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**How can firms become more market oriented? A cross-country study of the
role of managers' personal values**

Abstract

Although researchers have made some attempts to examine the implementation of a market orientation, most studies have been conducted in the US or Western Europe. Moreover, very few studies have considered the role of managers' personal values in the process of creating a market orientation. To address these gaps, we examine the effects of managers' personal values on market orientation from an emerging country, such as Brazil and China. Data analysis based on 201 Brazilian and 370 Chinese managers suggest that managers with different sets of personal values tend to emphasize different dynamics of market orientation. More specifically, the findings show that self-enhancement values negatively influence customer orientation and inter-functional coordination for Brazilian managers. Whereas for Chinese managers, openness to change values were positively and significantly related to customer orientation, competitive orientation and inter-functional coordination. Consequently, we postulate that personal values play an invisible yet powerful role in impeding or facilitating the development of a market orientation. This research is the first cross-country study of market orientation from the human perspective by highlighting the role of personal values.

Keywords: Personal values; market orientation; Brazil; China

Track: Marketing Strategy

1. Introduction

A market orientation is valuable because it focuses the firm on continuously understanding and responding to market needs effectively, thus creating competitive advantage for the firm (Hult & Ketchen Jr., 2001). Market orientation has been studied extensively in the literature in the last two decades. In particular, researchers have proposed the conceptualization and measurement of the construct (Ajay K. Kohli & Jaworski, 1990; Ajay K Kohli, Jaworski, & Kumar, 1993; Matsuno, Mentzer, & Rentz, 2005; Narver & Slater, 1990); identified its antecedents and consequences (Brettel, Engelen, Heinemann, & Vadhanasindhu, 2008); investigated the moderators and/or mediators of the market orientation – performance relationship (Zhou, Brown, Dev, & Agarwal, 2007); and conducted reviews or meta-analysis on the market orientation related studies (Raaij & Stoelhorst, 2008). However, the implementation issue, which addresses the question of ‘how can firms become more market oriented?’ remains a relatively underdeveloped field (see Raaij and Stoelhorst 2008 for an overview).

From a managerial perspective, the role of managers in creating and implementing a market orientation has not been given sufficient attention. Webster (1988) reports that a market orientation appears to be facilitated by the amount of emphasis senior managers place on market orientation. While some scholars have provided evidence of the link between senior management behavior and market orientation (Harris & Ogbonna, 2001; Ajay K. Kohli & Jaworski, 1990), very few studies have focused specifically on the impact of managers’ personal values in the process of engendering a market orientation (Gao & Bradley, 2007). Personal values are the criteria people use to select and justify personal actions and decisions and to evaluate their own and others’ behavior (Rokeach, 1973; Schwartz, 1992). Managers with articulated sets of personal values make choices more easily and tend to build lasting results. In contrast, managers lacking a clear set of personal values, rudderless managers, constantly shift from goal to goal (Ulrich, Zenger, & Smallwood, 1999). We argue that a better understanding of managers’ personal values can provide us with a deeper insight into their attitude towards market orientation. Thus the aim of the current study is to investigate the role of managers’ personal values in the process of creating a market orientation.

2. Conceptual Framework and Research Hypotheses

2.1 *The concept of personal values*

Values are desirable goals that serve as guiding principles in people’s lives (Rokeach, 1973; Schwartz, 1992). Values can affect perceptions and can directly enter into a strategic choice because a decision maker can theoretically arrive at a set of perceptions that suggest a certain choice but discard that choice on the basis of his or her personal values. Building upon Rokeach’s (1973) work, Schwartz (1992) identifies ten value types (self-direction, stimulation, conformity, tradition, security, universalism, benevolence, achievement, power, and hedonism) that he collapses into two-bipolar dimensions: *openness to change* (self-direction, creativity and stimulation) vs. *conservation* (conformity, tradition and security) and *self-transcendence* (universalism and benevolence) vs. *self-enhancement* (achievement and power). These two bi-polar dimensions constitute the most fundamental part of the Schwartz value system (Schwartz & Sagiv, 1995) and provide the analytical framework of this study. This study follows Feather (1995) with the convention of referring to the bi-polar dimensions as *resultant conservation* and *resultant self-enhancement*. The resultant conservation is the arithmetic difference between the respondents’ conservation and

openness-to-change scores, while resultant self-enhancement is the difference between the self-enhancement and the self-transcendence scores (Feather, 1995).

