The marketing orientation of the West Australian wine industry

Michael J. Stansby

*Edith Cowan University*
Edith Cowan University

Copyright Warning

You may print or download ONE copy of this document for the purpose of your own research or study.

The University does not authorize you to copy, communicate or otherwise make available electronically to any other person any copyright material contained on this site.

You are reminded of the following:

- Copyright owners are entitled to take legal action against persons who infringe their copyright.
- A reproduction of material that is protected by copyright may be a copyright infringement.
- A court may impose penalties and award damages in relation to offences and infringements relating to copyright material. Higher penalties may apply, and higher damages may be awarded, for offences and infringements involving the conversion of material into digital or electronic form.
USE OF THESIS

The Use of Thesis statement is not included in this version of the thesis.
THE MARKETING ORIENTATION OF THE
WEST AUSTRALIAN WINE INDUSTRY

Prepared by Michael J. Stansby

A Thesis Submitted in Partial Fulfilment of the Requirements for the
Award of
Bachelor of Business with Honours
at the Faculty of Business, Edith Cowan University

November 1992
ABSTRACT

Marketing academics and practitioners have been studying the effects of marketing orientation on the level of business performance for many years. To date, there has been little effort to develop a valid measure of marketing orientation, and analyse its impact on business performance. Because of the lack of such a measure, companies possess no specific guidelines how they may become more marketing orientated.

This study presents a valid measure of marketing orientation and analyses its effect on business performance. A conceptual model for marketing orientation is presented. This model comprises of four components: customer orientation; competitor orientation; interfunctional coordination; and long-term orientation. Each of these components is tested to establish whether they are a valid measure of marketing orientation. Together these components form a theoretical model for marketing orientation. These components shall then be used to determine their effect on the business performance of a company. The results from this study, will indicate whether a significant relationship exists between marketing orientation and business performance.

To determine whether this relationship exists, the measure for marketing orientation shall be tested on the West Australian wine industry. The status of the West Australian wine industry indicates many wine producing companies are experiencing low performance levels. This study on the wine industry will indicate whether this measure of marketing orientation is valid in increasing
business performance. The findings from this study will test the theory that marketing orientation increases business performance. The findings shall also provide a current summary of the level of sophistication the West Australian wine industry is at, for marketing orientation. Essentially, it shall provide wine companies a valid measure of marketing orientation that may assist them in improving their business performance levels.
DECLARATION STATEMENT

"I certify that this thesis does not incorporate without acknowledgment any material previously submitted for a degree or diploma in any institution of higher education; and that to the best of my knowledge and belief it does not contain any material previously published or written by another person except where due reference is made in the text."

Signature...........................................................................................................

Date....................................................................................................................

23/2/\(\alpha\beta\)
ACKNOWLEDGMENT

The author wishes to acknowledge the efforts of those who assisted in the preparation of this thesis. From the faculty, a special thank you is given to Wayne Kwan for sharing his knowledge and expertise both in and out of the classroom. The author also thanks David Hough, Steven Ward and Nadine Henley for their comments, and acknowledges the assistance of Ken Wright.

There are others, outside the faculty, who constantly provided emotional support for the author. Special recognition is given to close friends, Belinda, Damien, Wayne and Barbara Millen, brother Andrew, and mother Peggy Stansby. These individuals always provided steadfast support and love, and deserve the warmest thanks for their personal sacrifices.

This thesis is dedicated to the author's late father Kim Stansby, whom was always a tremendous source of inspiration. His presence has been, and will continue to be, a motivating force for the author to attain greater heights in life. The past opportunities he has provided in life shall not be forgotten, for it was from these opportunities that enabled the author to complete this dissertation.
TABLE OF CONTENTS

ABSTRACT................................................................................................. 2

DECLARATION STATEMENT........................................................................ 4

ACKNOWLEDGMENT.................................................................................. 5

CHAPTER I
INTRODUCTION.......................................................................................... 11
   Objectives Of The Study............................................................... 11
   Contributions Of The Study..................................................... 13
       Theoretical Significance......................................................... 13
       Practical Significance.......................................................... 14

CHAPTER II
LITERATURE REVIEW, CONCEPTUAL MODEL AND HYPOTHESES, AND A CURRENT SUMMARY OF THE WINE INDUSTRY.............. 16
   A Review Of The Literature.......................................................... 16
       A Definition Of The Marketing Concept............................. 16
       Marketing Orientation.......................................................... 18
       Marketing Orientation Versus Market Orientation........... 21
       Developing A Conceptual Model And Hypotheses............. 22
       Customer Orientation............................................................ 22
       Competitor Orientation......................................................... 24
       Interfunctional Coordination............................................... 26
       Long-Term Orientation.......................................................... 27
       Marketing Orientation and Business Performance............. 28
       Measuring Business Performance......................................... 28
   A Summary Of The Status Of The Wine Industry.................. 31
       A Perspective Of The International Market..................... 31
       The Australian Market.......................................................... 32
       The West Australian Market............................................... 34
       The Status Of The West Australian Wine Industry And The Significance Of The Study............................................ 36
CHAPTER III
METHODOLOGY ............................................................................................. 38
Data Collection Method ............................................................................. 38
The Pilot Study ............................................................................................ 39
The Sampling Design ................................................................................ 40
The Measuring Instrument ....................................................................... 41
    Customer Orientation .............................................................................. 41
    Competitor Orientation ........................................................................... 42
    Interfunctional Coordination ................................................................. 43
    Long-Term Orientation ............................................................................ 44
    Human Resource Management ............................................................. 45
Performance Measurement ........................................................................ 47
Method of Analysis ................................................................................... 48

CHAPTER IV
FINDINGS ........................................................................................................ 50
Reliability ........................................................................................................ 50
    Customer Orientation .............................................................................. 51
    Competitor Orientation ........................................................................... 53
    Interfunctional Coordination ................................................................. 53
    Long-Term Orientation ............................................................................ 53
Construct Validity .......................................................................................... 54
    Discriminant Validity .............................................................................. 55
    Convergent Validity ................................................................................. 57
Test Of Research Hypotheses ...................................................................... 58
    Customer Orientation .............................................................................. 58
    Competitor Orientation ........................................................................... 61
    Interfunctional Coordination ................................................................. 62
    Long-Term Orientation ............................................................................ 63
The Joint Relationship Of All Marketing Orientation Constructs On Wine Producers' Business Performance ...... 65
Additional Findings ....................................................................................... 67
    Company Size ......................................................................................... 67
    Human Resource Management ............................................................. 69
Export Of Total Percentage On Marketing Orientation ................................ 70
CHAPTER V
DISCUSSION AND CONCLUSIONS.......................................................... 71
Introduction.......................................................................................... 71
Hypothesized Relationships............................................................. 71
Customer Orientation And Business Performance.......................... 71
Competitor Orientation And Business Performance....................... 73
Interfunctional Coordination And Business Performance.............. 74
Long-Term Orientation And Business Performance....................... 76
Joint Relationship Of All Variables With Business Performance....... 77
Additional Findings............................................................................ 78
Company Size And Marketing Orientation....................................... 78
Human Resource Management And Marketing Orientation........... 79
Export And Marketing Orientation.................................................... 79
Limitations Of Present Research And Implications For Future Research........................................................................... 80
Limitations...................................................................................... 80
Suggestions For Future Research............................................... 82

BIBLIOGRAPHY .............................................................................................. 85

APPENDICES.................................................................................................... 93
Appendix 1............................................................................................ 93
Cover Letter Accompanying Questionnaire.................................. 93
Appendix II ........................................................................................... 95
Questionnaire....................................................................................... 95
## LIST OF TABLES AND FIGURES

### Tables

2.1 Summary of Change in the Exporting of Australian Wine (in 000's litres) from 1989 to 1991 .......................................................... 32
2.2 Summary of Change in Australian Consumption (in 000's litres) from 1989 to 1991 ............................................................... 33
2.3 Summary of Change in Australian Production (in 000's litres) Excluding Exports from 1989 to 1991 ............................................... 34
2.4 Summary of Change in West Australian Wine Production Excluding Exports from 1989 to 1991 ................................................. 35
2.5 Summary of Change in West Australian Wine Consumption from 1989 to 1991 ................................................................. 35
2.6 Summary of Change in West Australian Wine Exports from 1989 to 1991 ................................................................. 36
4.1 Reliability Analysis .................................................................................. 52
4.2 Human Resource Management Construct Validity Findings ........................................................................................................ 55
4.3 Correlation Matrix ..................................................................................... 56
4.4 Correlation Analysis ................................................................................... 57
4.5 Correlation Analysis Of Marketing Orientation Constructs And Business Performance ..................................................... 60
4.6 The Effects Of Customer Orientation On Business Performance.......................................................................................... 60
4.7 The Effects Of Competitor Orientation On Business Performance.......................................................................................... 62
4.8 The Effects Of Interfunctional Coordination On Business Performance .................................................................................. 63
4.9 The Effects Of Long-Term Orientation On Business Performance .......................................................................................... 64
4.10 Multiple Regression .................................................................................. 66
4.11 Correlation Analysis For Additional Findings ........................................ 68
4.12 The Effect of Selected Demographic Variables On Marketing Orientation .................................................................................. 69
Figures

2.1 Conceptual Model Of Marketing Orientation And Business Performance.................................30
3.1 Customer Orientation Scale......................................................................................................42
3.2 Competitor Orientation Scale..................................................................................................43
3.3 Interfunctional Coordination Scale..........................................................................................44
3.4 Long-Term Orientation Scale..................................................................................................45
3.5 Human Resource Management Scale.........................................................................................46
3.6 Business Performance Scale.....................................................................................................48
CHAPTER I
INTRODUCTION

Objectives Of The Study

Marketing theorists and practitioners have noted for more than three decades that marketing orientation affect the level of business performance (see, for example, Levitt 1960; Kohli and Jaworski 1990; Narver and Slater 1990). Yet to date, there has been little research to develop a valid measure of marketing orientation and therefore no real analysis of its impact on business performance. Because of the lack of a valid measure, companies seeking to implement a marketing orientation have possessed no specific guidance what marketing orientation precisely is, and its actual impact on business performance.

This study presents a valid measure of marketing orientation and analyses its effect on business performance. From the review of the relevant literature, four constructs are proposed to represent the components of marketing orientation: (1) customer orientation, (2) competitor orientation, (3) interfunctional coordination, and (4) long-term orientation. From these constructs, hypotheses are proposed and tested to establish the constructs' impact on business performance. This measure of marketing orientation that has been developed from the literature, was empirically tested to determine its relationship with
business performance.

This conceptual model developed from the literature, shall be empirically tested on the West Australian wine industry. A summary of the status of the West Australian wine industry indicates many companies are suffering poor performance levels. The objective of the study is to test the validity of the conceptual model developed for marketing orientation in the West Australian wine industry. The findings will confirm or disprove the validity of this marketing orientation measure. It shall provide a current update of how marketing orientated West Australian wine companies are. This study shall also provide these companies a way to become marketing orientated, and ultimately, to improve current business performance.

