior (see Figure 1).

FIGURE 1
Conceptualization of Market driving



Shaping Market Structure

Regarding the first set of activities, the structure of a market can be shaped by applying three generic approaches (Jaworski et al. 2000): (1) eliminating players in the market; (2) creating a new market structure through setting and/or modifying the current set of players; (3) changing the functions of the players in the market. While the first approach captures those activities that

address a reengineering of the value chain to eliminate players which add only little value from customer perspective (e. g., players in the channel of distribution, competitors, suppliers), the second approach captures activities that develop a different set of players to better meet customer needs (build a new web of players, add complementary players). The last approach captures activities that involve forward or backward integration of a firm within the value chain.

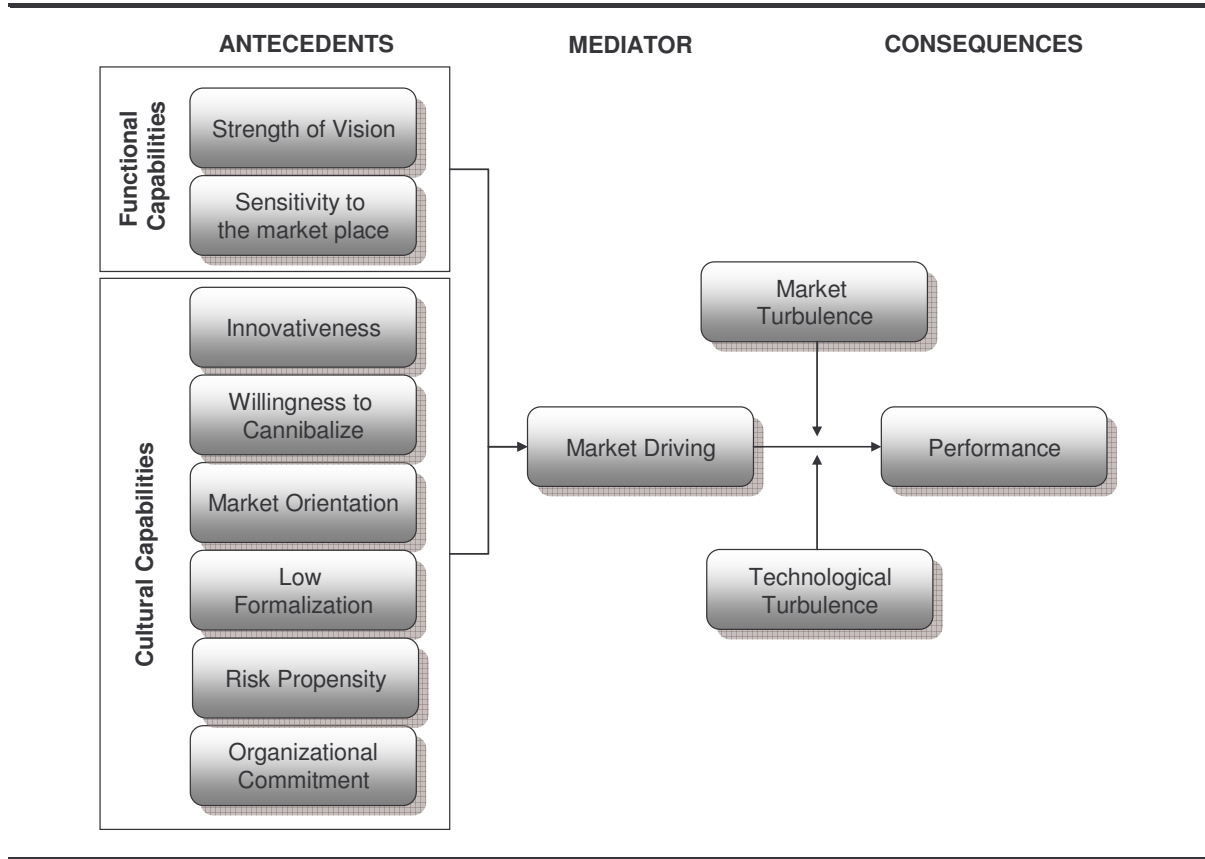
Shaping Market Behavior

Regarding the second set of activities, Jaworski et al. (2000) distinguish between activities that directly shape market behavior and those having an indirect effect. Market behavior can be shaped directly through: (1) building or (2) removing customer constraints as well as through (3) building or (4) removing competitor constraints. Regarding these constraints, companies not necessarily have to influence the existence of real constraints; management of imagined constraints is also captured within these activities. Additionally to activities influencing customer behavior directly, companies can shape preferences of customers or competitors and thereby, indirectly influence market behavior; these activities include: (1) creating new or (2) reversing existing customer preferences and (3) creating new or (4) reversing existing competitor preferences. By introducing new offerings and/or new benefits, the customers' preferences were changed and customers' behavior is influenced. Similarly, competitors' preferences can be influenced depending on the direction that enhances the competitive position of the firm.

CONCEPTUAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

To develop our conceptual framework, we reviewed literature on market orientation, resource based view, capability approach, and marketing strategy that is relevant to our research focus. Based on this review, we define the key constructs and their interrelationships within our framework and describe their theoretical grounds. The framework comprises four sets of factors: (1) antecedents that increase or decrease a market driving, (2) the market driving construct, (3) consequences of a market driving, and (4) moderator variables influencing the relationship between market driving and its consequences (see Figure 2).

FIGURE 2
Conceptual Framework



The Antecedents of Market driving