2.2 Development of Hypotheses

Managers with strong openness-to-change values are more likely to be open to new ideas and be more willing to accept changes – critical managerial factors for engendering a market orientation (Ajay K. Kohli & Jaworski, 1990). The rationale behind this view is that customer orientation, which has been considered the most fundamental aspect of an organizational culture (R. Deshpande, Farley, & Webster, 1993), places the highest priority on the interests of customers. Specifically, customer orientation is the sufficient understanding of target customers and continuously finding ways to provide superior value for them (Narver & Slater, 1990). It involves being responsive to changing customer needs with innovative marketing programme and strategies, which can be viewed as continuous innovative behaviour (Ajay K. Kohli & Jaworski, 1990). A positive attitude toward change and a willingness to innovate, therefore, are likely to facilitate a customer orientation (Ajay K. Kohli & Jaworski, 1990). In contrast, people with dominant conservation values try to avoid changes in life and try to restrain actions (Schwartz, 1992). They tend to accept ideas that tradition provides, thus lack creativity. Such an attitude can be the potential impediment that restricts market orientation development. Therefore, we hypothesize that:

H₁: Resultant conservation is negatively related to a customer orientation.

Creative and open-minded managers are also expected to be alert to the moves made by competitors. It is suspected that such managers very often adapt such strategies that will help them to anticipate and launch solutions better and sooner than their competitors. Furthermore, as managers placing more importance with openness to change values are inclined to seek challenges in life, they tend to have a high tolerance for risk (Schwartz, 1992). Kohli and Jaworski (1990) report that the risk aversion of managers facilitates the development of market orientation within the organisation. Thus, it is suspected that resultant conservation has a negative impact on implementing a competitor orientation.

H₂: Resultant conservation is negatively related to a competitor orientation

Furthermore, we suspect that managers with strong conservation values are more likely to stress regulations and formal structures. Formalization concerns the degree to which employee actions and job requirements are made explicit in the form of rules, procedures, policies and regulations (Goebel, Marshall, & Locande, 2004). Both organizational behaviour (Hage & Aiken, 1970) and marketing research disciplines have shown that fewer formalized procedures provide employees with greater flexibility to carry out their tasks. In these circumstances employees tend to make extensive use of market research information whereas firms which are more formalized are likely to make less use of market information. We thus propose the following hypothesis:

H₃: Resultant conservation is negatively related to interfunctional coordination

The self-enhancement versus self-transcendence dimension “arrays values in terms of the extent to which they motivate people to enhance their personal interests (even at the expense of others) versus the extent to which they motivate people to transcend selfish concerns and promote the welfare of others, close and distant, and of nature”

(Schwartz, 1992, p. 43-44). Driven by ambition and success, resultant self-enhancement managers (i.e. managers attaching more importance to self-enhancement compared to self-transcendence) inherently have a competitive nature, i.e. they pay considerable attention to the strengths, weaknesses, and capabilities of competitors (Narver and Slater 1990) and their strategic actions are likely to be based on activities of competitors (Day & Nedungadi, 1994). Meanwhile, while watching out for their competitors, they also tend to seek every potential growth opportunity by continuously introducing new products to satisfy the apparent and potential customer needs, thus enhancing the development of customer orientation and competitor orientation in the organization.

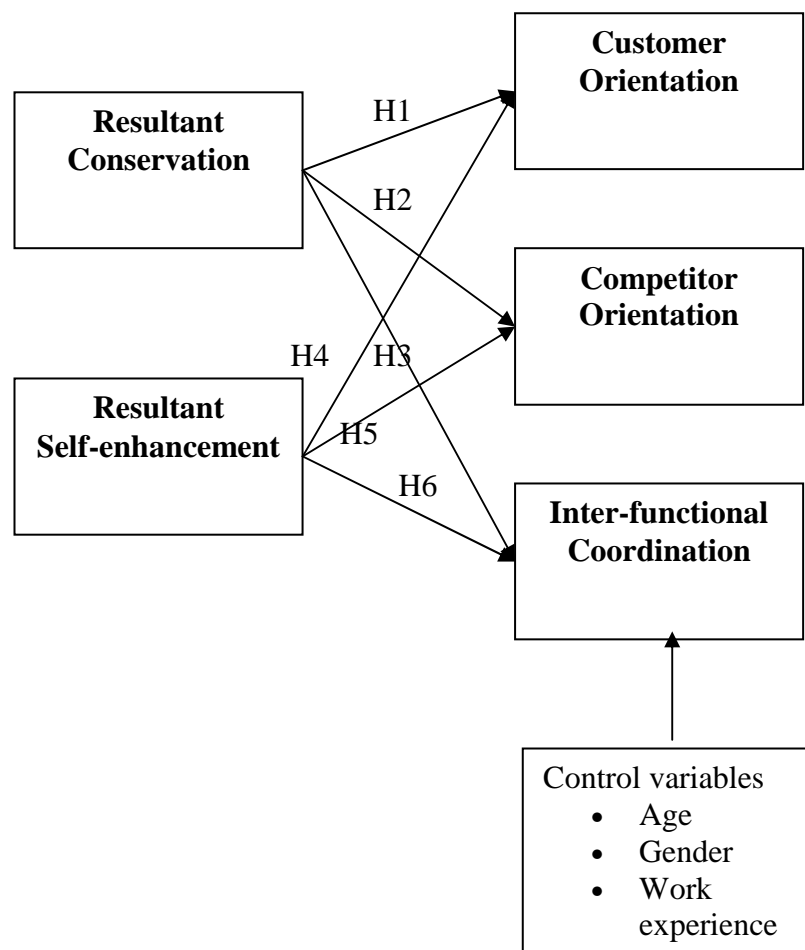
H₄: Resultant self-enhancement is positively related to customer orientation.