Following the testing of the hypotheses, limitations of the study and future research implications are presented. These limitations acknowledge any possible areas of deficiency in the current study that may have affected the findings. From these limitations, several directions for future research are developed. Generally, future research should focus towards providing a greater understanding of the impact of a valid measure for marketing orientation on business performance.
Contributions Of The Study

Theoretical Significance

The marketing concept has been conceptually defined by many leading academics such as Hunt (1976) and Kotler (1977). The application of the marketing concept to business operations has generated much recent discussion (Kohli & Jaworski, 1990; Narver & Slater, 1990). The focus of this discussion will be towards developing an operational definition of the marketing concept. The term 'operational' refers to a strategic analysis that allows companies to measure how marketing orientated their business is, and where it should strengthen and develop its marketing strategies (Kotler, 1977). Narver and Slater (1990) develop a conceptual model that offers strategic alternatives for business strategy to become marketing orientated. This chapter illustrates how the theoretical concept of marketing may now be operationally defined. The first step is to examine the theoretical meaning of the marketing concept. Once a definition has been established, then it may be operationalised. This operational definition will then be applied to the West Australian wine industry to determine the level of marketing orientation.
Practical Significance

A profile of the understanding and application of the marketing concept as practised in the West Australian wine industry will be of significance to industry based organisations. In particular, the Wine and Brandy Association have already expressed interest in the outcome of the study. From this marketing orientation and business performance profile, the association will be able to identify the areas of marketing strength and weakness within the West Australian wine industry. Using the findings presented from the research, the Wine and Brandy Association will be able to develop marketing education programs for its members.

A second industry based organisation who have already acknowledged the significance of the study is the Department of Agriculture. From the results, the Department of Agriculture wishes to compile a descriptive analysis of all wine growers in West Australia. This information will tell them how the wine industry is currently performing within West Australia. The findings shall also enable the Department of Agriculture to compare the marketing orientation and business performance of the wine industry, with other agricultural industries within West Australia.

The study will also appeal to non-industry based organisations. In particular, business and commerce faculties may use the results of
the study to develop marketing education programs. It may also indicate possible lines of follow-up research. Marketing professionals may use the research to facilitate the publication of a wine industry marketing guide for marketing consultants.
CHAPTER II
LITERATURE REVIEW, CONCEPTUAL MODEL AND HYPOTHESES, AND A CURRENT SUMMARY OF THE WINE INDUSTRY

This chapter reviews relevant literature to provide a theoretical basis for developing a conceptual model that links marketing orientation and business performance. A series of research hypotheses was developed from this model. These hypotheses were tested in the West Australian wine industry.

A Review Of The Literature

Kotler and Rodgers (1977) suggest marketing orientation is operationalising the marketing concept. This section introduces the theoretical definition of marketing. As Kotler and Rodgers (1977) suggest, this theoretical definition will be operationalised to give the definition more practical implications for industries wishing to become marketing orientated.

A Definition Of The Marketing Concept

The marketing concept was pioneered by Theodore Levitt (1960)
in his famous article, "Marketing Myopia". Levitt (1960) suggests marketing focuses on planning business strategies to identify target markets and distributes want-satisfying goods and services to them. The essence of marketing is a transaction, or exchange, that is to satisfy customer needs and wants. Since Levitt's (1960) broad definition, there has been vigorous debate about the nature and scope of marketing (such as Hunt, 1976). Though the adoption of the marketing concept is far from universal (McNamara 1972; Kotler 1980), the American Marketing Association (1985) conceptually defines it as (from Stanton & Layton, 1991):

Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational objectives (p. 1).

Hunt (1976) discusses the scope of marketing in the real world. He suggests that the marketing concept is applicable to the business sector by developing a conceptual model. According to Kotler (1977), a link between marketing and business performance may be achieved by operationalising this concept. By operationalising the concept, Kotler (1977) provides a strategic analysis for business strategy that identifies the key characteristics of marketing orientated strategy. This analysis provides companies the means to identify the strengths and weaknesses of their marketing strategy. Kotler (1980) suggests:

The marketing concept holds that the key to achieving organisational goals is determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors (p. 22).
Having established what the marketing concept is, the next step is to operationalise it. Kotler and Rodgers (1977) suggest by operationalising the concept it shall become measurable. By becoming measurable, marketing may be itemised into areas that managers can use to determine how marketing orientated business is. Bennett and Cooper (1979) also suggest the need to look 'beyond the marketing concept'. They encourage corporations to become more marketing orientated when they choose their respective strategic philosophies. By developing a profile of the fundamental characteristics of marketing orientation, management may implement the theoretical concept of marketing into their strategies. By developing a valid measure for managers to follow, they may determine how marketing orientated their business is.

*Marketing Orientation*

Marketing orientation is the organisational culture that most effectively creates behaviours for the creation of superior value for buyers (Narver & Slater, 1990). Kohli and Jaworski (1990), suggest by creating these superior values, marketing orientation will tend to have a moderate relationship with business performance under conditions of high competition, unstable consumer preferences, stable technological products or services, and weaker economies. As Houston (1986) asserts, a reduction in competition does not necessarily coincide with a reduction in efficient operation. Similarly a high demand in a strong economy hinders efforts to offer better products or services.
This implies that those conditions that lead to moderate marketing orientation will result in a moderate relationship between marketing effectiveness and performance.

According to Kotler and Rodgers (1977) the correlation between marketing and performance may now have become clearer as the marketing concept is operationalised. Yet for managers, who seek a practical understanding of this relationship, they may still fail to interpret the operational definition of the marketing concept. Narver and Slater (1990), test the marketing orientation concept by studying a sample of 140 U. S. business units consisting of commodity and noncommodity businesses. They found a substantial positive effect for marketing orientation on the profitability of both commodity and noncommodity. Narver and Slater (1990) concluded that a substantial marketing orientation should be the foundation for a business's competitive advantage strategy. They showed the practical benefits managers would receive by linking marketing orientation to business performance.

Kotler and Rodgers (1977) and Ward (1986), discusses the importance of operationalising the concept of marketing. They believe marketing should be operationalised to provide a valid measure which managers can use to determine their strengths and weaknesses using the marketing concept. Kotler (1980) highlights three dominant themes for an operational definition of the marketing concept. Firstly, all marketing efforts are to focus on satisfy customer needs. Secondly, to coordinate all marketing efforts to ensure optimum efficiency. And thirdly, to link all marketing efforts with performance. By adopting
these themes, managers will become marketing orientated. Saxe and Weitz (1982) suggest the marketing concept requires an organisation to determine the needs of a target market and adapt itself to satisfying those needs better than competitors. This presents the need for companies to become customer and competitively orientated. Ward (1986) refers to marketing orientation as the ability of a firm to ensure a company's success and survival over time through efficient utilization of marketing efforts, effective implementation of marketing strategies, and better coordination with other related functions. Ward (1986) is suggesting the need for companies to become long-term orientated, and human resource management philosophies to become more closely integrated within the firm.

Kohli and Jaworski (1990) test 'marketing orientation' by interviewing 62 managers in the field to highlight the important implications of marketing to managers. From their study, Kohli and Jaworski (1990) believe marketing orientation links directly to business performance. This highlights the significance of becoming marketing orientated. Narver and Slater (1990) report a valid measure of marketing orientation and analyse its effect on business's profitability. This measure is developed from the works of Kotler and Rodgers (1977), and Ward (1986). Narver and Slater (1990) also found from their study that a strong correlation exists between marketing orientation and business performance.

Harms (1990) presents a checklist that would indicate whether a company was marketing orientated in its business planning. This checklist identifies three constructs that form marketing orientation:
(1) customer, (2) production, and competitor orientation. Harms (1990) also believes a company should act quickly in decision making by compressing time to meet early deadlines in objectives. From Harms's (1990) findings, it would seem the key to marketing orientation is the growth in market share at the expense of competitor's. Harms (1990) also suggests the task of implementing marketing orientation requires someone who is familiar with the three broad areas of customer, production and competitor orientation. The Chief Executive Officer (CEO), or marketing manager, is responsible for overseeing these three areas. Harms (1990) suggests the CEO or marketing manager should be interviewed when measuring the marketing orientation of a business.

**Marketing Orientation Versus Market Orientation**

The operational definition of the marketing concept is termed 'marketing orientation' (for example Kotler, 1977; Ward, 1986; Kohli and Jaworski, 1990; and Narver and Slater, 1990). This term should not be confused with 'market orientation'. Sharp (1991) distinguishes the two terms.

Market orientation places the customer at the top of the organisational chart. Although Sharp (1991) notes market orientation does not fully encapsulate the marketing concept because it refers only to the customer. The true marketing orientation has evolved from a realisation of the inadequacies of production and sales orientation. It gives equal weight to customer demands and to company
requirements. Sharp (1991) suggests the distinction between market and marketing orientation is necessary to prevent careless interchanging between the terms. One should be careful not to confuse the term 'market orientation' for 'marketing orientation'. As the literature suggests, marketing orientation has a broader scope than market orientation. This research adopts the marketing orientation concept because the focus of this study extends beyond just the customer, and thus market orientation.

**Developing A Conceptual Model And Hypotheses**

On the basis of the literature reviewed in general, and from the work of Narver and Slater (1990) in particular, a conceptual model has been developed and empirically tested to link marketing orientation and business performance. The theoretical framework proposed for marketing orientation comprises of four constructs: (1) customer orientation, (2) competitor orientation, (3) interfunctional coordination, and (4) long-term orientation. A review of the literature how these components form marketing orientation.

**Customer Orientation**

Narver and Slater (1990) suggest customer orientation is the understanding of target customer needs to continuously satisfy them. In exchange for customer orientation will be profitability. Kotler and Rodgers (1977) argue for most of the marketing effort to be spent on discovering the wants of a target audience and then creating the goods
and services to satisfy them. Kotler (1980) suggests the marketing concept holds the key to achieving organisational goals and determining the needs and wants of target customers. McCarthy and Perreault (1984) acknowledged the importance of the marketing concept to aim part of its efforts at satisfying customer needs. Yet they could not suggest how one may measure customer orientation.

Pervan (1972) provides an intensive study into the West Australian wine industry. His objective was to establish whether the local wine industry was production orientated. From his findings, Pervan (1972) shows the industry is production orientated, and suggests the need for it to become more customer orientated. However Pervan (1972) fails to suggest how the industry may become more customer orientated.

Saxe and Weitz (1982) present a measure of customer orientation. This measure examines the relationship between customer orientated selling and salesperson performance. Saxe and Weitz (1982) believe an organisation should seek to stimulate demand for products or services it produces, rather than producing in response to customer needs. Their research indicates a significant relationship exists between customer orientated selling and performance. This performance is, however, limited to the success of the firm's own salesforce and does not identify any specific attributes of customer orientation.

Zeithaml (1988) expands upon customer orientation by examining the importance of how customers relate quality, price, and value in their deliberations about products and services. Research into
a prominent U. S. national company has shown a significant relationship existing between a consumer's perceived expectation of a product or service's quality, price, and value, with their decision to buy the product or service. This highlights the need for management to understand and capitalize on brand quality, price and value as major attributes of customer orientation. Zeithaml (1988) believes that managers who understand and satisfy customer needs, shall improve business performance.