Reviewing market driving literature, four sets of potential antecedents can be identified: (1) market characteristics, (2) product features, (3) firm demographics and (4) firm resources. Due to its importance and managerial relevance, this research focus on the latter set of antecedents as resource-based view and market driving literature suggests (Zeitham et al. 1984; Clark et al. 1984; Jaworski et al. 2000; Kumar et al. 2000). We further divided the identified resources in functional (Collins and Porras 1991; Lado and Wilson 1994; Lipton 1996; Kumar 2004; Kumar et al. 2000; Harris and Cai 2002, 2003) and cultural capabilities (Jaworski et al. 2000; Kumar 2004; Hills 2003; Chandy and Tellis 1998; Kumar et al. 2000; Pil and Cohen 2006; Markides 1999; Clark et al. 1994; Hamel and Prahalad 1991; Kumar 2004), because the capabilities found are mainly concerned with 'doing' in contrast to those capabilities being concerned with 'having' (Hall 1993). Capabilities represent complex bundles of skills and knowledge exercised through

organizational processes, which enable firms to coordinate activities and use their assets (Day 1994).

Functional Capabilities. Functional capabilities are based on competencies like expertise and skills and therefore they dependent on people within the value chain (Hall 1993). In our research, we identified the strength of a firm's vision (Carrillat et al. 2004; Hamel and Prahalad 1991; Kumar et al. 2000) and its sensitivity to the market place (Kumar et al. 2000; Harris and Cai 2003) to be discussed when implementing market driving.

A vision refers to a shared understanding of the environment and how it will develop and what the business intends to become in the future. It is crucial for proactive management because without having a vision, organizations have no chance to influence their future (Carrillat et al. 2004). A clear vision helps companies to focus on activities and offerings that are not only derived from customers' current needs. Employees throughout all departments receive orientation when planning new activities and projects following this vision (Jaworski et al. 2000). Thus, we propose that a firm's visionary power leads to higher market driving. Formally,

H1: The greater a firm's visionary power, the greater is its market driving.

A firm's sensitivity for change can be defined as its ability to see opportunities and constraints in the environment (Conger and Kanungo 1994). Companies being able to detect small changes in their market environment can react proactively to market changes being confronted with. Through investments on market research and customer interviews regarding future needs, these changes were barely detected (Hamel and Prahalad 1991; Kumar et al. 2000). Hence, we assume that a firm's sensitivity for change leads to higher market driving. Thus,

H2: The greater a firm's sensitivity for change, the greater is its market driving.