H₅: Resultant self-enhancement is positively related to competitor orientation.

On the other hand, resultant self-enhancement managers, driven by the motivational goal of power, tend to over-control people and resources and to enhance their personal interests (even at the expense of others) (Schwartz, 1992). It is expected that such managers consciously or unconsciously may cause conflicts within the organisation. Interdepartmental conflict inhibits communication across departments, and therefore hinders the development of a market orientation (Jaworski & Kohli, 1993; Ajay K. Kohli & Jaworski, 1990). We now suggest that:

H₆: Resultant self-enhancement is negatively related to interfunctional coordination.

FIGURE 1: Conceptual Framework



3. Methods

3.1 Sample, data collection and measures

China was selected for many reasons. According to Connection (1987) 'the bountiful legacy of Chinese culture confers fruitful promise upon those seeking an alternative perspective from which to view the panorama of human values'. China's recorded history spans more than 4,000 years, its philosophical reflections are rooted in daily, human concerns and its ideographic script promotes a focus on alternative cognitive processes. Furthermore, its influence on nearby cultures has been pervasive and long-standing (Connection, 1987) thus presenting another reason for its inclusion in this study.

Brazil was selected because it presents a unique set of characteristics. First, it is Latin America's largest economy, responsible for about one third of the total GDP for Latin America and the Caribbean. The country also has many thriving industrial sectors, such as electronics, automobiles and aircraft. Brazil is the seventh largest economy in the world in terms of GDP (IMF, 2010). In addition, Brazil together with China are part of the BRIC, the fastest-growing set of economies from the developing world. The area of Brazil chosen was the state of Rio Grande do Sul a large Brazilian state. It is the fourth largest state economy in Brazil and the largest in south region. The selection of this state is also interesting because it has a highly heterogeneous industry sector as well as the second largest commercial and industrial hub in Brazil (CCBP-RS, 2012).

This study was based on a survey of 1000 firms based in Brazil, which was randomly generated from the trade association database of non-government agencies. Questionnaires were sent with a postage-paid business reply envelope to the managers of the Brazilian companies. The effective response rate was 20.1% (201 usable questionnaires). A structured survey was administered to 810 senior managers attending a part-time MBA programme in prestigious business schools in China. All participants were given the option of receiving a summary of the research results and were assured confidentiality. A total of 342 completed questionnaires were returned, representing a response rate of 42.2 percent which is quite effective, given that average top management survey response rates are in the range of 15-20 percent (Menon, Bharadwaj, & Howell, 1996).

To ensure the reliability of the data, the respondents selected were senior managers with responsibility for market operations. To explore the issue of non-response bias, we tested for differences between early and late respondents (Armstrong & Overton, 1977). Using a t-test, early and late respondents were compared on all the variables and no significant differences were found; this suggests that non-response bias was not an issue. The items used to operationalize each construct were developed on the basis of existing literature. Our study also followed Schwartz's (1992) instructions and scoring procedure. Resultant conservation was calculated by subtracting openness-to-change from conservation, resultant self-enhancement was calculated by subtracting self-transcendence from self-enhancement. This method to calculate the scores has been used by other scholars (Feather, 1995). We measured *customer orientation*, *competitor orientation*, and *interfunctional coordination* based on Narver and Slater's market orientation (1990) framework. We measured these constructs using a five point Likert scale (1=strongly agree to 5= strongly disagree). We included age, gender and work experience as control variables.