Narver and Slater (1990) test the relationship between customer orientation and business performance. They believe customer orientation requires a seller to understand a buyer's entire set of values. A seller creates value for a buyer in two ways: (1) by increasing the benefits; (2) by decreasing costs to the buyer. Hence a seller should understand potential customer's attitudes to buying their product. From their findings, they have shown an increase in customer orientation will result in an increase in business performance.

Based upon the review of the literature the following hypothesis will be tested:

\textbf{H1: An increase in customer orientation will increase business performance.}

\textit{Competitor Orientation}

Narver and Slater (1990) suggest competitor orientation means a seller understands the short and long-term strengths and weaknesses of current and potential competitors. Schendel and Hofer (1979) argue
an important component of any marketing strategy should be a competitive analysis. This analysis closely monitors the organisational strategies of others within the market. By comparing competitor's strengths and weaknesses, managers may determine areas where they need to improve operations. They suggest by monitoring competitors, companies will increase their market share.

Rappleye (1991) studies the success of competitive strategic management policies in the machinery industry. Rappleye (1991) attributes the success of a U. S. Engine manufacturer to its long-term competitive pricing policies. The success of this company has shown how competitive orientation in marketing strategy, can increase profitability.

Narver and Slater (1990) test competitor orientation as a component of marketing orientation. To be competitively orientated, salespeople should share competitor information, management needs to respond rapidly to competitor's actions, and top managers should regularly discuss competitors' strategies. Narver and Slater (1990) found that competitor orientation significantly relates to business performance. They also show an increase in competitor orientation can result in an increase of performance.

From the review of the literature here, the following hypothesis will be tested:

H2: An increase in competitor orientation will increase business performance.
Interfunctional Coordination

Narver and Slater (1990) believe interfunctional coordination is the coordinated utilisation of resources by companies to ensure they create superior value for target customers. Leavitt (1964) refers to interfunctional organisation or coordination, as integrating a company's organisational structure to deliver optimum internal efficiency. An organisational structure should comprise of four interacting variables: (1) tasks (the work to be performed to accomplish goals); (2) structure (systems of communication, authority, status, rewards, and workflow); (3) technology (problem-solving inventions used by the firm); and (4) people. However Leavitt (1964) fails to identify the importance of coordinating these four variables.

Desphande and Webster (1989) suggest the primary function of management is to enhance its organisational coordination. By ensuring internal departments are coordinating their tasks, a company is likely to operate at maximum efficiency levels. They recommend by improving inter-functional coordination, managers should see performance levels increase.

Hitt and Ireland (1986) test the effect of increasing interfunctional coordination. They studied 185 industrial-based firms to measure the relationships among corporate structure and performance. From their findings, Hitt and Ireland (1986) show firms can enhance performance by developing and integrating corporate level functions from present to higher levels.

Narver and Slater (1990) test the effect of interfunctional
coordination on the level of business performance. They suggest interfunctional coordination depends upon management attaining faster responses to threats and opportunities in the present day business environment. To achieve this, management needs to support, motivate and reward employees to perform at optimum levels. From their findings, Narver and Slater (1990) show a significant relationship exists between interfunctional coordination and business performance. Based on the review of the literature, the following hypothesis will be tested:

H3: An increase in interfunctional integration will increase business performance.

Long-Term Orientation

Narver and Slater (1990) suggest long-term orientation requires managers constantly to discover and implement strategies that will benefit the company after the next 12 months. This long-term plan should anticipate the future needs of customers so the company will maintain high performance in the long-run. Anderson (1982) highlights the relationship between marketing planning and corporate goal setting. He believes one of marketing's objectives should be long-term planning in management strategy.

Day and Wensley (1983) believe marketing research may focus too much on the short term, as opposed to the long-term, because marketers find it easier to gather information over the short term. Long-term strategic planning seems a priority in marketing strategy.
However, Anderson (1982) and Day and Wensley (1983), do not suggest how long-term orientation should be incorporated into management strategy.

Narver and Slater (1990) suggest long-term orientation is a component of marketing orientation. As marketing orientation is associated with business performance over the long-run, a company's long-term orientation is implicit to prevent competitors from overcoming whatever buyer-value superiority that has been created.

From the review of the relevant literature, the following hypothesis will be tested:

**H4:** An increase in long-term orientation will increase business performance.

*Marketing Orientation and Business Performance*

Narver and Slater (1990) refer to business performance as the economic wealth of a company. Business performance should be the overriding objective of companies. From the findings of both Kohli and Jaworski (1990) and Narver and Slater (1990), who both test the effect of marketing orientation on business performance, found an increase in marketing orientation will produce an increase in business performance.

*Measuring Business Performance*

Bell and Emory (1971) believe measuring performance levels can be a difficult task in research. He attributes this to requesting
sensitive information such as market share standing and profit level figures from managers. Dess and Robinson (1984) suggest these problems may be overcome by measuring performance levels in relative terms. Relative measurement establishes past performance by measuring it relative to competitor's strategies, company objectives and in comparison to last year. Pearce, Robbins, and Robinson (1987) tested the validity of using relative measurement and found strong correlations exist between relative assessments and their actual counterparts. These actual counterparts are the true value which researchers are seeking. However, because of their importance, these figures are usually acquired by making relative estimates. For example, a researcher may be seeking whether a company experienced a profit or loss in the past year. Because of the sensitivity of the information, such details are rarely provided to researchers. Therefore, the researcher seeks to establish how the company performed in relative measures.

Narver and Slater (1990) relied upon these relative measures to determine performance levels in their study. These performance measures were based upon relative position of the last financial year, a company's objectives, competitor's strategies, and overall market share. Narver and Slater (1990) test five measures of performance: (1) market share standing, (2) return on investment levels, (3) sale figures, (4) net cashflow return, and (5) profit levels. They suggest that if one is measuring overall business performance, then each of these five measures should be tested.

Narver and Slater (1990) suggest that within any industry, an
increase in marketing orientation shall result in an increase in business performance. The hypotheses that have been developed from the literature, shall be tested on the West Australian wine industry.

In summary, from the literature the following model identifies the components of marketing orientation, and links them with business performance. Both Kohli and Jaworski (1990), and Narver and Slater's (1990) findings indicate a significant relationship exist between each of these constructs and business performance. This model shall be further tested using the West Australian wine industry. This model is presented in Figure 2.1:

Figure 2.1
Conceptual Model Of Marketing Orientation And Business Performance
A Summary Of The Status Of The Wine Industry

The wine industry is perhaps one of the most ancient industries in our history. Spawton (1991) believes the significance of the wine industry in Australia is reflected by the rapid growth of the industry over the past two years. However Spawton (1991) argues the Australian wine industry shall experience growth problems because of its production orientated nature. This means wineries are concerned producing wines based upon their own expectations, and not customer needs. Spawton (1991) suggests the Australian wine industry may improve their performance by becoming more marketing orientated.

A review of the wine industry was undertaken to highlight growth changes from three perspectives: (1) international, (2) Australian, and finally, (3) Western Australian perspective. This analysis shall test Spawton's (1991) statement. In particular, it shall determine if the domestic industry is declining in performance, and hence, needs to become more marketing orientated.

A Perspective Of The International Market

The wine industry extends throughout the world. According to Spawton (1991), the greatest wine-producing nations are France, Italy,
Spain, Argentina, Portugal and Algeria. Yet figures published by the Australian Bureau of Statistics (ABS) in 1992 show (whilst the market continues to be dominated by European countries) Australia is establishing itself over the last five years. Spawton (1991) attributes this to the steady increase in export figures (see Table 2.1). He believes the need for producers to export is increasing as the supply of wine exceeds national demand.

Table 2.1
Summary of Change in the Exporting of Australian Wine (in 000's litres) from 1989 to 1991

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Litres Per Year</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1989</td>
<td>1990</td>
</tr>
<tr>
<td>Litres</td>
<td>40300</td>
<td>37000</td>
</tr>
</tbody>
</table>

Source: Australian Bureau Of Statistics (1992 [catalogue 8504.0]).

The Australian Market

Owen (1979) argues Australia's national consumption figures are low in comparison with other wine producing nations. Despite the consumption of wine within Australia rising from 1965 of 30 glasses per person per annum, to 80 glasses, in 1977, this growth was limited relative to European standards. Owen (1979) attributes this to a number
of social and economic factors. Latest figures published by the ABS (1992), reported in Table 2.2, show national consumption is declining.

Table 2.2
Summary of Change in Australian Consumption (in 000's litres) from 1989 to 1991

<table>
<thead>
<tr>
<th>Year</th>
<th>1989</th>
<th>1990</th>
<th>1991</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Litres</td>
<td>320000</td>
<td>310000</td>
<td>303000</td>
<td>-6</td>
</tr>
</tbody>
</table>

Source: Australian Bureau Of Statistics (1992 [catalogue 7311.0]).

This decline in consumption is occurring whilst production is steadily increasing (see Table 2.3). ABS (1992) figures also show that similar decreases are being experienced in the spirit and beer market. This indicates customers are not substituting their demand for wine with beer or spirits. These figures show the decreasing consumption patterns of the Australian alcohol industry in general. This supports Spawton's (1991) statement that wine producers are experiencing poor business performance.
Table 2.3
Summary of Change in Australian Production (in 000's litres)
Excluding Exports from 1989 to 1991

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Litres Per Year</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>548000</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>552000</td>
<td>+ 5</td>
</tr>
<tr>
<td>1991</td>
<td>560000</td>
<td></td>
</tr>
</tbody>
</table>

Source: Australian Bureau Of Statistics (1992 [catalogue 7311.0]).

Spawton (1988) identifies methods for the wine producers to increase their business performance. He believes the problem with the industry is its production orientated nature. Performance may be improved by improving three areas of the marketing concept: cohesion and planning, knowledge of the customer, and marketing research efforts. He believes the wine industry needs to become marketing orientated to improve performance. However Spawton (1988) does not suggest how the industry may become marketing orientated.

The West Australian Market

Latest figures from the ABS (1992) reported in Table 2.4 show local production of wine is steadily growing. These ABS (1992) figures also indicate consumption levels are beginning to decline (see Table 2.5). With declining demand, these figures suggest a general decline in the local consumption of wine.
Table 2.4
Summary of Change in West Australian Wine Production Excluding Exports from 1989 to 1991

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Litres Per Year</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Litres</td>
<td>8600</td>
<td>8300</td>
</tr>
</tbody>
</table>

Source: Australian Bureau Of Statistics (1992 [catalogue 7311.0]).

Table 2.5
Summary of Change in West Australian Wine Consumption from 1989 to 1991

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Litres Per Year</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Litres</td>
<td>4900</td>
<td>5010</td>
</tr>
</tbody>
</table>

Source: Australian Bureau Of Statistics (1992 [catalogue 7311.0]).

West Australian figures for the exporting of wine (ABS, 1992) indicates a slight increase (see Table 2.6). This would seem to be the result of local consumption declining - forcing producers to sell their wine overseas.
Table 2.6
Summary of Change in West Australian Wine Exports from 1989 to 1991

<table>
<thead>
<tr>
<th>Year</th>
<th>1989</th>
<th>1990</th>
<th>1991</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Litres</td>
<td>600</td>
<td>700</td>
<td>900</td>
<td>+2</td>
</tr>
</tbody>
</table>

Source: Australian Bureau Of Statistics (1992 [catalogue 7311.0]).