Cultural Capabilities. Like functional capabilities, cultural capabilities are based on competencies and apply to the organization as a whole. They include habits, attitudes, beliefs and values, and permeate individuals or groups across the organization (Hall 1993). We identified innovativeness (Hills and Sarin 2003; Jaworski et al. 2000), willingness to cannibalize (Chandy and Tellis 1998; Kumar et al. 2000), market orientation (Jaworski et al. 2000; Kumar et al. 2000), degree of formalization (Kumar et al. 2000), risk taking (Clark et al. 1994; Hamel and Prahalad 1991), and organizational commitment to be potential antecedents that enhance or impede market driving. Innovativeness refers to the openness to new ideas as an aspect of a firm's culture (Hurley and Hult 1998). Driving markets is related to establishment of new ideas within the market (e. g., process, products or structure of the value chain). These ideas can only be

established, when having a strong innovation orientation within a firm (Hills and Sarin 2003; Jaworski et al. 2000). Hence, we propose that innovativeness of a firm leads to higher market driving. Formally,

H3: The greater a firm's innovativeness, the greater is its market driving.

Market orientation was described as the organization wide generation of market intelligence and is associated with a firm's ability to learn and respond to the market (Kohli and Jaworski 1990). Jaworski et al. (2000) argue market driving and market driving to be complementary approaches. Kumar et al. (2000) extend this discussion by assuming market orientation to be the basis for market driving. Only when exactly knowing current market conditions, companies can shape market in a direction that is favorable. Hence we propose that market orientation of a firm leads to higher market driving. Thus,

H4: The greater a firm's market orientation, the greater is its market driving.

A firm's formalization refers to employees' degree of freedom, when performing activities (Aiken and Hage 1968). The more flexible the corporate culture, the better can employees react to environmental uncertainties (Hall, Haas, and Johnson 1967). Especially, for generation of new ideas and their establishment a flexible corporate culture is discussed to be of high relevance (Aiken and Hage 1971; Pierce and Delbecq 1977). Therefore, we propose that a lower degree of formalization leads to higher market driving. Hence,

H5: The lower a firm's degree of formalization, the greater is its market driving.

A firm's risk taking captures its managers' tendency or preference for taking risks or being adventurous (Raju 1980). Changing the status quo is always associated with certain risks and potential losses. If management is willing to take risks and accept failures, changing the marketplace and introducing new ideas will become more likely (Clark et al. 1994; Hamel and Prahalad 1991; Jaworski and Kohli 1993; Kumar et al. 2000). Thus, we propose that a firm's risk taking leads to higher market driving. Formally,

H6: The greater a firm's risk taking, the greater is its market driving.

A firm's willingness to cannibalize refers to the extent to which a firm is willing to reduce actual or potential value of its investments (Chandy and Tellis 1998). Literature discusses market driving activities to be related to introduction of innovations into a market. When a firm is not willing to accept innovation due to potential cannibalization effects, market driving activities will be less likely (Chandy and Tellis 1998; Kumar et al. 2000). Therefore, we propose that a firm's willingness to cannibalize leads to higher market driving. Hence,

H7: The greater a firm's willingness to cannibalize, the greater is its market driving.

A firm's organizational commitment refers to the relative strength of an individual's identification with and involvement in a particular organization (Mowday, Porter, and Steers 1979). Driving markets requires commitment from employees, due to this strategies' riskiness and its need for employees' innovation generation and diffusion. Hence, we propose that a firm's organizational commitment leads to higher market driving. Thus,

H8: The greater a firm's organizational commitment, the greater is its market driving.