4. Analysis and Results

4.1 Reliability and validity

Content validity was established through the literature review and by consulting experienced researchers and managers. On the basis of these procedures, it was concluded that the measures had content validity. Discriminant validity, convergent validity, and scale reliability were assessed by confirmatory factor analysis in line with the paradigm advocated by Gerbing and Anderson (1988). For the Brazilian sample, the results obtained from the estimation of the CFA model indicate that the overall chi-square for this model was 183,241 ($p < 0.001$) with 71 degrees of freedom (df). Three measures of fit were examined: the comparative fit index (CFI=0.982), Tucker-Lewis fit index (TLI=0.946), and the incremental fit index (IFI=0.980). We also examined the root means square error of approximation (RMSEA= 0.073). For the Chinese sample, the measures of fit were: chi-square = 489.343; df = 231; $p = 0.000$; chi-square/df = 2.118; IFI = 0.929; CFI = 0.927; RMSEA = 0.054. In sum, the results of the CFA model also show that the items employed to measure the constructs were both valid (discriminant validity and convergent validity) and reliable (composite reliability and variance extracted). Thus, the measurement model was deemed acceptable.

4.2 Testing hypotheses

We used structural equation modelling (maximum likelihood method) (Amos version 17.0) to test the hypothesized relationships. For the case of Brazil, contrary to our expectation, H1 was not significant (-0.192 ; $p > 0.10$), indicating that resultant conservation values do not affect customer orientation in Brazilian firms. Consistent with H2, the results indicate that resultant conservation values negatively influence the degree of competitor orientation in Brazilian firms (-0.276 ; $p < 0.01$). Similarly, the resultant conservation values also negatively influenced the degree of interfunctional coordination in Brazilian firms, providing support for H3 (-0.602 ; $p < 0.01$). We also tested the effects of resultant self-enhancement values on market orientation constructs. Contrary to our expectations in H4, our findings suggest that the resultant self-enhancement values negatively influence customer orientation (-0.688 ; $p < 0.01$). The relationship between resultant self-enhancement values and competitor orientation (H5) was found non-significant (-0.117 ; $p > 0.10$). Consistent with H6, the effect of resultant self-enhancement values on interfunctional coordination in Brazilian firms was negative and significant (-0.512 ; $p < 0.01$). In sum, the findings indicate that four hypotheses tested significantly, three were supported while H1 and H5 were deemed not significant. H4 was not supported. In relation to the control variables, age, gender and work experience of the manager had no significant effect on the market orientation constructs. With regard to China, H1, H2 and H3 were supported (-0.312 , $p < 0.01$; -0.344 , $p < 0.01$; -0.284 , $p < 0.05$), indicating that openness to change values have significant impact on the market orientation. However, H3, H4, H5 were not supported (0.106 , $p > 0.05$; 0.025 , $p > 0.05$; 0.059 , $p > 0.05$). All the control variables were not found to have significant impact on the market orientation.

5. Conclusion

The marketing literature has acknowledged the critical role managers play in creating and shaping a market oriented culture. However, to truly understand the significant impact of managers on the development of a market orientation, we argue

that a reflection on managers' personal values is strongly needed as personal values inherently determine human behaviour. Findings in this study suggest that managers with different sets of personal values are inclined to emphasize different dynamics of market orientation. We postulate that personal values play an invisible yet powerful role in either hindering or facilitating the market orientation development in an organization. Another contribution of the present study relies on the nature of its sample. This study was developed using a sample from Brazilian firms, allowing researchers to address one of the gaps in the existing literature. Up to date, most of the studies in the area have been conducted in the US and Western Europe. This study also offers some important insights for managers. Only if managers know themselves better can they understand their behaviour and decisions better. As organizations are driving to become more market-focused, managers need to recognize that the 'soft' variables, the personal values they hold, can have a profound impact on the development of a market orientation. If managers can be aware of the particular dominant personal values they possess, they will be able to pursue a more balanced market-oriented strategy by intentionally overcoming their own 'weaknesses'. The limitations of this study offer some opportunities for future research. Firstly, the impact of personal values on other organizational variables known to drive market orientation, such as organizational culture, organizational learning, organizational innovativeness, needs to be further explored. Secondly, environmental characteristics, which have been found to have a mediation effect in a number of studies (e.g. Slater and Narver, 1994), have not been considered in this paper.

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