This summary of the status of the wine industry shows the declining consumption levels of the national and local wine industry. According to Spawton (1991), a decline in consumption results in a decline in performance. Narver and Slater (1990) suggest an industry may increase their performance by becoming more marketing oriented. Testing the proposed model for marketing orientation, would enable one to determine whether an improvement in the marketing orientation of wine producers would increase their business performance.

The Current Status Of The West Australian Wine Industry And The Significance Of The Study

From the figures presented, there are several apparent trends that indicate the status of the West Australian wine industry. Over the past three years West Australian wine production has steadily
increased. Yet during this time there has been a decline in West Australian consumption. Because of the surplus production, West Australian wine producers have begun to look overseas to export the surplus - hence the increase in export figures over the past three years. Wine producers are currently facing a saturated market and need to consider other alternatives than exporting, to differentiate their product from competitors, and increase performance. By becoming more marketing orientated in their business planning, wine producers may improve their business performance. This reflects the significance of the study being undertaken for wine producers. Yet it will also be of significance to academics. The study is presenting a measure of marketing orientation that will be tested in the real world. If this theoretical model proves to be a valid measure of marketing orientation, other studies may be undertaken into different industries to examine the relationship between marketing orientation and then business performance.
CHAPTER III
METHODODOLOGY

This chapter will review how the data will be collected. The measuring scale for each construct of marketing orientation and business performance will then be examined. Once the data has been gathered it must then be analysed. This chapter will introduce the methods of analysis used to determine the findings.

Data Collection Method

The data collection method used was mail survey. This was followed up by telephone calls to increase the response rate of using mail survey (Davis & Consenza, 1988). The mail survey was used to enable respondents to complete the questionnaire in a relaxed environment. It would also increase the response rate for the business performance construct (Davis & Consenza, 1988).

Each letter was addressed to the Chief Executive Officer or Marketing Manager to personalise the questionnaire. Each questionnaire also included a self addressed postage paid envelope. The pilot study revealed respondents preferred this form of data collection as it allowed them feelings of anonymity when submitting
personal information such as performance data.

A cover letter was enclosed (see Appendix 1) with the questionnaire to increase the appeal of the questionnaire. It also provided clear instructions for respondents to follow. In particular, the letter set out the nature of the study; the importance of the study to the researcher; the benefits of the research to the wine industry; the individual benefits the respondent would receive by contributing to the study; and how the research would benefit other academics. Each respondent was to feel their contribution was important to the success of the study - whether they were a large winery or a boutique winery. Each respondent was offered a summary of the key findings after their questionnaire had been completed and returned.

A deadline was set in the cover letter to prompt respondents into returning their questionnaire. A follow-up call was used on those respondents who failed to meet the mail survey return date. From the mail survey there were a total of 65 questionnaires returned. Using telephone follow-up calls, information from a further seven questionnaires were collected. In total, from a population of 96 companies, 72 companies participated in the study. Thus the response rate was 79%.

The Pilot Study

The purpose of a pilot study is to test the data collection method and measuring tool employed in a study to reveal any weaknesses which may affect the response rate in the main study (Davis &
Consenza, 1988). 30 companies were selected from the population to complete the pilot study. A draft questionnaire was mailed to each company. Two weeks after they had been sent, each company was followed up by a telephone follow-up call. Each respondent was asked to make any general comments about how the questionnaire or data collection method may be improved. From the pilot study, 20 out of 30 companies responded, thus providing a response rate of 67%. Respondents suggested providing stamped self-addressed envelopes to allow them to return the questionnaire at their leisure. They found it difficult to stay nearby a telephone during the month September as this was a very busy time of the year. As a result, the remaining companies in the main study were sent stamped self-addressed envelopes to return their questionnaires. They were instructed that if they did not return their questionnaire by a set date, they would be followed-up with a telephone call.

The Sampling Design

The sampling design composed of selecting a target population, sampling unit, time, geographical extent of the study, and sampling frame (Davis & Consenza, 1988). The target population was all the wine companies in West Australia. The sampling frame was a complete census of this population. The population listing was provided by the West Australian Department of Agriculture. It was current as of 30th June 1992. The study was completed in the time between the months of March and November of 1992.
The Measuring Instrument

To gather the data, a questionnaire was developed (see Appendix 2), tested over thirty sample companies, improved, and then distributed to the remaining companies. On the basis of the work's of Narver and Slater (1990), and Kohli and Jaworski (1990), the constructs of marketing orientation and business performance formed the major components of the questionnaire. Each of these components' tests specific scales that Narver and Slater (1990) and Kohli and Jaworski (1990) present to measure marketing orientation. The following constructs of customer orientation, competitor orientation, interfunctional coordination, long-term orientation, human resource management, and business performance, describe the various components of the measuring instrument used in the study.

Customer Orientation

Narver and Slater (1990) believe customer orientation focuses on understanding target buyer's needs continuously. The customer orientation construct was to measure whether the company was attempting to research and meet the changing needs of customers. It sought to discover whether the company was establishing a profile on their customers by personally interviewing them. The section also measured the company's awareness of external factors such as distributors and government regulations, which may influence customer satisfaction (Narver & Slater 1990). The items that constitute
the customer orientation scale is reported in Figure 3.1.

Figure 3.1
Customer Orientation Scale

1). We anticipate the changing needs of our customers and initiate steps to meet them.
2). Formal research is undertaken to understand the needs of our customers.
3). Informal information gathering such as visiting and talking to customers is used to understand the needs of our customers.
4). When we produce our wines we attempt to anticipate our customers' future needs.
5). We closely monitor the needs of our distributors.
6). We constantly monitor external factors such as government regulations and competition that have an influence on the needs of our customers.

Competitor Orientation

Narver and Slater (1990) suggest competitor orientation means monitoring the short and long term strategies of current and potential competitors. The objective of the second construct was to measure how important competitors' strategies were to the company. To reveal
how often the company discussed competitors, and to what degree the company anticipated future strategies of competitors. It also measured to what degree the company’s management was disseminating information about its competitors. The items for the competitor orientation scale are listed in Figure 3.2.

Figure 3.2
Competitor Orientation Scale

1). Our top managers discuss competitors’ strategies.
2). Any expansions made by our competitors we try to match.
3). We constantly gather information about our competitors.
4). We try to anticipate the strategies of our competitors and attempt to counter them.
5). Information about our competitors is given to internal departments to assist them in their strategy development.

Interfunctional Coordination

Narver and Slater (1990) refer to interfunctional coordination as the coordination of company resources to produce optimum value for target customers. The third construct had several objectives. It sought to determine whether information about the company's customers was passed on from management to other departments within the company. It measured whether the marketing department
exchanged information with other internal departments, and if marketing duties were allocated to a marketing department. The items for the interfunctional coordination orientation scale are reported in Figure 3.3.

Figure 3.3
Interfunctional Coordination Scale

1. Information about our customers is provided to our internal departments.
2. Information about our customers collected through internal departments is passed along to our marketing people.
3. The strategies of our departments are carried out with the main focus on satisfying the needs of our customers.
4. Marketing is confined purely to the people in the marketing department.
5. Employees are fully aware of the needs of our customers.

Long-Term Orientation

Narver and Slater (1990) suggest long-term focus requires businesses to forecast constantly future customer, competitor and financial trends. By monitoring these trends, businesses will adopt a long-run investment perspective. The fourth construct was designed to indicate whether the management undertook marketing planning over a long-term basis, and if so, how formal was their planning efforts.
It also sought to measure how important long-term planning was in respect to the management's strategies. The question focusing on profits through sales volume was a measure of short-term orientation. Kotler and Rodgers (1977) showed if business focus on sales volume, then this indicates short-term orientation, as opposed to long-term orientation. The results to this question were reversed when coded. All the items for the long-term orientation scale are reported in Figure 3.4.

Figure 3.4
Long-Term Orientation Scale

1). We engage in formal marketing planning.
2). We focus on making profits through sales volume.
3). We focus on making profits through customer satisfaction.
4). We have a formal marketing plan.
5). We anticipate the future needs of our customers.
6). Long term planning is an important consideration of our management's strategies.

Human Resource Management

Narver and Slater (1990) use a human resource management construct to measure construct validity. To affirm each construct is measuring marketing orientation, this construct would be correlated with interfunctional coordination. The correlation should be less than its correlation with customer, competitor and long-term orientation.
Narver and Slater (1990) suggest that this correlation analysis ensures that the customer, competitor, long-term and interfunctional coordination orientations are measuring marketing orientation and not simply some general description of good management. In essence, the fifth construct was designed to test the construct validity of the questionnaire. This component determined if management felt staff was motivated to perform their duties. It also measured whether the management offered incentives for staff to increase performance by educating themselves further. Also, it examined if the management provided employees an opportunity to counsel an independent body for any dilemmas with their duties. The items for the human resource management scale are reported in Figure 3.5.

Figure 3.5
Human Resource Management Scale

1). We have strong feelings of 'team spirit' amongst our staff.
2). Our management policies enhance positive attitudes amongst staff in the workplace.
3). Our reward system motivates staff to increase their productivity.
4). We have effective procedures that enable staff to increase their productivity.
5). We have an independent body that provides staff an opportunity to seek counsel for any work-related matters.
6). There is a strong feeling of satisfaction amongst staff towards their duties.
7). We offer incentives for employees to educate themselves further.
Narver and Slater (1990, p. 22) define business performance as profitability. This is the overriding objective in marketing orientation. Kohli and Jaworski (1990) showed that performance, or profitability, is viewed as a result of marketing orientation. The last construct was to collect demographics about the company and its performance. It determined the important criteria used in measuring the company’s overall performance relative to their competitor’s objectives. It asked for exact figures for the company’s past return on investments, their profit or loss figures and their export figures. The questionnaire closed by asking for the respondent’s name and position with the company, and whether they wished a summary of the key findings sent to them upon completion of the research. The following demographic variables presented in Figure 3.6 were used in the data analysis of marketing orientation and business performance.
Figure 3.6
Business Performance Scale

1). Approximately how many employees are there in your company?
2). Do you supply your own grapes?
3). What was your Company's approximate pre-tax profit or loss in the last financial year?
4). What was the approximate percentage return on investment (ROI) in the last financial year?
5). In the last financial year how well did your company perform relative to your competitors? In profit terms, in sales volume, in market share, in return on investment, in cash flow, and in export revenue.
6). What percentage of your total revenue is in exports?

Method of Analysis

In analysing the data several methods of analysis were employed. In evaluating the reliability and validity of the scale, correlation analysis and Cronbach Alpha were used. Each hypothesis was tested using two approaches: (1) Pearson r correlation; and (2) t-Test. A t-Test was used to test the difference of performance means between the low and high group of each construct. The t-Test according to Davis and Consenza (1988), is a test of mean differences
used on interval scaled measures.

Each hypothesis was also analysed using Pearson r correlation. The correlation between two variables measures the variance between them. The relationship between the two variables therefore, is the element of variance (Davis & Consenza, 1988). The correlation figures for each construct were compared using a Pearson r correlation matrix. This matrix allows several variables to be compared and measured for differences (Davis & Consenza, 1988). This table showed the relationship between all the constructs, and business performance.