The Consequences of Market driving

The impact of market orientation on firm performance has been tested in several empirical studies (Kirca et al. 2005). Arguing, that long term profitability could not be achieved by only being driven by the market, Jaworski et al. (2000) assume that a firm's market driving has to be assessed. Kumar et al. (2000) refer to strategies being conducted by successful companies, when analyzing the concept of market driving. Hence, it is logical to examine whether firms that show a high market driving oriented exhibit superior performance. Thus, we propose that a market driving leads to superior firm performance. Formally,

H9: The greater the market driving of a firm, the greater is its performance

Moderators: Market Turbulence and Technological Change

Little attention is paid to contextual factors determining the appropriateness of a market driving strategy (Jaworski et al. 2000). Turbulence of the market might be one of these conditions, which is defined as changes in the composition of customers and their preferences (Kohli and Jaworski 1990). Under stable market conditions, companies don't have to find new ways of satisfying customer needs – incremental innovations derive from the customer and radical innovation is less effective. Companies' effort on changing markets should be more effective when being confronted with turbulent market conditions. Following this argumentation, it is not assumed that market driving has no effect on performance in a stable market. Specifically, we assume that the market driving–performance linkage is likely to increase, when being market turbulence increases. Hence,

H10: The higher the market turbulence, the greater is the positive effect of a firm's market driving on its performance.

Supplementary to market turbulence, Kohli and Jaworski (1990) discuss technological turbulence to be an environmental condition of high relevance, because of its influence on a

firm's strategy effectiveness. Technological turbulence describes the degree of technological change within the industry. In many industries technological innovations are developed outside the industry into which the innovations establish (Kohli and Jaworski 1990). Under these conditions, a firm's capability to change market structure by gathering ideas and innovations across the boundaries of the industry becomes more crucial for being successful. Therefore, it is assumed that the market driving–performance linkage is likely to increase, when being technological turbulence increases. Thus,

H11: The higher the technological change, the greater is the positive effect of a firm's market driving on its performance.

RESEARCH METHODOLOGY

Measurement

The designed questionnaire mainly consists of measures based on well established scales, as we list in Appendix, Table 1. They were selected on the basis of their extent of use in previous research and reported reliability and validity. We made some adoptions to meet the specific characteristics of our industry and our research setting. To ensure face validity, a number of marketing researchers and specialists were consulted. For our research, we used reflective scales for most of our constructs except for the market driving construct, which is a formative scale. All items were measured using a 7-point Likert scale anchored by “7” (“strongly disagree”) and “1” (“strongly agree”). Functional capabilities, a firm's strength of vision and its sensitivity to the market place were measured with scales adapted from Conger and Kanungo (1994). Regarding cultural capabilities, again measures for the latent variables were adapted from prior research, specifically for innovativeness (Hurt, Joseph, and Cook 1977), willingness to cannibalize (Chandy and Tellis 1998), market orientation (Deshpande and Farley 1998), degree of formalization (Ferrell and Skinner 1998), risk taking (Jaworski and Kohli 1993), and organizational commitment (Meyer and Allen 1991). Performance measures were taken from Deshpande, Farley, and Webster (1993), while for the two environmental moderators, market turbulence and technological turbulence measures were adapted from Jaworski and Kohli (1993).

Since an established measurement instrument for market driving is not available in the literature, we developed a measure based on Jaworski's et al. (2000) conceptualization. We followed the approach suggested by Diamantopoulos and Winklhofer (2001) and generated a large pool of items, considering all facets of the conceptualized construct. As market driving is conceptualized as an index of strategies and activities, which are not necessary related to each

other, we decided to establish a formative measurement. The items were tested by asking marketing experts to check the items on ambiguity or other difficulties first. Second we carried out the test suggested by Anderson and Gerbing (1991) with 22 marketing experts in order to check content validity. This was followed by another pre-test among 25 top managers, which showed no problems concerning multicollinearity (tested by condition index and VIF values) and indicator weights.

Sample Characteristics and Data Collection

The targeted sample includes executives of all members of the central association of the German electronic industry (N = 1,162). A package containing a cover letter, a standardized questionnaire, and a prepaid envelope was sent to each respondent. To encourage response, the cover letter explained nature and relevance of the study and promised a small amount of donation to a charity organization for each completed questionnaire. We received a total of 181 responses at a response rate of about 15.6 percent. In detail, we collected 130 questionnaires from managing directors and chief executive officers (72%), 15 from assistant managing directors (8%), 27 from head of marketing and business development (15%), and 9 from head of research and development (5%). The respondents had significant amounts of work experience and were able to evaluate their firm's strategy appropriately. The responding firms' number of employees ranges from 50 employees to 1,000 with an average of 372 employees per company. In terms of size and company focus (e.g., automation, consumer electronics) the collected sample is representative for the electronic industry. We tested for nonresponse bias and found no significant differences between early and late respondents. Since the data for dependent and independent variables were obtained from the same informant, there is a possibility of common method bias (CMB). Applying the methods suggested by Podsakoff and colleagues (2003) to test for CMB, particularly the "single-method-factor approach", we can conclude that CMB is not a significant issue in our study.