Multiple regression was used to test the joint impact of the four marketing orientation constructs on business performance. Multiple regression analysis allows one to study the effects of more than independent variable on a dependent variable (Davis & Consenza, 1988, p. 413). Using this technique, the joint effect of customer, competitor, interfunctional coordination, and long-term constructs on business performance were analysed.
CHAPTER IV
FINDINGS

This chapter discusses the reliability and validity of the measuring instruments used to conduct the research. The findings for the research hypotheses are then presented, which is followed by a description of the additional findings that contribute to this research.

Reliability

Reliability refers to the power of a measuring procedure to produce the same results each time it is applied to the same thing or situation (Cronbach, 1970). The reliability tests undertaken follow closely that taken by Narver and Slater (1990). Narver and Slater (1990) report reliability values (coefficient alpha) and item-to-total correlations for each construct. All coefficient alpha values that exceed the threshold of 0.7 recommended by Nunnally (1978, p. 245), were considered acceptable for this study. Table 4.1 presents a summary of the reliability statistics for the four constructs measuring marketing orientation. Each of the constructs' reliability statistics shall now be examined closely.
Customer Orientation

The coefficient alpha for the customer orientation construct of 0.728 exceeds Nunnally's (1978) recommended threshold of 0.7. All item-to-total correlations exceed Nunnally's (1978) 0.4 benchmark, and thus shows each of these items correlates strongly with customer orientation. However one scale was excluded because its item-total correlation of was relatively low (0.217). The item measured how closely a company monitored the needs of their distributors to ensure customer orientation was maintained.
Table 4.1

Reliability Analysis

<table>
<thead>
<tr>
<th>ITEM</th>
<th>Coefficient Alpha</th>
<th>Item-To-Total Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer Orientation (Cust)</strong></td>
<td>0.728</td>
<td></td>
</tr>
<tr>
<td>Anticipate needs</td>
<td>0.698</td>
<td></td>
</tr>
<tr>
<td>Undertake research</td>
<td>0.847</td>
<td></td>
</tr>
<tr>
<td>Informal info gathering</td>
<td>0.722</td>
<td></td>
</tr>
<tr>
<td>Anticipate production</td>
<td>0.851</td>
<td></td>
</tr>
<tr>
<td>Monitor external factors</td>
<td>0.424</td>
<td></td>
</tr>
<tr>
<td><strong>Competitor Orientation (Comp)</strong></td>
<td>0.901</td>
<td></td>
</tr>
<tr>
<td>Analyse competitors</td>
<td>0.806</td>
<td></td>
</tr>
<tr>
<td>Match strategies</td>
<td>0.840</td>
<td></td>
</tr>
<tr>
<td>Gather information</td>
<td>0.875</td>
<td></td>
</tr>
<tr>
<td>Anticipate strategies</td>
<td>0.891</td>
<td></td>
</tr>
<tr>
<td>Provide info to mgt</td>
<td>0.880</td>
<td></td>
</tr>
<tr>
<td><strong>Interfunctional (Inter)</strong></td>
<td>0.760</td>
<td></td>
</tr>
<tr>
<td>Coordination</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect customer</td>
<td>0.891</td>
<td></td>
</tr>
<tr>
<td>info to mgt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide customer info to</td>
<td>0.886</td>
<td></td>
</tr>
<tr>
<td>marketing staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Focus on customer needs</td>
<td>0.648</td>
<td></td>
</tr>
<tr>
<td>Employees aware of</td>
<td>0.588</td>
<td></td>
</tr>
<tr>
<td>customer needs</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Long-Term Orientation (L-T)</strong></td>
<td>0.742</td>
<td></td>
</tr>
<tr>
<td>Formal planning</td>
<td>0.754</td>
<td></td>
</tr>
<tr>
<td>Focus on profits</td>
<td>0.657</td>
<td></td>
</tr>
<tr>
<td>Focus on customer</td>
<td>0.504</td>
<td></td>
</tr>
<tr>
<td>Formal mkting plan exists</td>
<td>0.796</td>
<td></td>
</tr>
<tr>
<td>Anticipate future customer needs</td>
<td>0.490</td>
<td></td>
</tr>
<tr>
<td>LT planning is mgt priority</td>
<td>0.716</td>
<td></td>
</tr>
<tr>
<td><strong>Human Resource Mgt (HRM)</strong></td>
<td>0.867</td>
<td></td>
</tr>
<tr>
<td>Team spirit</td>
<td>0.783</td>
<td></td>
</tr>
<tr>
<td>Positive attitudes</td>
<td>0.870</td>
<td></td>
</tr>
<tr>
<td>Reward system</td>
<td>0.790</td>
<td></td>
</tr>
<tr>
<td>Increase productivity</td>
<td>0.859</td>
<td></td>
</tr>
<tr>
<td>Staff satisfaction</td>
<td>0.843</td>
<td></td>
</tr>
<tr>
<td>Incentives</td>
<td>0.522</td>
<td></td>
</tr>
</tbody>
</table>
**Competitor Orientation**

From Table 4.1, the coefficient alpha for competitor orientation scale of 0.901 exceeds the 0.7 mark, and therefore indicates that the items measuring competitor orientation were reliable. All the item-to-total correlations clearly exceed 0.4, and show that all the items are related to competitor orientation.

**Interfunctional Coordination**

As reported in Table 4.1, the coefficient alpha for interfunctional coordination narrowly exceeds the 0.7 significance level set by Nunnally (1978). Yet as the figure suggests, interfunctional coordination does correlate with the other marketing orientation constructs. Each of the measuring items' scales are related to interfunctional coordination. However one item was excluded from this scale because of its relatively low item-to-total score (0.294). It measured whether marketing tasks were confined purely to the people in the marketing department.

**Long-Term Orientation**

The coefficient alpha of long-term orientation found in Table 4.1, barely exceeds the 0.7 bench-mark. From all the coefficients, this is the lowest. Yet as the figure does exceed Nunnally's (1978)
recommended level, the construct correlates with the remaining marketing orientation constructs. The item-to-total correlation exceeds 0.4.

**Construct Validity**

Belson (1986) suggests a valid measure is one that accurately measures what it is supposed to measure. He argues that for a measuring scale to be of any use in research, it should not only be reliable but also produce results that are sufficiently accurate and relevant for the operation in hand. The process of measuring construct validity for the present study followed closely the work of Narver and Slater (1990). Evidence of construct validity is present when the pattern of correlations among variables conforms to what is predicted by theory (Cronbach 1970, p. 143).

For evaluating construct validity, Narver and Slater (1990) examine with simple correlation and factor analysis the relationships among the marketing orientation components and their relationships with human resource management policy. Their findings show human resource management policy is significantly related to the components of marketing orientation.

From the findings of this study, the coefficient alpha for the human resource management policy exceeds Nunnally's (1978) 0.7 threshold. All of the item scores were acceptable, although there was one item that has been deleted because of a low item-to-total score.
This item will measure whether a company has an independent body that provides staff an opportunity to seek counsel for any dilemmas at work.

Table 4.2
Human Resource Management Construct Validity Findings

<table>
<thead>
<tr>
<th>ITEM</th>
<th>Coefficient Alpha</th>
<th>Item Scores</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRM</td>
<td>0.867</td>
<td></td>
</tr>
<tr>
<td>Team spirit</td>
<td>0.783</td>
<td></td>
</tr>
<tr>
<td>Positive attitudes</td>
<td>0.870</td>
<td></td>
</tr>
<tr>
<td>Reward System</td>
<td>0.790</td>
<td></td>
</tr>
<tr>
<td>Motivation</td>
<td>0.859</td>
<td></td>
</tr>
<tr>
<td>Satisfaction</td>
<td>0.843</td>
<td></td>
</tr>
<tr>
<td>Incentives</td>
<td>0.522</td>
<td></td>
</tr>
</tbody>
</table>

Narver and Slater (1990) tested the validity of all the marketing orientation constructs by assessing their discriminant and convergent validity.

**Discriminant Validity**

Belson (1986) suggests discriminant validity assists researchers in testing for differences between correlations. If the test is positive, then researchers may rank theoretical variables in order of importance.
Narver and Slater (1990) use discriminant validity by demonstrating the correlation between interfunctional coordination and human resource management policy is less than the correlations between interfunctional coordination and the other marketing orientation components. This is done to prove that customer, competitor, interfunctional coordination and long-term orientation, are measuring marketing orientation, and not just some general management policies.

An evaluation of Table 4.3 indicates that the correlation between interfunctional coordination and human resource management is less than the correlation of interfunctional coordination and the remaining constructs. These results provide support for the discriminant validity of the four components of the marketing orientation construct.

Table 4.3
Correlation Matrix

<table>
<thead>
<tr>
<th>ITEM</th>
<th>Cust</th>
<th>Comp</th>
<th>Inter</th>
<th>L-T</th>
<th>HRM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cust</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comp</td>
<td>0.569b</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inter</td>
<td>0.677a</td>
<td>0.661a</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>L-T</td>
<td>0.406b</td>
<td>0.504</td>
<td>0.721a</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>HRM</td>
<td>0.520b</td>
<td>0.589a</td>
<td>0.555b</td>
<td>0.496b</td>
<td>1.000</td>
</tr>
</tbody>
</table>

\textsuperscript{a}p < 0.001

\textsuperscript{b}p < 0.01
The other method Narver and Slater (1990) employ to test the validity of the constructs, is to determine whether all the constructs converge towards a common construct, that is, business performance.

**Convergent Validity**

Belson (1986) suggests convergent validity is measured with strong correlation levels among the theoretical variables being tested. A strong correlation among the four constructs that form marketing orientation would indicate that they are converging on a common construct, thereby providing evidence of convergent validity. Results in Table 4.4 indicate that all correlation exceeds 0.4, and are all significant at \( p < 0.01 \) or better.

Table 4.4
Correlation Analysis

<table>
<thead>
<tr>
<th>ITEM</th>
<th>Cust</th>
<th>Comp</th>
<th>Inter</th>
<th>L-T</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cust</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comp</td>
<td>0.572a</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inter</td>
<td>0.658a</td>
<td>0.663a</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>L-T</td>
<td>0.406b</td>
<td>0.510b</td>
<td>0.715a</td>
<td>1.000</td>
</tr>
</tbody>
</table>

\( a p \leq 0.001 \)

\( b p \leq 0.01 \)
In summary, the findings provide evidence of reliability and construct validity. Thus, the scales used by Narver and Slater (1990) to measure marketing orientation is considered acceptable for this study.

**Test Of Research Hypotheses**

From the literature, four hypotheses were proposed to be tested. The approach to hypotheses testing utilises t-Test and Pearson correlation analysis. Each of the four constructs of marketing orientation will now be individually examined.

**Customer Orientation**

The following hypothesis was developed from the literature to test the relationship between customer orientation and business performance.

H1: An increase in customer orientation will increase business performance.

Two approaches were utilised to test this hypothesis by examining the effect of customer orientation on business performance. The first technique employed a Pearson r correlation analysis between customer orientation and business performance. A significant Pearson r correlation of 0.713 (p < 0.001) was revealed (see
Table 4.5). This indicates wine producers that experience higher levels of customer orientation will also experience greater business performance.

The second line of analysis explored the differences in levels of business performance grouped by high and low customer orientated wine producers using t-Test. These groupings were derived by grouping those who scores were less than two as low, and those whose score was greater than or equal to two as high. The mean scores obtained for the two groups are shown in Table 4.6 and are as follows: low = 1.773 (N = 60); high = 2.515 (N = 9). The t-Test indicates that the high customer orientated group had significantly higher business performance scores than low customer orientated (p < 0.05). From the findings, high customer orientation is related to increased business performance. On the basis of these results Hypothesis One is accepted.
Table 4.5
Correlation Analysis Of Marketing Orientation Constructs And Business Performance

<table>
<thead>
<tr>
<th>Item</th>
<th>Cust</th>
<th>Comp</th>
<th>Inter</th>
<th>L-T</th>
<th>B. Per</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cust</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comp</td>
<td>0.562a</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inter</td>
<td>0.644a</td>
<td>0.659a</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>L-T</td>
<td>0.370b</td>
<td>0.507b</td>
<td>0.675b</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>B. Per</td>
<td>0.713a</td>
<td>0.646a</td>
<td>0.618a</td>
<td>0.345b</td>
<td>1.000</td>
</tr>
</tbody>
</table>

ap ≤ 0.001
bp ≤ 0.01

Table 4.6
The Effects Of Customer Orientation On Business Performance

<table>
<thead>
<tr>
<th>Group</th>
<th>Number</th>
<th>Mean Score</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>61</td>
<td>1.773</td>
<td>0.342</td>
</tr>
<tr>
<td>High</td>
<td>9</td>
<td>2.515</td>
<td>0.328</td>
</tr>
</tbody>
</table>

t value = 6.113
p < 0.001
The following hypothesis was developed from the literature to test the relationship of competitor orientation to business performance:

**H₂:** An increase in competitor orientation will increase business performance.

Two approaches were also implemented to investigate the relationship between competitor orientation and business performance. The Pearson r correlation technique reported in Table 4.5, yielded a significant positive correlation of 0.646 (p < 0.001). High competitor orientation is linked with greater business performance.

The second line of analysis using t-Test, examined the differences in the degree of business performance experienced by dividing the subjects into two groupings of competitor orientation, namely low and high. Again any score less than two is low, any score equal to or greater than two is high. The mean scores for the two groups are in Table 4.7 and are as follows: low = 1.483 (N = 58); high = 2.221 (N = 12). The t-Test indicates that the high competitor orientated group had significantly higher business performance scores than the low competitor orientated (p < 0.001). Based on these findings Hypothesis Two is accepted.
Table 4.7
The Effects Of Competitor Orientation On Business Performance

<table>
<thead>
<tr>
<th>Group</th>
<th>Number</th>
<th>Mean Score</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>58</td>
<td>1.483</td>
<td>0.228</td>
</tr>
<tr>
<td>High</td>
<td>12</td>
<td>2.221</td>
<td>0.249</td>
</tr>
</tbody>
</table>

*t value = 6.304

*p < 0.001

Interfunctional Coordination

From the literature, the following hypothesis was proposed to be tested:

H3: An increase in interfunctional coordination will increase business performance.

Two approaches were employed to test the relationship between business performance and interfunctional coordination. The first technique looked at the simple Pearson r correlation between business performance and interfunctional coordination. The results of the correlation analysis shown in Table 4.5, revealed a Pearson r of 0.618 (*p < 0.001). The correlation between business performance and interfunctional coordination is significant.

The second approach using t-Test, investigated the differences in the levels of business performance by dividing them into two
groupings of interfunctional coordination, and that is high, or low. These scores were grouped by any values that were less than two as low, and those greater than or equal to two as high. The mean scores obtained for the two groups are reported in Table 4.8 and are as follows: low = 1.656 (N = 50); high = 2.397 (N = 20). The t-Test analysis shows that the high interfunctional coordinated group had significantly higher business performance than the lower interfunctional coordinated group (p < 0.001). On the basis of these results Hypothesis Three is accepted.

Table 4.8
The Effects Of Interfunctional Coordination On Business Performance

<table>
<thead>
<tr>
<th>Group</th>
<th>Number</th>
<th>Mean Score</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>50</td>
<td>1.656</td>
<td>0.217</td>
</tr>
<tr>
<td>High</td>
<td>20</td>
<td>2.397</td>
<td>0.327</td>
</tr>
</tbody>
</table>

t value = 11.096

p < 0.001

Long-Term Orientation

The following hypothesis was developed from the literature to test the relationship between long-term orientation and business performance:
H4: An increase in long term orientation will increase business performance.

One approach was utilised to test the relationship between business performance and long-term orientation. The technique used a Pearson r correlation analysis of these two constructs. The results of the analysis in Table 4.5, was a significant value of 0.345 (p < 0.01). This relationship indicates higher long-term orientated wine producers, will experience greater business performance.

The second approach using t-Test, measured the differences in the levels of business performance divided by low and high groupings of long-term orientation. As with the other constructs, any scores less than two is low, any scores greater than or equal to two is high. The mean scores of the two groupings presented in Table 4.9, are as follows: low = 1.682 (N = 38); high = 2.088 (N = 32). The t-Test indicates the higher long-term orientated group had relatively higher business performance than lower long-term orientated (p < 0.01). From these findings, Hypothesis Four is accepted.

Table 4.9
The Effects Of Long-Term Orientation On Business Performance

<table>
<thead>
<tr>
<th>Group</th>
<th>Number</th>
<th>Mean Score</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>38</td>
<td>1.682</td>
<td>0.230</td>
</tr>
<tr>
<td>High</td>
<td>32</td>
<td>2.088</td>
<td>0.487</td>
</tr>
</tbody>
</table>

\[ t \text{ value} = 4.574 \]
\[ p < 0.01 \]
The Joint Relationship Of All Marketing Orientation Constructs On Wine Producers' Business Performance

While t-Test and Pearson r correlation was used to account for significant differences and correlations to examine significant relationships, a multiple regression analysis focused on jointly correlating customer, competitor, interfunctional coordination, and long-term orientation with business performance. In isolation, as presented in Table 4.5, customer orientation \( r = 0.713, p < 0.001 \), competitor orientation \( r = 0.646, p < 0.001 \), interfunctional coordination \( r = 0.618, p < 0.001 \), and long-term orientation \( r = 0.345, p < 0.01 \) all significantly correlates with business performance. The joint correlation of customer orientation, competitor orientation, interfunctional coordination and long-term orientation, yields a multiple R of 0.770 \( (p < 0.05) \), as shown in Table 4.10. This joint correlation explains 64.3 % of the variance in business performance. Overall customer orientation, competitor orientation, interfunctional coordination, long-term orientation significantly explains the variability in business performance with \( F = 90.570, p < 0.05 \). The standardised coefficients for each construct in a multiple regression analysis indicate the magnitude of impact on the dependent variable. Results from Table 4.10 show that customer orientation \( (0.607) \) has the greatest impact on business performance, followed by competitor orientation \( (0.438) \), then interfunctional coordination \( (0.337) \), and lastly, long-term orientation \( (0.145) \). Hair, Anderson, Tatham and Black (1982) suggest that that if each individual construct's tolerance level
exceeds 0.10, then no serious multicollinearity problems exist. Multicollinearity problems occur when some of the explanatory variables are similar to one another, and it becomes difficult for multiple regression to distinguish the effect of one variable and the effect of another (Davis & Consenza, 1988). From the findings reported in Table 4.10, all the tolerance figures exceed 0.10, and thus suggest no serious multicollinearity problems.

Table 4.10
Multiple Regression: Joint Impact of Marketing Constructs On Business Performance

<table>
<thead>
<tr>
<th>Source</th>
<th>SUM-OF-SQRS</th>
<th>DF</th>
<th>MN-SQRE</th>
<th>F-RATIO</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>9.230</td>
<td>4</td>
<td>2.308</td>
<td>90.750</td>
<td>0.010</td>
</tr>
<tr>
<td>Residual</td>
<td>2.956</td>
<td>65</td>
<td>0.045</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Multiple R: 0.770
Squared Multiple R: 0.657
Adjusted Squared Multiple R: 0.643
Standard Error Of Estimate: 0.213
Additional Findings

Additional research was undertaken to find out the relationship between company size, human resource management, export revenue and marketing orientation. According to Narver and Slater's (1990) findings, the size of the company (that is, number of employees), and human resource management, significantly relate to marketing orientation. These findings were tested. Export as a percentage of total revenue, was analysed to contribute further to this study. It examines the relationship of export percentage of total revenue with marketing orientation.

Company Size

Two approaches were used to test the relationship between number of employees and marketing orientation. The first technique looked at the simple Pearson $r$ correlation between marketing orientation and number of employees. The results of that correlation analysis are reported in Table 4.11, and revealed a significant Pearson $r$ of 0.366 ($p < 0.05$). Number of employees is thus linked with higher marketing orientation.
Table 4.11
Correlation Analysis For Additional Findings

<table>
<thead>
<tr>
<th>ITEM</th>
<th>C Size</th>
<th>HRM</th>
<th>Exp %</th>
<th>Mkt Or</th>
</tr>
</thead>
<tbody>
<tr>
<td>C Size</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HRM</td>
<td>0.106</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exp %</td>
<td>0.227</td>
<td>0.272</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Mkt Or</td>
<td>0.366\textsuperscript{b}</td>
<td>0.617\textsuperscript{a}</td>
<td>0.345\textsuperscript{b}</td>
<td>1.000</td>
</tr>
</tbody>
</table>

\textsuperscript{a}p < 0.001
\textsuperscript{b}p < 0.05

The second method of analysis examined the relationship between number of employees and marketing orientation by grouping the wine companies into two groups based on their marketing orientation, namely high or low. Any score below four was low, and any score greater than or equal to four was high. For ease of analysis, any ordinal scale that measured the number of employees was treated as an interval scale. The mean employee sizes for the two marketing orientation groups are as follows: low = 1.000 (N = 55); high = 1.176 (N=17). Results from Table 4.12 indicate that there is a significant relationship between number of employees and marketing orientation. The findings support Narver and Slater's (1990) findings that size of company is related to marketing orientation. Companies who are greater in size, tend to have a higher level of marketing orientation.
Table 4.12
The Effect of Selected Demographic Variables On Marketing Orientation

<table>
<thead>
<tr>
<th>Item</th>
<th>Low</th>
<th>High</th>
<th>t value</th>
</tr>
</thead>
<tbody>
<tr>
<td>C Size</td>
<td>(N=55) 4.866</td>
<td>(N=17) 1.176</td>
<td>0.011a</td>
</tr>
<tr>
<td>HRM</td>
<td>(N=53) 3.267</td>
<td>(N=17) 4.569</td>
<td>0.010a</td>
</tr>
<tr>
<td>Exp %</td>
<td>(N=39) 2.769</td>
<td>(N=11) 6.182</td>
<td>0.016a</td>
</tr>
</tbody>
</table>

a p < 0.05

Human Resource Management

Two approaches were used to examine the relationship between human resource management and marketing orientation. The first technique employed was a simple Pearson r correlation of human resource management and marketing orientation. The analysis, shown in Table 4.11, yielded a significant positive correlation of 0.617 (p < 0.001). More effective human resource management is linked with greater marketing orientation.