ANALYSIS AND RESULTS

Measurement Model

Measurement reliability was examined through confirmatory factor analysis and the calculation of cronbach alpha coefficient (see Table 1, Panel A). It can be noted that the coefficient alpha is

larger than .7, the threshold generally proposed in the literature (Nunnally 1978). Also, composite reliabilities are larger than .6 for all constructs (Bagozzi and Yi 1988). Discriminant validity of the constructs was assessed using the criterion proposed by Fornell and Larcker (1981). Again, the criterion was met (see Table 1, Panel B). Therefore, reliability and validity of the constructs in this study are acceptable.

TABLE 1
Reliability and Validity of the Constructs

A: Scale Properties										
	Coefficient Alpha	Composite Reliability	Average Variance Extracted							
Strength of Vision	.84	.90								
Sensitivity for Change	.85	.85								
Innovativeness	.74	.83								
Cannibalize	.79	.79								
Market Orientation	.76	.76								
Formalization	.76	.84								
Risk Taking	.72	.84								
Commitment	.90	.92								
Market Turbulence	.80	.91								
Technological Change	.78	.84								
Performance	.79	.87								

B: Correlations between Variables											
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
Strength of Vision	-										
Sensitivity for Change	.63	-									
Innovativeness	.61	.46	-								
Cannibalize	.42	.43	.51	-							
Market Orientation	.17	.27	.63	.17	-						
Formalization	.28	.27	.20	.26	.16	-					
Risk Taking	.24	.18	.36	.28	.03	.22	-				
Commitment	.60	.51	.48	.40	.27	.23	.24	-			
Market Turbulence	.28	.20	.21	.32	.10	.02	.08	.28	-		
Technological Change	.36	.28	.35	.22	.12	.13	.16	.37	.46	-	
Performance	.24	.21	.21	.15	.17	.12	.17	.34	.13	.17	-
<i>Average Variance Extracted</i>	.76	.50	.56	.52	.52	.58	.63	.65	.83	.58	.62

The Structural Model

To test the antecedents and consequences of market driving, we applied a component-based SEM approach. Specifically, we use PLS because it does not require multivariate normal data, it is more suitable for small samples, and it is recommended when calculating a research model with formative indicators (Chin 1998; Fornell and Bookstein 1982; Hulland 1999; Tenenhaus et al. 2005). As suggested by Chin (1998), we use PLS to estimate main and interaction effects in our model. We first examine direct effects only and in a second step we include interaction terms in our model (Baron and Kenny 1986; Chin et al. 2003). Overall, our predictors offer good explanation for the focal construct: our model explains 32.4% of the variance in the market driving construct and the applied Stone-Geisser test supports our model's predictive relevance (Fornell and Cha 1994). The results of hypotheses testing for H₁–H₉ are summarized in Table 2, Panel A.

TABLE 2
Results of Structural Equation Model

A: Results of Hypothesis Testing: H₁-H₉								
Construct	Direction	Construct	Est.	t-value	f²	p	Hyp.	Result
Market Driving	←	Strength of Vision	-.180	1.739	.022	.10	H ₁	Rejected
	←	Sensitivity	-.066	.858	.004	-	H ₂	Rejected
	←	Innovativeness	.404	3.937	.126	.01	H ₃	Confirmed
	←	Cannibalize	.035	.636	.001	-	H ₄	Rejected
	←	Market Orientation	.227	3.270	.061	.01	H ₅	Confirmed
	←	Formalization	.081	1.368	.010	-	H ₆	Rejected
	←	Risk Taking	.242	2.915	.074	.01	H ₇	Confirmed
	←	Commitment	-.022	.343	.001	-	H ₈	Rejected
Performance	←	Market Driving	.319	4.701	.114	.01	H ₉	Confirmed
B: Results of Hypothesis Testing: H₁₀-H₁₁								
Construct	Direction	Construct	Est.	t-value	f²	p	Hyp.	Result
Performance	←	Market Driving X Market Turbulence	.145	1.744	.120	.10	H ₁₀	Confirmed
		Market Driving X Technological Turbulence	.117	1.438	.120	-	H ₁₁	Rejected

H₁, which predicted that a firm's visionary power is positively associated with its market driving, was not supported ($\beta = -.180, p < .10$). Contrary to our expectations, a negative effect was found. H₂, which predicted that a higher sensitivity for change would lead to greater market driving, was not supported ($\beta = -.066, p > .10$). In support of H₃, a firm's innovativeness was positively associated with its market driving ($\beta = .404, p < .01$). H₄, which assumed a positive association between a firm's willingness to cannibalize and market driving, was not supported ($\beta = -.035, p > .10$). Supporting H₅, marketing orientation was positively linked to market driving ($\beta = .227, p < .01$). No support was found for H₆, assuming a positive impact of a firm's degree of formalization and market driving ($\beta = .081, p > .10$). H₇, which predicted a positive impact of risk taking on market driving was supported ($\beta = .242, p < .01$) and H₈ has to be rejected, organizational commitment had no impact on market driving ($\beta = -.022, p > .10$). Finally, market driving was found to have a positive effect on performance, therefore H₉ was supported by our findings ($\beta = .319, p < .01$). Overall, four of nine hypotheses were supported by these findings.

Regarding potential direct effects of the firm's capabilities on performance, the mediating effect of market driving was tested applying the method proposed by Baron and Kenny (1986). Examining only those capabilities that have a significant impact on market driving, we have to summarize, that innovativeness and risk taking have no direct on business performance. Market orientation is the only capability found to have a direct effect on business performance beside its indirect effect.

To determine under which conditions market driving strategies should be established, moderators of the link between market driving and firm performance are tested, using structural equation modeling (see Table 2, Panel B). The results indicate, that H₁₀, which predicted that higher levels of market turbulence are associated with stronger effects of a firm's market driving on its firm performance, was supported by our findings ($\beta = .145, p < .10$) and H₁₁, assuming that technological turbulence influences the link between market driving and performance, has to be rejected ($\beta = .117, p > .10$).

DISCUSSION

Examining the contribution of this research, we refer to Jaworski's et al. (2000) initial article and its discussed research agenda. First, the authors underline the need for developing clear measurement to focus on market driving activities in contrast to activities of being driven by the

market. These measures were developed in this research and relevance of market driving strategy has proven that several of a firm's capabilities influence performance only indirectly through market driving. In detail, except for market orientation, market driving was found to be a fully mediator between capabilities and firm performance. By so doing, we gave insight into the relationship between the two complementary approaches of market driving and driving markets. Second, Jaworski et al. (2000) recommended investigation of conditions under which a driving-market approach works. In our research market turbulence and technological change were found to be moderators enhancing the effectiveness of market driving strategies. Third, the authors discussed the extent to which a market can be shaped, to be of further interest. We investigated electronics industry and gave insight into market driving effectiveness within this industry. By testing antecedents of market driving, managers of this industry receive guidance on how to implement a market driving strategy. Specifically, a firm's innovation orientation, market orientation, and top management's risk taking were found influencing market driving.

Managerial Implications

Over the past decades most companies have turned from product orientation to market orientation, realizing that a few companies within each industry are one step ahead by driving markets instead of only reacting to markets. Hence, managers have to learn how to become more proactive in managing market behavior and/or structure besides being market oriented to ensure future firm performance. The findings of our study give several insights for managers how to ensure market driving capabilities.