The second form of analysis used t-Test to examine the differences in degree of human resource management experienced by dividing the companies based on marketing orientation into two groups. Any score below four was considered low, and any score greater than or equal to four was considered high. The mean scores for the two groups (in Table 4.12) are as follows: low = 3.267 (N = 53); high
$4.569 (N = 17)$. The difference is such that companies with better human resource management have greater marketing orientation. This supports Narver and Slater's (1990) findings that human resource management is significantly related to marketing orientation.

**Export Of Total Percentage On Marketing Orientation**

Two approaches were utilised to test the effect of export percentage of total revenue and marketing orientation. The first approach looked at the simple Pearson r correlation between exporting and marketing orientation. A significant Pearson r correlation, as presented in Table 4.11, was $0.345 (p < 0.05)$. This result indicates that wine producers who have higher levels of exporting activities adopt greater marketing orientation.

A second line of analysis explored the different percentage levels of exports by dividing the companies into two groups (high and low) based on their marketing orientation. Each company reported the percentage of total revenue acquired from exporting over the last financial year. The mean scores obtained for the high and low groups of marketing orientation (see Table 4.12) are as follows: low = 2.769 ($N = 39$); high = 6.182 ($N = 11$). The companies with a higher marketing orientation are likely to have a higher percentage of export.
CHAPTER V
DISCUSSION AND CONCLUSIONS

Introduction

The previous chapter presented a description of the results of a study designed to investigate the relationship between customer orientation, competitor orientation, interfunctional coordination, long-term orientation and business performance. The purpose of this chapter is to discuss those results in view of the acceptance or rejection of the various hypotheses. Further discussion will also focus on relating the findings from the present study with relevant previous studies.

Hypothesized Relationships

Customer Orientation And Business Performance

The results of this study offer a significant contribution by confirming the existence of a relationship between business performance and customer orientation. After reviewing the literature this outcome should not be surprising. Determining customer needs and wants is the prime directive of any business. Satisfying customer needs is essential if managers wish to ensure the survival of their
businesses. Kotler (1980) argues that the marketing efforts of companies should be focused towards the customers. Kotler (1980) suggests the need for companies to identify a target market, discover their needs and wants, and attempt to create a product or service in exchange for profitability. Saxe and Wietz (1982) suggest the key to success in businesses is stimulating the demand for their products or services. To stimulate this demand, managers should train their salesforce to become customer orientated in their selling approach. By focusing on customer needs, salespeople will perform at optimum levels. Ultimately, focusing on customers will ensure higher business performance. The literature demonstrates that focusing on the needs and wants of customers leads higher performance levels.

Another important aspect of the findings is discovered when customer orientation is divided into groups of low and high. This grouping reveals those companies with high levels of customer orientation experience higher levels of business performance. Companies with low levels of customer orientation do not experience higher business performance.

The findings from this study indicate those wine companies with high customer orientation tend to experience greater business performance. This supports the findings of Narver and Slater (1990) who found a significant positive relationship between understanding the needs of target customers, and the level of business performance. They concluded from their results that higher levels of customer orientation, will result in higher levels of performance. But, what degree of importance do companies attach to customer orientation as
part of their marketing strategies? Kotler and Rodgers (1977) suggest most of the marketing efforts should be focused at the customer. However what is most? Narver and Slater (1990) show from their study that in comparison to the other components of marketing orientation, customer orientation deserves the greatest attention. The findings show customer orientation has the highest significant standardised coefficient of 0.607 ($p < 0.01$). This indicates becoming marketing orientated, companies need to focus the greatest efforts towards customer orientation.

*Competitor Orientation And Business Performance*

Another valuable contribution of this study is the establishment of a positive significant relationship between business performance and competitor orientation. The relationship is such that companies who are highly competitor orientated experience a greater degree of business performance. Because competitor orientation in this context involves constantly monitoring the business activities of others within the same market to determine strengths and weaknesses in one's own strategies, this finding is not surprising.

Schendel and Hofer (1979) found that companies who closely monitored the organisational strategies of others within the market to analyse their strengths and weaknesses, would be able to improve their companies market-share standing at the expense of competitors. Rappleye (1991) suggests not only will companies improve in their market-share standing by becoming competitively orientated, but they
will also improve in business performance. The reason for this is that market-share standing forms one measure of business performance. Therefore by increasing market-share standing, business performance will improve.

Companies who adopt low levels of competitor orientation experience low levels of business performance. Narver and Slater (1990) also test the effect of competitor orientation on business performance. From their findings they conclude that there is a significant relationship between business performance and monitoring the short and long-term strategies of current and potential competitors. However to what degree should companies concentrate on competitor orientation in becoming marketing orientated? The findings indicate that after customer orientation, the competitor orientation component of marketing orientation is next important. Competitor orientation has the second highest standardised correlation of 0.438 \( (p < 0.05) \). This supports Narver and Slater's (1990) findings which showed that competitor orientation was ranked as the second most important component of marketing orientation.

**Interfunctional Coordination And Business Performance**

In the study a significant relationship between business performance and interfunctional coordination was demonstrated. Companies that vigorously coordinate the utilisation of their resources ensure they create superior value for target customers. By focusing on creating superior value for customers, business performance will
increase. Therefore, this finding is not surprising.

Leavitt (1964) suggests the key to becoming interfunctionally coordinated is to integrate the tasks of employees, with efficient communication systems to provide information on output, status, authority and rewards. These factors will influence the workflow and are directly attributable to the performance of each department within a company, no matter what the size. Desphande and Webster (1989) also argue that maximum efficiency within a company is achieved by coordinating the duties of all employees at every level within the organisation. The higher the level of integration, the greater the level of performance. Narver and Slater (1990) test this relationship and found those companies who embrace higher levels of providing support, motivation and reward to employees, should experience higher performance levels.

The findings from this study are consistent with the literature. Wine companies who adopted higher levels of interfunctional coordination experience greater business performance. Alternatively, those companies having lower levels of interfunctional coordination were subject to lower business performance. The results also suggest that concerning the three other proposed components of marketing orientation, interfunctional coordination rated third in importance for influencing business performance. Interfunctional coordination has the third highest positive significant standardised correlation of 0.337 (p < 0.05).
Long-term orientation has provided another valuable contribution to the study. The findings show that there is a significant relationship between long-term orientation and business performance. Companies who constantly discover and implement strategies that anticipate the future needs of customers ensure better prospects of achieving high performance in the future. Therefore, this finding is not surprising.

Anderson (1982) suggests every company should incorporate long range planning into their corporate goal setting. He believes by anticipating future trends in the market, that business performance will improve. The focus of this anticipation should be towards customer needs, competitive forces and external regulations such as the government. By anticipating future trends, managers will be able to make preparations for any changes that may affect the conditions under which they operate. Day and Wensley (1983) believe the reason some companies fail to become long-term orientated in their management strategies is that managers find the task to be time consuming. They suggest managers do not embrace long-term strategic thinking because they fail to recognise the benefits of long-term orientation.

Narver and Slater (1990) argue that long-term orientation is a component of marketing orientation, and influences business performance. They suggest that future research should develop a valid measure for long-term orientation. Similarly Kohli and Jaworski (1990)
suggest that long-term orientation is an important factor senior managers cannot ignore. By studying future trends, forces and customer needs, marketing intelligence will be bolstered and the level of marketing orientation for companies will increase. Although long term orientation was important for business performance, it has the lowest standardised coefficient of 0.145 (p < 0.05). This indicates that for companies, those with higher long-term orientation, may experience greater business performance.

**Joint Relationship Of All Variables With Business Performance**

As a mean of understanding how the variables jointly relate to business performance, a multiple regression analysis was conducted. The results reveal that the variables tested account for 74.3 % of the variance. Of these variables, however, customer orientation is the single most significant contributor. Recalling again how intertwined the customer is with business, this is not an unexpected finding. This idea is further supported by a closer look at the variables found in the multiple regression. Of the remaining three variables, competitor orientation was next with importance, followed by interfunctional coordination, and then lastly long-term orientation. With this in mind, clearly customer orientation plays a major role in performance levels experienced in business.
Additional Findings

Additional research was undertaken to examine the relationship between company size, human resource management, export revenue and marketing orientation. The results would be compared with Narver and Slater's (1990) findings, that the size of the company (that is, number of employees), and human resource management, significantly relate to marketing orientation. Export as a percentage of total revenue was examined to contribute further to this study.

Company Size And Marketing Orientation

Narver and Slater (1990) suggest that larger companies may be the most reluctant or the least able to adopt a marketing orientation. Their findings were consistent with that expectation. They argue that the lack of marketing orientation with larger companies was due to their absolute size. They suggest those companies who had larger number of employees, were more difficult to install a change in management policy as there were greater numbers to contend with.

Findings from the present study confirm the existence of a positive significant relationship between marketing orientation and company size with a significant correlation of 0.366 (p < 0.05). The results complement the findings of the regression analysis, namely that among wine companies, marketing orientation is strongly related to business performance. From the grouping of high and low
companies for marketing orientation, the results indicate those companies having more of employees tend to experience lower levels of marketing orientation. This supports Narver and Slater's (1990) findings.

**Human Resource Management And Marketing Orientation**

The present findings confirmed the existence of a relationship between marketing orientation and human resource management policy. Companies with more effective human resource management policies tend to experience greater marketing orientation. Recent research conducted by Narver and Slater (1990) demonstrates that the group of businesses with high marketing orientation are well managed. Their results show these high marketing orientation businesses are well structured with human resource management, which implies they are the most able and willing to adapt, especially to undertake the changes required in substantially increasing a marketing orientation. The results from this study support this finding with a positive significant correlation coefficient of 0.617 ($p < 0.001$) between marketing orientation and human resource management in the wine industry.

**Export And Marketing Orientation**

Another valuable contribution of this study is the establishment of a significant relationship between marketing
orientation and export percentage of total revenue. The relationship is such that companies having higher exporting activities have a greater degree of marketing orientation. The results of a correlation analysis indicate that there is a significant positive relationship of 0.345 (p < 0.05). The t-Test shows that the higher marketing orientated companies in the wine industry have higher export percentage of total revenue. It seems this may be because companies who are selling their product overseas, need to increase the intensity of their marketing strategies. As companies enter new markets, the level of competitive pressure would seem to increase. By increasing their level of marketing orientation, companies may increase their level of market share in new markets.

Limitations Of Present Research And Implications For Future Research

A number of limitations should be acknowledged when discussing the results of the hypotheses testing. These findings shall also provide implications for future research.

Limitations

The current study of the marketing orientation and business performance has been highly pertinent to the West Australian wine industry. However these findings are confined to West Australia. Future researchers should be careful when generalising these results to other states in Australia.
The current study used in the cross-sectional research design to study the effect of marketing orientation on business performance. Thus association between marketing orientation and business performance, rather than causation was analysed. To gain greater understanding into the causation of marketing orientation on business performance, a study carried over a longer period would prove to be valuable. An extensive study would test the findings from this study and contribute more depth to understanding what causes business performance to increase.

The size of the companies in the current study was specified by measuring the number of employees. The number of employees did not differentiate between full-time and casual employees. Because of the seasonality in vineyards, the numbers of casual employees do increase to correspond with the harvesting and picking seasons, whilst staff numbers are reduced over the remainder of the year. Some managers may have been unsure in the main study whether to include casual employees as part of their overall staff number.

In measuring the level of performance for each company, an average of several of performance measures was used. The averaging effect of various performance measures may have reduced, though minimally, the depth of information related to business performance. This study has used one approach to measuring performance. This approach was measuring performance relative to competitor's objectives. To gain a greater understanding of the effect of marketing orientation on business performance, the current study could have considered examining the impact of marketing orientation using more than just this individual performance measure.
Suggestions For Future Research

The current study specifically measured business performance in relation to major competitors. Further research conducted over an extended time period may consider using other possible measures that could account for business performance. Other measures such as performance relative to objectives, and performance in respect to last year could be used when studying the effect of marketing orientation on business performance.

Each construct for the four components of marketing orientation used on average, between six and seven items. Future research may include additional items as measures of either customer orientation, competitor orientation, interfunctional coordination or long-term orientation. By including additional items, researchers may gain a greater understanding of the scales that constitute marketing orientation.

From the findings of the present study, it was shown that long-term orientation is an important determinant of business performance. Narver and Slater (1990) failed to use long-term orientation in their study of marketing orientation because the construct failed their reliability tests. Future research can seek to support or disprove this study's finding that long-term orientation is a valid measure of marketing orientation.

Another important contribution from this study was demonstrating the significant relationship between the level of export percentage of total revenue and marketing orientation. Future
research may support or disprove the findings of this study. It may also provide a greater understanding of the reasons why the level of marketing orientation changes with respect to the level of export activities.

In the current study, three items were tested against marketing orientation: (1) company size; (2) human resource management policies; and (3) export percentage of total revenue. Future research may study the effects of other variables, such as perhaps return on investment, on marketing orientation to contribute further to this area of research.

It has already been suggested that future extensive research be conducted. This research should also examine the generalisability of the present study's findings by testing the marketing orientation of other wine industries in different countries. This would provide the foundation for performing a study into the marketing orientation of other wine industries across Australia. Future research may also undertake a cross-cultural analysis to gain a greater understanding of the relationship between marketing orientation and business performance. The generalisability of the present study's findings may also be tested in other industries besides the wine industry. This would provide further support that the four constructs of customer orientation, competitor orientation, interfunctional coordination and long-term orientation, are together, a valid measure of marketing orientation.

The significance of the findings show the current study has presented a valid measure of marketing orientation and demonstrated
its significant effect on business performance. The study has shown by increasing customer, competitor, interfunctional coordination and long-term orientation, a company will increase its performance. However, for practical purposes, how much should they be increased? This study has taken the first step to determining how companies may increase marketing orientation, by undertaking a multiple regression analysis of the joint impact of the four constructs. The findings have shown that customer orientation was the most important construct, followed by competitor orientation, interfunctional coordination, and long-term orientation. This has helped build a greater understanding of the determinants of marketing orientation, and offered companies a way to become marketing orientated by focusing on these four components. This study has shown the impact of marketing orientation on performance. Future research needs to examine in greater depth, and over a longer period, how companies may increase their level of marketing orientation to increase their business performance.
BIBLIOGRAPHY


Dear Sir/Madam,

I am an honours student completing my business degree at Edith Cowan University. To complete this course I must prepare a thesis for the academic staff at the university. The topic area I have chosen investigates the characteristics of the Western Australian Wine Industries. To complete my research I will need your cooperation by completing the short questionnaire enclosed.

After you complete this questionnaire I shall contact your office between the 2nd and 12th of September to gather your details. As the questionnaire is quite simple in design, you may elect to leave it near the phone as anyone may provide your responses.

This research is vital to the success of completing my studies. The questionnaire has been designed for both large and boutique wineries. Please do not dismiss your participation as unimportant - each response is vital to the success of this research.

Both the university and I can assure you the complete confidentiality of your information. Furthermore, after I collect your responses and complete my research, I shall send you a summary of the key findings (whilst still maintaining confidentiality) from my studies.
For the five minutes you spare to look at this questionnaire I am confident that you will later be rewarded with some extremely beneficial information that shall offer you opportunities to increase the performance of your organisation.

Thank you for your assistance.

Yours faithfully,

Michael J. Stansby

Contact Number for assistance: 324 9017
Address: P.O. Box 303 Leederville. Perth. 6007.

Wayne Kwan
(University Supervisor)

Contact Number for assistance: 383 8333
Appendix II

Questionnaire

Western Australian WineGrowers' Marketing Orientation Survey 1992

Instructions:

Please circle a response for each of the following statements - where "1" means you strongly disagree with the statement and "7" means you strongly agree. Each scale represents how strongly you feel about the statement and gives you the opportunity to convey these thoughts onto paper. For example you may agree - but not strongly, with a statement and would therefore select response's "5" or "6". Alternatively you may be unsure about a statement and would therefore select "4" which represents a neutral response. Ultimately your responses vary according to how strong you feel towards a particular statement about your organisation.

Section I Customer Orientation

<table>
<thead>
<tr>
<th>Question</th>
<th>Response Options</th>
<th>Not at all</th>
<th>To a full extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. We anticipate the changing needs of our customers and initiate steps to meet them:</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Formal research is undertaken to understand the needs of our customers:</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Informal information gathering such as visiting and talking to customers is used to understand the needs of our customers:</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. When we produce our wines we attempt to anticipate our customers' future needs:</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. We closely monitor the needs of our distributors:</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6. We constantly monitor external factors such as government regulations and competition that have an influence on the needs of our customers: 1 2 3 4 5 6 7 Not at all To a full extent

7. Overall our organisation is customer orientated: 1 2 3 4 5 6 7 Not at all To a full extent

Section II Competitor Orientation

8. Our top managers discuss competitors strategies: 1 2 3 4 5 6 7 Not at all To a full extent

9. Any expansions made by our competitors we try and match: 1 2 3 4 5 6 7 Not at all To a full extent

10. We constantly gather information about our competitors: 1 2 3 4 5 6 7 Not at all To a full extent

11. We try and anticipate the strategies of our competitors and attempt to counter them: 1 2 3 4 5 6 7 Not at all To a full extent

12. Information about our competitors is given to internal departments to assist them in their strategy development: 1 2 3 4 5 6 7 Not at all To a full extent

13. Overall our business is competitor orientated: 1 2 3 4 5 6 7 Not at all To a full extent

Section III Interfunctional Coordination

14. Information about our customers is provided to our internal departments: 1 2 3 4 5 6 7 Not at all To a full extent

15. Information about our customers collected through internal departments is passed along to our marketing people: 1 2 3 4 5 6 7 Not at all To a full extent
<table>
<thead>
<tr>
<th></th>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>16. The strategies of our departments are carried out with the main focus on satisfying the needs of our customers:</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>To a full extent</td>
</tr>
<tr>
<td>17. Marketing is confined purely to the people in the marketing department:</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>To a full extent</td>
</tr>
<tr>
<td>18. Employees are fully aware of the needs of our customers:</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>To a full extent</td>
</tr>
<tr>
<td>19. Overall our organisational structure is strongly integrated and motivated within:</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>To a full extent</td>
</tr>
<tr>
<td>Section IV Long Term Focus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. We engage in formal marketing planning:</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>To a full extent</td>
</tr>
<tr>
<td>21. We focus on making profits through sales volume:</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>To a full extent</td>
</tr>
<tr>
<td>22. We focus on making profits through customer satisfaction:</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>To a full extent</td>
</tr>
<tr>
<td>23. We have a formal marketing plan:</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>To a full extent</td>
</tr>
<tr>
<td>24. We anticipate the future needs of our customers:</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>To a full extent</td>
</tr>
<tr>
<td>25. Long term planning is an important consideration of our management's strategies:</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>To a full extent</td>
</tr>
<tr>
<td>26. Overall our long term planning is an important consideration for our organisation:</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>To a full extent</td>
</tr>
</tbody>
</table>
**Section V Human Resource Management**

27. We have strong feelings of 'team spirit' amongst our staff:

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td>To a full extent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

28. Our management policies enhance positive attitudes amongst staff in the workplace:

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td>To a full extent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

29. Our reward system motivates staff to increase their productivity:

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td>To a full extent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

30. We have effective procedures that enable staff to increase their productivity:

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td>To a full extent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

31. We have an independent body that provides staff an opportunity to seek counsel for any work-related matters:

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td>To a full extent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

32. There is a strong feeling of satisfaction amongst staff towards their duties:

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td>To a full extent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

33. We offer incentives for employees to further educate themselves:

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td>To a full extent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

34. Overall our human resource management policies are effective in maintaining high staff performance levels:

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td>To a full extent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Section VI Performance Measurement

Instructions:
For this last section a variety of different structured questions have been designed. For each question please note that specific instructions have been set out to show how each question should be answered.

35. Approximately how many employees are there in your company? (Please circle one number).

<table>
<thead>
<tr>
<th>Less than 10</th>
<th>10 - 20</th>
<th>21 - 40</th>
<th>41 - 60</th>
<th>61 - 80</th>
<th>81 or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

36. Do you grow your own grapes used in production? (Please circle one number).

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

37. How important to your company are the following criteria for measuring performance? (Please rank from 1 = most important to 5 = least important of the factors).

   Overall profit
   Sales volume
   Market share
   Return on investment
   Cash flow
   Other

38. How important are these methods for evaluating your business’s success? (Please rank from 1 = most important to 4 = least important of the factors).

   Absolute performance
   Performance relative to objectives
   Change in performance relative to last year
   Performance relative to competitors

39. What was your Company’s approximate pre-tax profit/loss in the last financial year? (Total confidentiality is guaranteed)

40. What was the approximate percentage return on investment (ROI) in the last financial year? (Total confidentiality is guaranteed)
41. In the last financial year how well did your company perform relative to its objectives on the following criteria? (Please circle one response per row - Total confidentiality is guaranteed)

<table>
<thead>
<tr>
<th>Better</th>
<th>The same</th>
<th>Worse</th>
</tr>
</thead>
<tbody>
<tr>
<td>In profit terms</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>In sales volume</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>In market share</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>In return on investment</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>In cash flow</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>In export revenue</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

42. In the last financial year how well did your company perform relative to the previous financial year? (Please circle one response per row - Total confidentiality is guaranteed)

<table>
<thead>
<tr>
<th>Better</th>
<th>The same</th>
<th>Worse</th>
</tr>
</thead>
<tbody>
<tr>
<td>In profit terms</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>In sales volume</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>In market share</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>In return on investment</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>In cash flow</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>In export revenue</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

43. In the last financial year how well did your company perform relative to your competitors? (Please circle one response per row - Total confidentiality is guaranteed)

<table>
<thead>
<tr>
<th>Better</th>
<th>The same</th>
<th>Worse</th>
</tr>
</thead>
<tbody>
<tr>
<td>In profit terms</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>In sales volume</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>In market share</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>In return on investment</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>In cash flow</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>In export revenue</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

44. What percentage of your total revenue is in exports? ___________ %

45. What is your official job title? _______________________

46. What is the age of your business? _______________________

Please fill in the following if you would like a summary of the key findings:

Name: _______________________
Address: _______________________

Thankyou for your time and cooperation.