Establishment of Market Driving. Results of our analysis suggest that a firm's market driving depends on three factors: (1) innovativeness, (2) manager's risk taking and (3) market orientation. A firm's innovativeness was found to have the strongest impact on a firm's market driving activities; hence, we recommend enhancing capabilities to innovate. Besides budget allocation, implementation of innovative culture should influence innovation capabilities. When having an adhocracy-type of culture, employees will be encouraged to think about change and give suggestions about potential actions revolutionizing industries. Furthermore, managers' risk taking may foster products and/or services that not necessarily meet customers' current needs (Kumar et al. 2000). When, changing markets and/or structure managers often face risk and uncertainty. Through implementation of a risk taking culture these managers become more willing to take

risks and find new solutions for current problems. Not only should employees be willing to change, they should further have opportunities for making mistakes and these potential failures and the associated losses have to be accepted by top management. Hence, employee rewards and incentives could further enhance a market driving. Finally, market driving has been discussed to be a complementary strategy to being market driven. Our findings support this assumption; hence, companies should foster its market orientation to learn about current market structures and current needs and by so doing they learn about opportunities for successful market change.

Different Context, Different Impact. Two environmental factors were found influencing market driving effectiveness. Since managers want to know when to implement market driving strategies, we especially suggest this strategy for industries confronted with high market turbulence. Under these circumstances, firms only have limited opportunities to learn from current customer needs. Hence, increasing activities to improve business not relying on customer and markets should be more successful.

LIMITATIONS AND DIRECTIONS FOR FURTHER RESEARCH

Although our study establishes that market driving firms achieve higher performance, longitudinal studies would deepen our understanding of the long-term effects of market driving strategies. While examined variables in our study were used from one single source, there is a clear possibility of biases; hence, we encourage replication of our study combining data from multiple sources. Hills and Sarin (2003) assume the effectiveness of market driving to depend on industry characteristics. Therefore, further insights might be gathered through conducting studies across several industries, because of the specific focus of this research. The overall fit of our research model indicates that there may be further antecedents of market driving to be identified in future studies. Further company characteristics such as size, age or a strong brand should be tested regarding their impact (Jaworski et al. 2000). We examined two of many environmental variables being discussed to influence strategies' effectiveness. Hence, further moderators like price pressure or competitors' behavior could be tested empirically in further studies.

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APPENDIX
TABLE 1
Questionnaire Items

Market Driving Construct

Change of Market Structure (5 Items)

1. In comparison to the competition we try more strongly to take influence on the number of competitors in the market (p.e. by cooperations, acquisitions, aggressive competitions).
2. In comparison to the competition we try more strongly to new forms of distribution, which bring us an advantageous position towards the competition.
3. In comparison to the competition we try more strongly to influence the distribution channels by cooperation with trade partners to our flavour.
4. In comparison to the competition we try more strongly to influence the distribution channels by cooperation with other companies to our favour.
5. In comparison to the competition we try more strongly to change the functions and tasks of our suppliers regularly.

Change of Market Behavior (11 Items)

1. In comparison to the competition we try more strongly to complicate competitors the market entry.
 2. In comparison to the competition we try more strongly to influence the political decision process in relevant ranges to our flavor.
 3. In comparison to the competition we try more strongly to develop regularly new products, which should get our costumers to reconsider their preferences/ aversions.
 4. In comparison to the competition we try more strongly to develop products, which activate the unconscious wishes of our customers.
 5. In comparison to the competition we try more strongly to develop products with a very high degree of novelty.
 6. In comparison to the competition we try more strongly to encourage our customers to reconsider the meaning of certain product attributes.
 7. In comparison to the competition we try more strongly to adopt regularly ideas from other sectors to surprise our competitors.
 8. In comparison to the competition we try more strongly to reset new product-/ technology standards in our sector.
 9. In comparison to the competition we try more strongly to develop innovative products/ performances, which are unfortunately copied by competitors very often.
 10. In comparison to the competition we try more strongly to develop innovative marketing strategies, which are unfortunately simulated by competitors after a short time.
 11. Generally, the attitude of our company is more proactive than reactive.
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